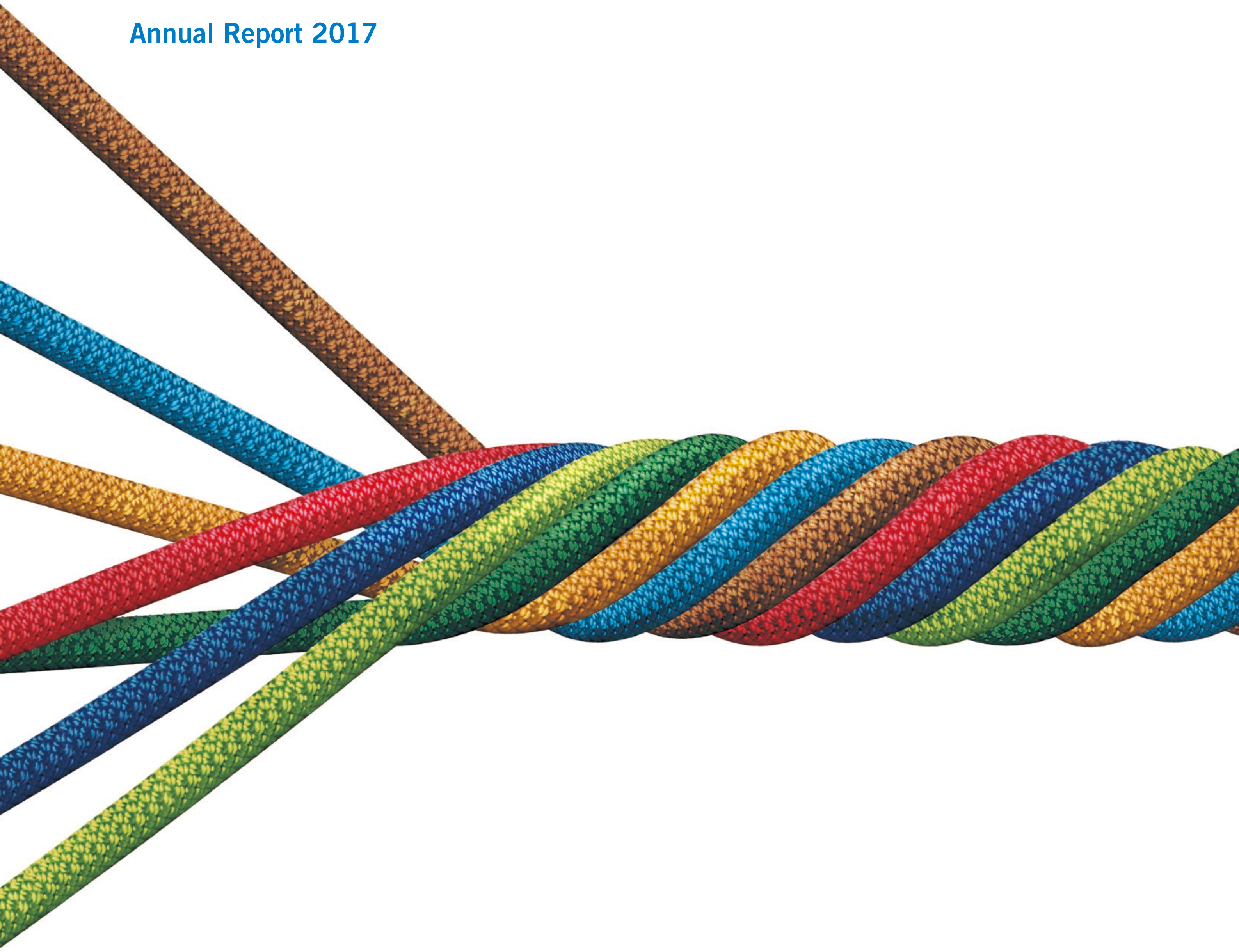
FIRST PACIFIC

First Pacific Company Limited

Stock Code: 142

Annual Report 2017



Creating Long-term Value in Asia

Corporate Profile

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

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

- Delivering dividend/distribution returns to shareholders;
- Delivering share price/value appreciation of First Pacific and the investee companies; and
- Making further investment in value-enhancing businesses, taking into consideration all relevant criteria, including Environmental, Social and Governance ("ESG") factors to better manage risk and generate sustainable long-term returns.

Our **investment criteria** are clear:

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

Our **strategies** are threefold:

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

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

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

As at 20 March 2018, First Pacific's economic interest in Indofood is 50.1%, in PLDT 25.6%, in MPIC 42.0%, in FPW Singapore Holdings Pte. Ltd. ("FPW") 50.0%, in Philex 31.2%[(1)], in FPM Power Holdings Limited ("FPM Power") 67.6%[(2)] and in FP Natural Resources Limited ("FP Natural Resources") 79.4%[(3)].

(1) Two Rivers Pacific Holdings Corporation ("Two Rivers"), a Philippine affiliate of First Pacific, holds an additional 15.0% economic interest in Philex.

(2) Includes a 7.6% effective economic interest in FPM Power held by First Pacific through its indirect interests in Manila Electric Company ("Meralco").

(3) Includes a 9.4% effective economic interest in FP Natural Resources held by First Pacific through its indirect interests in Indofood Agri Resources Ltd. ("IndoAgri"). FP Natural Resources holds 32.7% in RHI, and its Philippine affiliate First Agri Holdings Corporation ("FAHC") holds an additional 30.2% economic interest in RHI.

First Pacific's principal investments are summarized on pages 250 and 251.

Contents

Ten-year Statistical Summary

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Results (US$ millions)										
Turnover	**7,296.8**	6,779.0	6,437.0	6,841.3	6,005.8	5,990.8	5,684.1	4,640.2	3,925.6	4,105.3
Profit for the year	**561.3**	517.8	418.9	503.2	620.9	834.9	1,097.4	785.3	680.6	326.8
Profit attributable to owners of the parent	**120.9**	103.2	80.6	75.7	235.3	353.3	574.0	403.0	410.9	202.2
Contribution from operations	**420.5**	400.2	426.5	455.7	467.2	460.8	511.8	474.0	335.2	304.4
Recurring profit	**300.0**	264.9	287.5	316.9	327.1	358.0	423.0	402.1	286.6	239.2
Ordinary share distributions/dividends	**75.1**	74.5	74.2	115.7	116.1	103.8	109.8	99.4	56.1	37.0
Per Ordinary Share Data (U.S. cents)										
Basic earnings	**2.80**	2.42	1.89	1.76	5.66	9.01	14.49	10.16	11.72	5.82
Basic recurring earnings	**6.96**	6.21	6.74	7.39	7.87	9.13	10.68	10.13	8.18	6.89
Distributions/dividends	**1.74**	1.74	1.74	2.70	2.70	2.70	2.85	2.55	1.54	1.15
Equity attributable to owners of the parent	**74.32**	72.68	71.93	78.08	81.44	84.65	78.50	65.99	49.64	35.17
Total assets	**471.08**	402.07	402.93	378.67	360.68	362.80	327.55	279.68	243.43	224.03
Net tangible assets	**361.58**	300.82	305.12	295.40	281.00	281.45	251.57	208.51	178.58	155.13
Net cash flows from operating activities	**17.96**	17.11	15.21	19.48	17.41	25.54	16.22	20.66	1.69	4.76
Financial Ratios										
Gross margin (%)	**29.50**	29.57	27.86	27.59	29.31	31.08	31.21	35.50	30.20	24.41
Recurring return on average net assets (%)	**9.47**	9.23	9.24	10.13	10.18	11.83	15.01	16.11	15.20	18.88
Recurring return on average equity attributable to owners of the parent (%)	**9.47**	8.57	8.96	9.24	9.69	11.43	15.11	17.91	18.82	21.16
Distribution/dividend payout ratio (%)	**25.03**	28.12	25.81	36.51	35.49	28.99	25.96	24.72	19.57	15.47
Distribution/dividend cover (times)	**3.99**	3.56	3.87	2.74	2.82	3.45	3.85	4.05	5.11	6.46
Distribution/dividend yield (%)	**2.55**	2.50	2.64	2.74	2.38	2.49	2.75	2.84	2.39	3.34
Interest cover (times)	**4.31**	4.18	3.87	4.29	4.77	6.29	7.18	5.02	3.67	4.76
Current ratio (times)	**1.32**	1.24	1.39	1.69	1.72	1.78	1.57	1.85	1.37	0.87
Gearing ratio (times)										
– Consolidated	**0.66**	0.54	0.64	0.47	0.43	0.30	0.26	0.33	0.67	1.06
– Company	**0.83**	0.75	0.79	0.56	0.51	0.67	0.71	0.46	0.36	0.47

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Consolidated Statement of Financial Position Data (US$ millions)										
Total assets	**20,454.5**	17,215.4	17,199.0	16,233.4	15,544.1	13,886.7	12,611.8	10,914.1	9,397.3	7,199.0
Net debt	**5,731.4**	4,338.0	4,667.9	3,455.9	3,182.5	2,145.8	1,764.8	1,847.0	2,719.5	2,520.8
Total liabilities	**11,712.0**	9,181.1	9,864.6	8,822.1	8,064.6	6,636.0	5,732.6	5,302.0	5,358.2	4,823.8
Net current assets/(liabilities)	**1,041.0**	646.9	1,186.2	1,944.6	1,672.3	1,613.9	1,193.0	1,278.4	594.3	(264.7)
Total assets less current liabilities	**17,198.5**	14,493.6	14,130.4	13,420.2	13,213.4	11,817.1	10,508.8	9,409.3	7,797.0	5,123.3
Equity attributable to owners of the parent	**3,227.1**	3,112.0	3,070.2	3,347.2	3,509.9	3,240.0	3,022.7	2,575.2	1,916.2	1,130.1
Total equity	**8,742.5**	8,034.3	7,334.4	7,411.3	7,479.5	7,250.7	6,879.2	5,612.1	4,039.1	2,375.2
Consolidated Statement of Cash Flows Data (US$ millions)										
Net cash flows from operating activities	**776.1**	731.4	650.0	835.8	723.9	1,002.0	642.5	819.9	59.1	165.2
Capital expenditure	**1,063.0**	696.7	830.8	636.4	899.7	701.6	561.7	513.7	389.8	300.5
Other Information (at 31 December)										
Company's net debt (US$ millions)(i)	**1,521.8**	1,511.3	1,675.3	1,227.5	1,160.3	1,133.8	1,170.3	816.9	651.7	731.3
Number of shares in issue (millions)	**4,342.0**	4,281.7	4,268.5	4,287.0	4,309.7	3,827.6	3,850.4	3,902.4	3,860.3	3,213.4
Weighted average number of shares in issue during the year (millions)	**4,320.2**	4,275.8	4,274.2	4,299.1	4,157.4	3,922.7	3,961.8	3,967.7	3,505.6	3,474.1
Share price (HK$)										
– After rights issue	**5.30**	5.42	5.14	7.69	8.82	8.32	7.90	6.83	4.61	2.48
– Before rights issue	**N/A**	N/A	N/A	N/A	N/A	8.51	8.08	7.00	4.74	2.69
Adjusted NAV per share (HK$)										
– After rights issue	**10.26**	10.45	9.67	13.24	12.57	15.09	13.09	12.63	10.14	5.54
– Before rights issue	**N/A**	N/A	N/A	N/A	N/A	15.43	13.38	12.91	10.37	5.97
Share price discount to adjusted NAV per share (%)	**48.3**	48.1	46.8	41.9	29.8	44.8	39.6	45.8	54.3	54.9
Market capitalization (US$ millions)	**2,950.3**	2,975.2	2,812.8	4,226.5	4,873.3	4,176.0	3,988.6	3,502.2	2,345.9	1,108.2
Number of shareholders	**4,530**	4,760	4,796	4,853	4,884	4,606	4,503	4,608	6,202	4,983
Number of employees	**102,530**	94,189	96,446	98,107	91,874	80,941	73,582	70,525	68,416	66,452

N/A: Not applicable

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

See pages 246 to 248 for a glossary of terms

Note: In December 2009 and July 2013, the Company completed two rights issues, offering its shareholders one rights share for every five existing shares held at a subscription price of HK$3.40 per rights share and one rights share for every eight existing shares held at a subscription price of HK$8.10 per rights share, respectively. Accordingly, the comparative amounts of (i) basic earnings per share, (ii) basic recurring earnings per share, (iii) net cash flows from operating activities per share, (iv) weighted average number of shares in issue during the year, (v) share price (after rights issue) and (vi) adjusted NAV per share (after rights issue) for 2008 to 2012 have been restated to reflect the effects of these rights issues in order to provide a more meaningful comparison.

Financial Highlights

US$120.9m
Reported net profit ↑ 17%

US$300.0m
Recurring profit ↑ 13%

US$420.5m
Contribution from operations ↑ 5%

US$7.3b
Turnover ↑ 8%

US$3.0b
Market capitalization ↓ 1%

US$20.5b
Total assets ↑ 19%

Profit Contribution from Operations ↑ 5% to US$420.5m

By sector

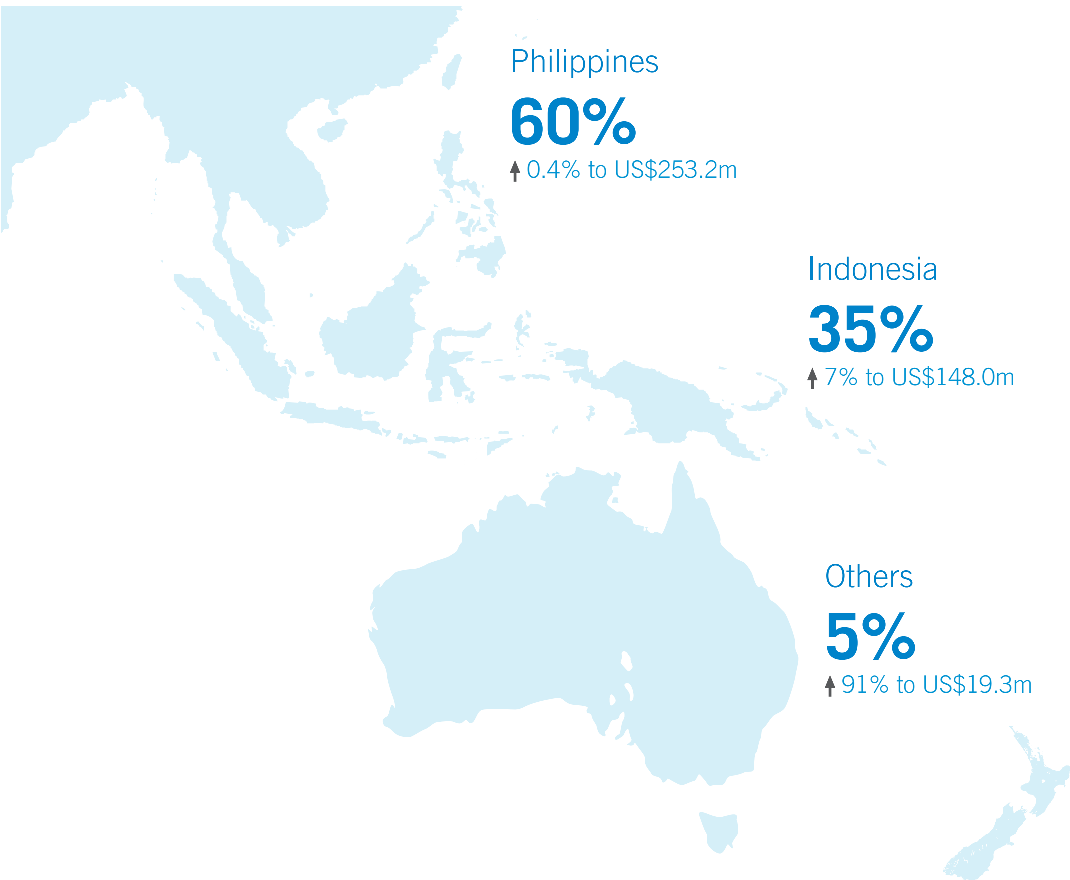
Consumer food products
42%
↑ 11% to US$175.7m

Telecommunications
30%
↓ 2% to US$124.8m

Infrastructure
25%
↑ 4% to US$107.3m

Natural resources
3%
↑ 25% to US$12.7m

By country



Philippines
60%
↑ 0.4% to US$253.2m

Indonesia
35%
↑ 7% to US$148.0m

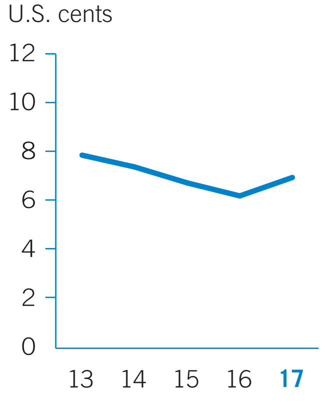
Others
5%
↑ 91% to US$19.3m

- Distribution payout in cash terms at US$75.1 million
- Distribution payout of 25% of recurring profit
- Head Office dividend and fee income from operating companies down 7% to US$185.5 million
- Head Office gross debt at US$1.6 billion
- Head Office net debt up 1% to US$1.5 billion
- Redeemed, bought back and cancelled US$404.7 million principal amount of bonds

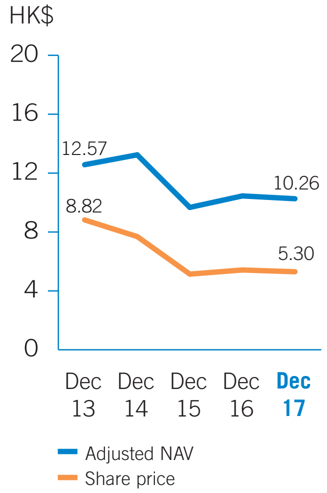
Five-year Data

(Per share)

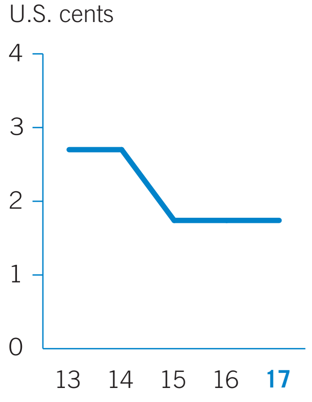
Basic Recurring Earnings



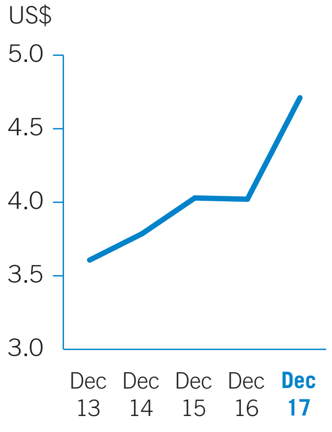
Share Price vs Adjusted NAV



Dividends/Distributions



Total Assets



Review of Operations

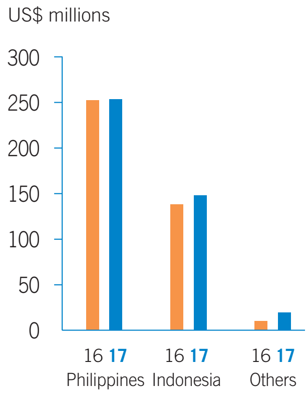
FIRST PACIFIC

Below is an analysis of results by individual company.

Contribution and Profit Summary

For the year ended 31 December US$ millions	Turnover 2017	Turnover 2016	Contribution to Group profit[i] 2017	Contribution to Group profit[i] 2016
Indofood	**5,237.5**	5,010.5	**148.0**	137.9
PLDT[ii]	**–**	–	**124.8**	127.7
MPIC	**1,240.8**	940.2	**118.3**	117.2
FPW[iii]	**–**	–	**30.3**	24.0
Philex[ii]	**–**	–	**12.7**	10.2
FPM Power	**565.4**	575.3	**(11.0)**	(13.9)
FP Natural Resources	**253.1**	253.0	**(2.6)**	(2.9)
Contribution from Operations[iv]	**7,296.8**	6,779.0	**420.5**	400.2
Head Office items:				
– Corporate overhead			**(27.1)**	(28.4)
– Net interest expense			**(80.9)**	(95.7)
– Other expenses			**(12.5)**	(11.2)
Recurring Profit[v]			**300.0**	264.9
Foreign exchange and derivative gains/(losses)[vi]			**16.4**	(9.1)
Gain on changes in fair value of biological assets			**0.1**	2.6
Non-recurring items[vii]			**(195.6)**	(155.2)
Profit Attributable to Owners of the Parent			**120.9**	103.2

Contribution by Country



(i) After taxation and non-controlling interests, where appropriate.
(ii) Associated companies.
(iii) Joint venture.
(iv) Contribution from operations represents the recurring profit contributed to the Group by its operating companies.
(v) Recurring profit represents the profit attributable to owners of the parent excluding the effects of foreign exchange and derivative gains/losses, gain on changes in fair value of biological assets and non-recurring items.
(vi) Foreign exchange and derivative gains/losses represent the gains/losses on foreign exchange translation differences on the Group's unhedged foreign currency denominated net borrowings and payables and the changes in the fair values of derivatives.
(vii) Non-recurring items represent certain items, through occurrence or size, which are not considered as usual operating items. 2017's non-recurring losses of US$195.6 million mainly represent the Group's impairment provisions for assets, including PLDT's wireless network assets (US$15.9 million) and accelerated depreciation for wireless network assets (US$44.1 million), Goodman Fielder's intangible assets (US$14.2 million), the Group's investments in AFPI (US$6.5 million) and Indofood's intangible assets in the Beverages business (US$6.4 million), Goodman Fielder's manufacturing network optimization costs (US$15.2 million), Head Office's bond tender and debt refinancing costs (US$14.9 million) and MPIC's loss on remeasurement of its previously held 75.0% interest in Beacon Electric Asset Holdings Inc. ("Beacon Electric") (US$13.5 million), partly offset by MPIC's gain on remeasurement of previously held 60.0% interest in Tollways Management Corporation ("TMC") (US$11.9 million) and its divestment of a 4.5% direct interest in Meralco (US$6.1 million). 2016's non-recurring losses of US$155.2 million mainly represent the Group's impairment provisions for assets, including FPM Power's goodwill related to its investment in PLP (US$44.8 million), PLDT's investment in Rocket Internet shares and other intangible assets (US$35.4 million), Philex's deferred exploration costs and other assets (US$31.4 million) and MPIC's investment in Landco Pacific Corporation ("Landco") (US$6.8 million), PLP's provision for onerous contracts (US$6.0 million) and MPIC's project expenses (US$3.8 million).

Turnover up 8% to US$7.3 billion from US$6.8 billion	■ reflecting higher revenues at Indofood and MPIC ■ partly offset by lower revenues at FPM Power
Recurring profit up 13% to US$300.0 million from US$264.9 million	■ reflecting higher contributions from Indofood, FPW, Philex and MPIC, and lower losses at FPM Power and FP Natural Resources ■ lower Head Office net interest expense and corporate overhead ■ partly offset by a lower contribution from PLDT
Non-recurring losses up 26% to US$195.6 million from US$155.2 million	■ reflecting PLDT's additional depreciation and impairment provision for its wireless network assets ■ Goodman Fielder's costs for optimizing its manufacturing network ■ Head Office's bond tender and debt refinancing costs ■ MPIC's loss on remeasurement of its previously held 75.0% interest in Beacon Electric upon the acquisition of control and project expenses ■ Indofood's impairment provision for intangible assets in the Beverages business ■ partly offset by MPIC's gain on remeasurement of previously held 60.0% interest in TMC and its divestment of a 4.5% direct interest in Meralco
Reported profit up 17% to US$120.9 million from US$103.2 million	■ reflecting a higher recurring profit ■ foreign exchange and derivative gains while it was foreign exchange and derivative losses in 2016 ■ partly offset by higher non-recurring losses

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

Closing exchange rates against the U.S. dollar At 31 December	2017	2016	One year change
Rupiah	**13,548**	13,436	–0.8%
Peso	**49.93**	49.72	–0.4%
A$	**1.281**	1.389	+8.4%
S$	**1.336**	1.447	+8.3%

Average exchange rates against the U.S. dollar For the year ended 31 December	2017	2016	One year change
Rupiah	**13,401**	13,322	–0.6%
Peso	**50.38**	47.67	–5.4%
A$	**1.301**	1.347	+3.5%
S$	**1.374**	1.382	+0.6%

During 2017, the Group recorded net foreign exchange and derivative gains of US$16.4 million (2016: losses of US$9.1 million), which can be further analyzed as follows:

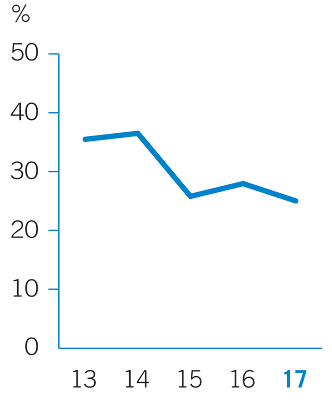
US$ millions	2017	2016
Head Office	**(1.3)**	(8.3)
Indofood	**2.2**	6.2
PLDT	**0.6**	(6.3)
MPIC	**1.8**	1.9
FPW	**0.6**	0.4
Philex	**(0.3)**	(1.0)
FPM Power	**12.8**	(2.2)
FP Natural Resources	**–**	0.2
Total	**16.4**	(9.1)

Capital Management

Distribution

First Pacific's Board of Directors, taking into consideration cash flow trends and following consistent prudent risk management practices, declared a final distribution of HK5.5 cents (U.S. 0.71 cent) per share which brings the total distributions for 2017 to HK13.5 cents (U.S. 1.74 cents), unchanged from a year earlier. The total distribution represent a 25% payout of the Group's 2017 recurring profit attributable to shareholders, in line with a payout ratio commitment of 25%.

Dividend/Distribution Payout Ratio



Debt Profile

In January 2017, First Pacific, through bond tender offers for all of the outstanding bonds maturing in 2017 and an aggregate principal amount of up to US$200 million for the bonds maturing in 2020, bought back and cancelled approximately US$152.2 million in aggregate principal amount of bonds.

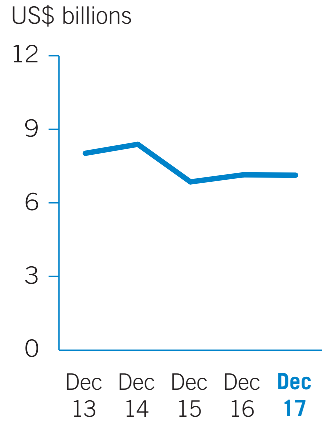
On 24 July 2017, First Pacific redeemed approximately US$218.5 million principal amount of bonds on their maturity.

In addition, during 2017 First Pacific bought back and cancelled approximately US$34.0 million in aggregate principal amount of bonds due 2019 and 2023.

The above-mentioned bond repurchases and redemptions were funded by internal cash resources and bank borrowings.

At 31 December 2017, net debt at the Head Office stood at approximately US$1.5 billion while gross debt stood at approximately US$1.6 billion with an average maturity of approximately 3.6 years. Approximately 36% of the Head Office borrowings were floating rate bank loans while fixed rate bonds comprised the remainder. Unsecured debts accounted for approximately 81% of Head Office borrowings. The blended interest rate declined to approximately 4.5% per annum.

Value of Assets



As at 20 March 2018, the principal amount of the following bonds remains outstanding:

- US$374.5 million at 6.0% coupon with maturity on 28 June 2019
- US$312.2 million at 6.375% coupon with maturity on 28 September 2020
- US$358.8 million at 4.5% coupon with maturity on 16 April 2023

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

Interest Cover

For 2017, Head Office recurring operating cash inflow before interest expense was US$159.0 million. Net cash interest expense declined 21% to US$72.4 million reflecting a lower average debt balance arising from bond repurchases and redemption, and a lower average interest rate. For the 12 months ended 31 December 2017, the cash interest cover was approximately 2.2 times.

Foreign Currency Hedging

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

2018 Outlook

The improved financial and operating results seen in 2017 are helping to lay the groundwork for further improvement going forward. Lower borrowings and interest costs are strengthening First Pacific's balance sheet and cash flow going forward, even as Management presses on with its ambition to streamline First Pacific's portfolio of investments with a view to further improving returns and releasing funds to direct towards further debt reduction and share repurchases to boost shareholder returns.

First Pacific Management is confident that continuing growth in the markets served by Indofood, MPIC and Goodman Fielder will help lift earnings at these businesses even as they invest for growth. PLDT is beginning to reap the benefits of its five-year Pesos 260 billion capital expenditure program and the quarter-on-quarter improvements we have seen in 2017 signal better prospects just ahead.

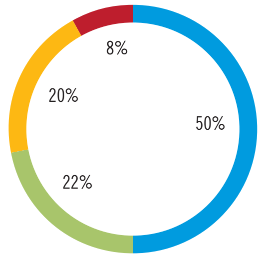
Indofood
THE SYMBOL OF QUALITY FOODS

PROFIT CONTRIBUTION
US$
148.0
million

Indofood's contribution to the Group increased 7% to US$148.0 million (2016: US$137.9 million) principally reflecting higher core net income.

Core net income up 8% to Rupiah 4.3 trillion (US$320.7 million) from Rupiah 4.0 trillion (US$299.4 million)	■ reflecting stronger performance of Consumer Branded Products ("CBP") group ■ partly offset by weaker performance of Bogasari and Agribusiness groups and the absence of contribution from China Minzhong Food Corporation Limited ("CMZ")
Net income to Rupiah 4.2 trillion (US$311.1 million) from Rupiah 4.1 trillion (US$311.1 million)	■ reflecting the increase in core net income ■ partly offset by impairment provisions made for beverage assets
Consolidated net sales up 5% to Rupiah 70.2 trillion (US$5.2 billion) from Rupiah 66.8 trillion (US$5.0 billion)	■ driven by higher sales of all business groups ■ sales contribution from CBP, Bogasari, Agribusiness and Distribution groups amounted to 50%, 22%, 20% and 8% of the total, respectively
Gross profit margin to 28.3% from 29.0%	■ reflecting higher cost of goods sold
Consolidated operating expenses up 1% to Rupiah 11.1 trillion (US$828.3 million) from Rupiah 11.1 trillion (US$826.1 million)	■ mainly due to higher salaries, wages and employee benefits, and freight and handling expenses ■ partly offset by lower advertising and promotion expenses as well as higher net other operating income mainly due to a foreign exchange gain recorded in 2017 while it was a foreign exchange loss in 2016
EBIT margin to 12.5% from 12.4%	■ due to a growth in consolidated net sales
Net gearing at 0.23 times from 0.21 times	

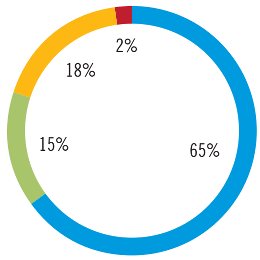
Turnover 2017*



	US$ millions
Consumer Branded Products	2,636.9
Bogasari	1,160.4
Agribusiness	1,019.8
Distribution	420.4
Total	**5,237.5**

* After inter-segment elimination

Operating Profit 2017



	US$ millions
Consumer Branded Products	420.4
Bogasari	98.5
Agribusiness	118.6
Distribution	15.2
Total	**652.7**

Debt Profile

As at 31 December 2017, Indofood recorded gross debt of Rupiah 24.3 trillion (US$1.8 billion), up 8% from Rupiah 22.4 trillion (US$1.7 billion) as at 31 December 2016. Of this total, 52% matures within one year and the remainder matures between 2019 and 2027, while 69% was denominated in rupiah and the remaining 31% was denominated in foreign currencies.

Additional Investments and Asset Disposal

In February 2017, under an agreement with Marvellous Glory Holdings Limited ("Marvellous BVI") in relation to Indofood's disposal of its 82.88% interest in CMZ to Marvellous BVI, Indofood fully exchanged the mandatory exchangeable bonds for approximately 29.94% of CMZ. On 26 April 2017, Indofood disposed its 29.94% of CMZ to China Minzhong Holdings Limited ("CMZ BVI") for a consideration of S$235.5 million (US$169.9 million). Indofood received the first two installments for a total of S$117.7 million (US$85.6 million) in 2017 and the remaining balance will be received in two installments in 2018 with the last installment to take place in December 2018.

On 7 June 2017, Indofood's subsidiary PT Aston Inti Makmur entered into two conditional sale and purchase agreements with Mr. Anthoni Salim (the Chairman of the Board and a substantial shareholder of First Pacific) and his wholly-owned company PT Adithya Suramitra for the acquisition of six plots of land with a total area of 42,877 square meters where Indofood cooking oil and fats production facilities are located. The total consideration is Rupiah 2.2 trillion (US$164.1 million) and the transactions were completed in August 2017.

On 22 December 2017, Indofood's subsidiary PT Indofood CBP Sukses Makmur Tbk ("Indofood CBP") entered into a conditional sale and purchase agreement with Asahi Group Holdings, Ltd. ("Asahi") to purchase from Asahi approximately 51% of PT Asahi Indofood Beverage Makmur ("AIBM") and approximately 49% of PT Indofood Asahi Sukses Beverage ("IASB") for a total consideration of approximately US$20.0 million. The completion of the proposed transaction is conditional on the satisfaction of certain conditions precedent as agreed in the agreement.

On 19 February 2018, IndoAgri announced its wholly-owned subsidiary IndoAgri Brazil Participações Ltda. in Brazil partnered with JF Investimentos S.A. through an equally-owned joint venture company to acquire Canápolis Holding S.A. and its subsidiaries ("Canápolis Group") for a total consideration of Brazilian Real 137.8 million (US$42.0 million). Canápolis Group's Minas Gerais sugar mill in Brazil has an annual sugar cane crushing capacity of 1.8 million tonnes and has 6,048 hectares of land. Operation of its sugar mill is expected to commence in 2020.

CBP

The CBP group comprises the Noodles, Dairy, Snack Foods, Food Seasonings, Nutrition & Special Foods and Beverages divisions. With over 50 plants located in key areas across Indonesia and around 40 leading product brands, CBP produces and markets a wide range of food and beverage products across Indonesia and exports to over 60 countries around the world.

Indofood's Noodles division is one of the world's largest producers of instant noodles with annual production capacity of around 18 billion packs, offering a wide range of instant noodles in various formats, and egg noodles.

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

The Snack Foods division has an annual production capacity of over 50,000 tonnes, producing western and contemporized traditional snacks made from potato, cassava, soybean, corn and sweet potato, as well as various extruded snacks and a wide range of biscuits.

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

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

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

Sales by the CBP group rose 4% to Rupiah 35.5 trillion (US$2.7 billion), with almost all divisions contributing to the increase. The EBIT margin improved to 15.3% from 14.2%.

Amidst slower demand in the fast-moving consumer good and intensified competition, CBP continued to strengthen its market position in most product categories. It continued its strategy of product innovation and extending offers from its major product divisions, launching around 70 new products including new categories of tortilla chips and rice puff for babies as well as flavor extensions in 2017.

Bogasari

Bogasari produces wheat flour and pasta for domestic and international markets. Its sales rose 1% to Rupiah 19.1 trillion (US$1.4 billion) reflecting a 4% growth in sales volume but at a lower average selling price. The EBIT margin decreased to 6.9% from 8.1% due to market competition.

The flour industry in Indonesia has been growing steadily in recent years with increasing consumer appetite for more varieties of flour-based products, particularly among the young. With this development per-capita flour consumption is expected to continue rising in the medium term.

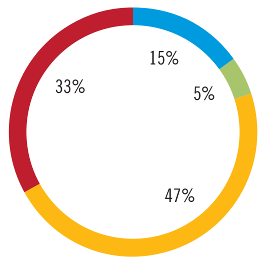
Agribusiness

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

In 2017, IndoAgri completed the expansion of milling facilities in South Sumatra and in Kalimantan, increasing its milling capacity of fresh fruit bunches ("FFB") by 70 tonnes per hour. In anticipation of the eventual ban of unpackaged cooking oils from traditional markets in Indonesia, IndoAgri has started to roll out affordably priced pillow-packed cooking oils under the group's secondary brand of *Delima*. Additionally it has partnered with Daitocacao Co., Ltd. of Japan to produce and market chocolate products in Indonesia. The ground breaking at the site of its first chocolate factory took place in November 2017 and commercial production is scheduled for 2019.

Sales increased 8% to Rupiah 15.7 trillion (US$1.2 billion), reflecting higher average selling prices of CPO, palm kernel and rubber, and higher sales volumes of CPO, palm kernel and oil palm seeds. Sales volume of CPO, palm kernel related products and oil palm seeds rose 7%, 9% and 17% to approximately 880,000 tonnes, 211,000 tonnes and 11.3 million respectively, while sugar and rubber sales volumes declined 24% and 4% to approximately 50,000 tonnes and 12,400 tonnes, respectively. The EBIT margin fell to 10.1% from 11.9% due to higher palm production costs and lower contribution from sugar, negative effects from foreign currency fluctuations, changes in fair values of biological assets, and the absence of a Rupiah 107 billion (US$8.0 million) one-off claim from a contractor for a significant delay in the completion of a project. This was partly offset by improved share of profits from a joint venture in Brazil.

Age Profile of Oil Palm Plantations

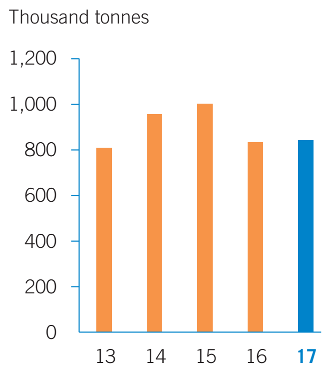


	Hectares
Immature areas	37,813
4 – 6 years	10,944
7 – 20 years	117,346
Above 20 years	81,527
Total	**247,630**

Plantations

In Indonesia, total planted area was 300,387 hectares of which oil palm accounts for 82% while rubber, sugar cane, timber, cocoa and tea account for the remaining 18%. Around 20% of oil palms are younger than seven years while overall the oil palms have an average age of approximately 15 years. This division has a total annual processing capacity of 6.5 million tonnes of FFB.

CPO Production



In 2017, FFB nucleus production rose 4% to 3,109,000 tonnes with yield improved to 14.8 tonnes per hectare, while CPO production increased 1% to 842,000 tonnes with yield of 3.2 tonnes per hectare, reflecting higher share of newly mature planted area with higher oil palm production and recovery. As at 31 December 2017, the Roundtable on Sustainable Palm Oil ("RSPO") certified CPO production was approximately 447,000 tonnes or 53% of the total while Indonesia Sustainable Palm Oil ("ISPO") certified output was approximately 389,000 tonnes or 46% of IndoAgri's total CPO production.

In Indonesia, total planted area of rubber and sugar cane decreased slightly from year-end 2016 to 19,869 hectares and 12,618 hectares in 2017, respectively, due to replanting in progress. Sugar production declined 16% to approximately 54,000 tonnes due to lower yield resulting from heavy rainfall which affected the sucrose content and harvesting activities. In addition, the extended harvest period in 2016 also affected the cane yield for the current season.

In Brazil, the planted area of sugar cane fell 9% from year-end 2016 to 49,204 hectares owing to replanting in progress. IndoAgri's 50% share of CMAA contributed a profit of Rupiah 139 billion (US$10.3 million) as compared to a loss of Rupiah 33 billion (US$2.5 million) in 2016, reflecting CMAA's turnaround to profitability as a result of higher selling prices, higher production and lower foreign currency impacts. In 2017, CMAA crushed a record high 4.1 million tonnes of sugar cane.

EOF

This division manufactures cooking oils, margarines and shortenings with an annual refinery capacity of 1.4 million tonnes of CPO. Approximately 64% of this division's input needs is sourced from the Plantations division's CPO production.

In 2017, the EOF division recorded higher sales owing mainly to higher average selling prices and sales volumes of edible oils and fats products.

The Agribusiness is prioritizing its capital expenditure on expanding palm milling and refinery facilities, replanting older palms in North Sumatra and Riau, building the chocolate factory and expanding sugar operations. It will continue to strengthen its fundamentals, improve yields and margins, and implement cost controls to further improve profitability.

Distribution

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

Distribution's sales rose 6% to Rupiah 5.6 trillion (US$420.4 million) mainly because of higher sales by the CBP group. The EBIT margin rose to 3.6% from 3.3%.

The Distribution group continues to strengthen its distribution network, serving over 600,000 registered retail outlets in Indonesia to increase Indofood's product penetration and high product availability in retail outlets. It also offers product distribution for external customers.

2018 Outlook

Indonesia's economic condition is expected to improve in 2018. Higher private consumption will be a key driver of economic growth. Given the positive outlook, Indofood is gearing its operations towards delivering stronger performance across all business groups.

PLDT

PROFIT CONTRIBUTION

US$

124.8

million

PLDT's contribution to the Group declined 2% to US$124.8 million (2016: US$127.7 million), reflecting the combined effect of the strong performance of the Home and Enterprise segments, lower service revenues from the Individual business segment partly due to the on-going shift to data and digital services among consumers and loss of subscribers, lower subsidies and provisions, higher depreciation expenses and manpower reduction costs, and the 5% depreciation of the average peso exchange rate against the U.S. dollar in 2017. 2017 earnings were also supplemented by gains from the sale of assets, including the remaining 25% stake in Beacon Electric and the 18.3% interest in SPi Global Holdings, Inc.

Consolidated core net income down 1% to Pesos 27.7 billion (US$549.2 million) from Pesos 27.9 billion (US$584.4 million)	■ reflecting the increase in consolidated EBITDA offset by one-off expenses/adjustments ■ excluding gains from asset sales, additional depreciation and EBITDA adjustments including Pesos 1.6 billion (US$31.8 million) of manpower reduction program ("MRP") expenses, recurring core income rose by 11% or Pesos 2.1 billion (US$41.7 million)
Reported net income down 33% to Pesos 13.4 billion (US$265.4 million) from Pesos 20.0 billion (US$419.7 million)	■ reflecting significant non-core expenditure in relation to transformation initiatives, including additional depreciation due to shortened estimated useful life of network assets, and non-current asset impairment of Smart and Digitel assets due to technological obsolescence ■ includes a Pesos 540 million (US$10.7 million) impairment of the investment in Rocket Internet ■ increase in fair value of Rocket Internet of Pesos 3.3 billion (US$66.1 million) in 2017 booked under Other Comprehensive Income
Consolidated service revenues down 4% to Pesos 151.2 billion (US$3.0 billion) from Pesos 157.2 billion (US$3.3 billion)	■ reflecting lower revenues from cellular SMS and international and domestic voice services ■ partly offset by higher revenues from data, broadband and digital platforms ■ the quarterly decline of wireless revenues moderated in the course of 2017 and service revenues stabilized as the year progressed ■ growth of data, broadband and digital platform revenues continued, with combined service revenues for this group up 11%, representing 47% of consolidated service revenues ■ by business unit, Home, Enterprise, Voyager and Others service revenues rose 13%, 11% and 57%, respectively; Individual and International and Carrier services revenues were down 11% and 21%, respectively ■ data and broadband remained the growth drivers, accounting for 63%, 63% and 40% of the Home, Enterprise and Individual segments' service revenues, respectively ■ combined revenues from Home and Enterprise contributed 47% to the consolidated service revenues, while Individual revenues accounted for 41%
EBITDA up 8% to Pesos 66.2 billion (US$1.3 billion) from Pesos 61.2 billion (US$1.3 billion)	■ reflecting lower subsidies and provisions ■ partly offset by lower service revenues and higher cash operating expenses which includes Pesos 1.6 billion (US$31.8 million) in relation to the MRP ■ EBITDA for the fixed line business grew 9% to Pesos 29.5 billion (US$585.5 million); while EBITDA for the wireless business rose 8% year-on-year to Pesos 35.2 billion (US$698.7 million) ■ excluding the Pesos 1.6 billion (US$31.8 million) in MRP expenses, consolidated EBITDA was 11% higher at Pesos 67.8 billion (US$1.3 billion), while fixed line EBITDA was up 15% at Pesos 31.1 billion (US$617.3 million)
EBITDA margin to 44% from 39%	■ mainly due to higher EBITDA ■ wireless EBITDA margin improved to 40% from 32%; while fixed line EBITDA margin was stable at 39% ■ excluding the impact of the MRP, the consolidated EBITDA margin was 45%

Capital Expenditures

From 2011 to 2017, PLDT spent approximately Pesos 257.2 billion (US$5.1 billion) in capital expenditures for its mobile and fixed line networks to significantly improve quality, capability, capacity and coverage.

In 2017, capital expenditures amounted to Pesos 40.0 billion (US$794.0 million) of which 67% was deployed for the wireless business and the remaining 33% was for fixed line networks, resulting in substantial improvements in network coverage and speeds, including doubling the reach of PLDT's fixed broadband network. Smart's network offered the fastest LTE speeds in the Philippines, ranking 28th out of 43 Asian telecommunications operators. PLDT reached 4.0 million fiber homes passed as at 31 December 2017, of which 1.2 million were installed in 2017. The rollout of 3G/ LTE coverage by using low-band spectrum across the Philippines is ongoing and will continue in the next 12 to 18 months, with a doubling of LTE base stations to over 17,700 and increasing 3G base stations to over 12,400.

Capital expenditures for 2018 are estimated at Pesos 58 billion, mainly to continue improvements in network quality in order to provide the customer with a superior data experience. Furthermore, capital expenditures for 2018 aim to support the growth of the Home and Enterprise segments' data and broadband businesses, including additional capacity to tap growing demand and potential.

Debt Profile

As at 31 December 2017, PLDT's consolidated net debt was US$2.8 billion (2016: US$2.9 billion), while total gross debt declined to US$3.5 billion (2016: US$3.7 billion), of which 20% was denominated in U.S. dollars (2016: 32%). Only 8% of the total debt was unhedged after taking into account the available U.S. dollar cash on hand and currency hedges allocated for debt. 91% of the total debts are due to mature after 2018. Post interest rate swaps, 92% of the total debt are fixed-rate borrowings. The average pre-tax interest cost declined to 4.2% from 4.4% for the full year of 2016.

PLDT's credit ratings remained at investment grade.

Capital Management

Dividends

PLDT's dividend policy is to pay 60% of core net income as regular dividends with a "look back" policy at year-end to assess the possibility of paying a special dividend. Subject to the finalization of PLDT's audited financial statements for 2017, its Board of Directors plans to declare a final regular dividend of Pesos 28 (US0.56) per share. Added to the interim regular dividend of Pesos 48 (US$0.95) per share paid on 8 September 2017, total dividends for 2017 will amount to Pesos 76 (US$1.51) per share. No special dividends were declared for 2017 as the use of available cash was prioritized for network investments and debt reduction.

Asset Disposals

In August 2017, PLDT, through its indirect subsidiary PLDT Global Investments Corporation ("PGIC"), completed the disposal of its remaining 18.3% interest in a business process outsourcing business, SPi Global Holdings, Inc. ("SPi") for a consideration of US$56.2 million to the Partners Group.

In June 2017, PLDT's subsidiary, PLDT Communications and Energy Ventures, Inc. ("PCEV"), completed the disposal of the remaining 25.0% interest in Beacon Electric to MPIC for a consideration of Pesos 21.8 billion (US$432.7 million). PCEV had received Pesos 12.0 billion (US$238.2 million) in cash with the balance of Pesos 9.8 billion (US$194.5 million) to be received in equal annual installments starting June 2018 until June 2021. Proceeds from the sale of assets will be mainly used for debt reduction and network upgrades and expansion.

Fixed Line

Fixed line service revenues (net of interconnection costs) rose 11% to Pesos 70.2 billion (US$1.4 billion). The higher revenues from data and broadband services (Home broadband, Enterprise data and leased lines, data center and IT) and local exchange carrier were partly offset by lower international long distance ("ILD") and national long distance ("NLD") revenues due to continuing decline in call volumes.

Fixed line data and broadband service revenues rose 18% year-on-year to Pesos 44.3 billion (US$879.3 million) while local exchange carrier and other revenues rose 6% to Pesos 20.7 billion (US$410.9 million), representing 63% and 29% of fixed line service revenues, respectively. ILD and NLD revenues continued to decline registering a 12% reduction to Pesos 5.3 billion (US$105.2 million).

The number of PLDT fixed line subscribers increased 9% from 31 December 2016 to 2.7 million, while fixed broadband subscribers rose to 1.7 million (2016: 1.5 million).

Wireless

Wireless service revenues (net of interconnection costs) declined 11% to Pesos 82.3 billion (US$1.6 billion), reflecting decreases in SMS, domestic and international voice revenues offsetting increases in revenues from mobile data, broadband and digital platforms. Revenues from data, broadband and digital platforms, SMS, and domestic and international voice represented 36%, 27% and 35% of total wireless service revenues, respectively.

With increasing smartphone penetration of the subscriber base, it is clear that mobile internet and digital services will drive growth going forward as customers access an array of content that includes video, games, and other over-the-top ("OTT") communication and financial services. The PLDT group's focus will remain on providing the customer relevant products and services and the best data user experience.

The PLDT group's combined mobile subscriber base declined 7% to 58.3 million. Beginning in the second quarter of 2017, measurement of the prepaid subscriber base excluded subscribers who did not reload within the previous 90 days vis-à–vis the previous cut-off of 120 days, resulting in a decrease in the subscriber count. On the other hand, wireless home broadband subscriber numbers were lower by about 33,000 to approximately 237,000 as a result of a business strategy to migrate and upgrade such subscribers to fixed line services.

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

PLDT remained the market leader of home broadband segment in the Philippines, with a combined fixed line and wireless broadband subscriber base of approximately 2.0 million at the end of December 2017, up 13% year-on-year. As at 31 December 2017, smartphone ownership rose to about 55% of PLDT's mobile subscriber base, with about half of those owning smartphones paying for data. Mobile internet usage grew 99% in volume terms during 2017.

Service Revenues by Business Unit

Home service revenues rose 13% to Pesos 33.0 billion (US$655.0 million), representing 23% of consolidated service revenues (net of interconnection). Growth was driven by higher data and broadband revenues and higher home broadband subscriptions. Growth in demand for home broadband continues, mainly driven by greater consumption of video content in customers' homes.

Enterprise service revenues rose 11% to Pesos 34.1 billion (US$676.9 million), representing 24% of the consolidated service revenues. Substantial capital investments in networks coverage, capacity, resiliency, data center and cloud capacity, as well as making available a wide array of business solutions laid a strong foundation for revenue growth across all key industry verticals. These include banking and financial services, the outsourcing industry, IT and gaming industries, government/public sector, and small and medium enterprises where PLDT's growth in each outpaced that of the broader industry. Corporate data and broadband accounted for 63% of Enterprise service revenues.

Individual service revenues, accounting for 41% of consolidated service revenues, fell 11% to Pesos 58.9 billion (US$1.2 billion) reflecting subscriber losses and the continuing shift from traditional SMS and voice services to data services during the year. The decline in revenues slowed during the course of 2017, while growth in mobile data usage continued. Mobile data revenues rose 5% to Pesos 23.5 billion (US$466.5 million) and now contribute 40% to total Individual business unit revenues.

International and Carrier service revenues fell 21% to Pesos 16.1 billion (US$319.6 million) and represented 11% of the consolidated service revenues.

Voyager service revenues rose 72% to Pesos 1.2 billion (US$23.8 million), reflecting strong demand for digital and financial services from approximately 20 million individual customers and over 300 enterprise partners. Voyager is a market pioneer in technology innovation, offering efficient and easily adopted digital and cashless business solutions, especially for the unbanked and underserved populations of the Philippines.

2018 Outlook

The Enterprise and Home business segments will continue to grow strongly while the accelerating growth in data service revenues in the Individual segment will increasingly offset declines in traditional voice and SMS service revenues. Recurring core profit is seen rising to Pesos 23-24 billion on higher consolidated services revenues driven by double-digit growth in Home and Enterprise revenues and improvements in Individual revenues. This core income guidance excludes the impact from Voyager and the impact of the adoption of International Financial Reporting Standard ("IFRS") 15. Capital expenditures are expected to rise to Pesos 58 billion to further improve network quality and provide the customer with a superior data experience, and continue building out infrastructure to support growth of the data/broadband businesses. Approximately 53% of spending will be booked in the fixed line including backhaul and transport capital expenditure, and business requirements, with the remaining 47% for the wireless business.

METRO PACIFIC INVESTMENTS

PROFIT CONTRIBUTION

US$ **118.3** million

MPIC's infrastructure portfolio as at 20 March 2018 comprises the following assets offering a wide range of services:

Power distribution and generation

- 45.5% in Manila Electric Company ("Meralco") through direct interest and its wholly-owned subsidiary Beacon Electric Asset Holdings Inc. ("Beacon Electric")
- 62.4% in Global Business Power Corporation ("GBPC") through Beacon Electric and Meralco which in turn owns:
  - 100.0% in Toledo Power Company ("TPC")
  - 100.0% in GBH Power Resource, Inc. ("GPRI")
  - 100.0% in Global Energy Supply Corporation ("GESC")
  - 89.3% in Panay Power Corporation ("PPC")
  - 89.3% in Panay Energy Development Corporation ("PEDC")
  - 52.2% in Cebu Energy Development Corporation ("CEDC")
  - 50.0% in Alsons Thermal Energy Corporation ("ATEC")

Toll roads

- 99.9% in MPTC which in turn owns:
  - 75.3% in NLEX Corporation (formerly Manila North Tollways Corporation)
  - 72.6% in Tollways Management Corporation ("TMC")
  - 66.0% in Easytrip Services Corporation ("ESC")
  - 100.0% in Cavitex Infrastructure Corporation ("CIC")
  - 100.0% in MPCALA Holdings, Inc. ("MPCALA")
  - 100.0% in Cebu Cordova Link Expressway Corporation ("CCLEC")
  - 48.3% in PT Nusantara Infrastructure Tbk ("PT Nusantara") in Indonesia
  - 44.9% in CII Bridges and Roads Investment Joint Stock Co. ("CII B&R") in Vietnam
  - 29.5% in Don Muang Tollway Public Company Limited ("DMT") in Thailand

Water production, distribution and sewage management

- 52.8% in Maynilad Water Services, Inc. ("Maynilad")
- 100.0% in MetroPac Water Investments Corporation ("MPW") which in turn owns:
  - 95.0% in Cagayan de Oro Bulk Water Inc. ("COBWI")
  - 80.0% of Metro Iloilo Bulk Water Supply Corporation ("MIBWSC")
  - 65.0% in Eco-System Technologies International, Inc. ("ESTII")
  - 49.0% in Watergy Business Solutions, Inc. ("WBSI")
  - 27.0% in Laguna Water District Aquatech Resources Corporation ("LARC")
  - 19.9% in Cebu Manila Water Development, Inc. ("CMWD")

Hospitals

- 60.1% interest in Metro Pacific Hospital Holdings, Inc. ("MPHHI") which in turn owns:
  - 100.0% in Colinas Verdes Hospital Managers Corporation, the operator of Cardinal Santos Medical Center ("CSMC")
  - 100.0% in East Manila Hospital Managers Corporation, the operator of Our Lady of Lourdes Hospital ("OLLH")
  - 100.0% in Metro Pacific Zamboanga Hospital Corporation, the operator of West Metro Medical Center ("WMMC")
  - 93.1% in Marikina Valley Medical Center Inc. ("MVMC")
  - 85.6% in Asian Hospital, Inc. ("AHI"), the owner of 100.0% of Asian Hospital and Medical Center
  - 80.0% in St. Elizabeth Hospital, Inc. ("SEHI")
  - 78.0% in Riverside Medical Center, Inc. ("RMCI")
  - 65.0% in Delgado Clinic Inc. ("DCI"), the owner and operator of the Dr. Jesus C. Delgado Memorial Hospital ("JDMH")
  - 51.0% in Central Luzon Doctors' Hospital Inc. ("CLDH")
  - 51.0% in De Los Santos Medical Center Inc. ("DLSMC")
  - 51.0% in Sacred Heart Hospital of Malolos Inc. ("SHHM")
  - 50.0% in Metro Sanitas Corporation, the owner of 51.0% of The Megaclinic, Inc. ("Megaclinic") and 80.0% of TopHealth Medical Clinics ("TopHealth")
  - 35.2% in Davao Doctors Hospital, Inc. ("DDH")
  - 32.8% in Medical Doctors, Inc. ("MDI"), the owner and operator of Makati Medical Center
  - 20.0% in Manila Medical Services Inc. ("MMSI"), the owner and operator of Manila Doctors Hospital ("MDH")

Rail

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

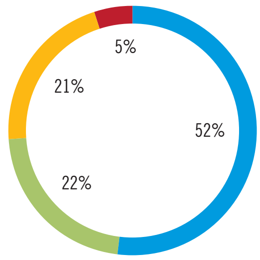
Logistics

- 100.0% in MetroPac Logistics Company, Inc. which owns 76.0% of MetroPac Movers, Inc. ("MMI") which in turns owns 90.0% of PremierLogistics, Inc. ("PLI")

MPIC's contribution to the Group increased 1% to US$118.3 million (2016: US$117.2 million), reflecting a higher contribution from the power and toll road businesses, partly offset by a lower economic interest (to 42.0% from 46.4%) in MPIC held by the Group, a higher net interest expenses at MPIC head office level and a 5% depreciation of the average peso exchange rate against the U.S. dollar.

The strong performance of the power business was driven by a higher average effective interest in Meralco and 5% growth in energy sales across all customer classes, higher dividend income from Beacon Electric preferred shares and the first full year contribution from GBPC.

Contribution from Operations 2017



	US$ millions
Power	186.2
Toll Roads	77.4
Water	74.1
Hospitals, Rails and Others	16.6
Total	**354.3**

Consolidated core net income up 17% to Pesos 14.1 billion (US$280.0 million) from Pesos 12.1 billion (US$254.0 million)	■ reflecting a higher average ownership in and preferred share dividend income from power businesses, and strong growth at all toll roads and hospital businesses ■ power, toll roads, water, hospitals, rail, and logistics and others accounted for 52%, 22%, 21%, 4% and 1%, respectively, of MPIC's consolidated profit contribution from operations ■ a 30% increase in contribution from the power business to Pesos 9.4 billion (US$186.1 million) resulting from a higher average shareholding in Meralco, higher energy sales at Meralco, a full year contribution from GBPC and higher preferred share dividend income from Beacon Electric, offset by higher interest expense ■ an 11% rise in contribution from the toll roads business to Pesos 3.9 billion (US$77.4 million) reflecting strong traffic growth on all toll roads and a favorable vehicle mix ■ a 5% increase in contribution from the water businesses to Pesos 3.7 billion (US$74.1 million) reflecting an increase in billed volumes and a tight control of operating expenses at Maynilad, and a positive contribution from MPW compared with a loss in 2016 ■ a 16% increase in contribution from hospitals to Pesos 685 million (US$13.6 million) reflecting contributions from newly-acquired hospitals and higher patient revenues ■ a 4% rise in contribution from the rail business to Pesos 283 million (US$5.6 million) reflecting higher average daily ridership and advertising income, and lower repairs and maintenance expenses ■ partly offset by higher MPIC head office interest and operating expenses
Consolidated reported net income up 15% to Pesos 13.2 billion (US$261.0 million) from Pesos 11.5 billion (US$240.3 million)	■ reflecting higher core net income, partly offset by higher non-core expenses ■ non-core expenses in 2017 mainly related to refinancing costs, project expenses and expenses in relation to Maynilad's manpower reduction program, partly offset by a gain realized from the placement of Meralco shares
Revenues up 39% to Pesos 62.5 billion (US$1.2 billion) from Pesos 44.8 billion (US$940.2 million)	■ reflecting consolidation of GBPC and revenue growth at all operating companies

Debt Profile

As at 31 December 2017, MPIC reported consolidated debt of Pesos 189.1 billion (US$3.8 billion), up 95% from Pesos 97.0 billion (US$2.0 billion) as at 31 December 2016, reflecting the consolidation of Beacon Electric and GBPC. Of the total, 96% was denominated in pesos. Fixed-rate loans accounted for 95% of the total and the average pre-tax interest cost was approximately 6.08%.

Dividend

MPIC's Board of Directors declared a final dividend of Peso 0.076 (U.S. 0.15 cent) per share payable on 26 April 2018 to shareholders on record as at 28 March 2018, 12% higher than the final dividend in 2016. Together with the interim dividend of Peso 0.0345 (U.S. 0.07 cent) per share paid on 26 September 2017, total dividends for 2017 rose 11% to Peso 0.1105 (U.S. 0.22 cent) per share, representing a payout ratio of 25% of core net income.

Additional Investments and Asset Placement

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

On 27 March 2017, a consortium consisting of MPIC, Covanta Energy, LLC and Macquarie Group, Ltd. was granted an Original Proponent Status by the Quezon City Government for a 42-megawatt energy from waste project. MPIC is expected to invest approximately Peso 4.0 billion (US$80.1 million) as its share in the project.

On 4 April 2017, MMI completed the acquisition of certain logistics-related assets and businesses of Ace Logistics, Inc. ("Ace") for a consideration of Pesos 280 million (US$5.6 million). Ace is involved in logistics, trucking, freight forwarding, customs brokerage and domestic shipping businesses in the Philippines.

In April 2017, MPTC completed the acquisition of 7.0% interest in TMC from Egis Road Operation S.A. ("EROSA") for a total consideration of Peso 442.3 million (US$8.8 million) and 6.0% effective interest in TMC through Egis Investment Partners Philippines, Inc.'s ("EIPPI") acquisition of 13.0% ownership in TMC from EROSA for a total consideration of Peso 821.5 million (US$16.3 million). EIPPI is 46.0% owned by MPTC.

On 13 June 2017, MPIC completed the placement of approximately 4.5% of Meralco shares to third-party investors at Pesos 250 (US$5.0) per share. The total consideration of the placing was Peso 12.7 billion (US$253.7 million) and the net proceeds were used to partly fund the acquisition of the remaining 25.0% interest of Beacon Electric. Post the placement of Meralco shares, MPIC owns directly approximately 10.5% in Meralco.

On 27 June 2017, MPIC completed the acquisition of the remaining 25.0% interest in Beacon Electric from PCEV which is a subsidiary of PLDT Inc. The consideration was Pesos 21.8 billion (US$435.6 million). MPIC has paid Pesos 12.0 billion (US$239.8 million) in cash upfront to PCEV and the balance of Pesos 9.8 billion (US$196.3 million) is to be paid in equal annual installments until June 2021. Following the transaction, Beacon Electric became a wholly-owned subsidiary of MPIC.

On 10 October 2017, MPTC completed the acquisition of additional 16.0% interest in ESC from Egis Easytrip Services SA for the total consideration of Peso 84.8 million (US$1.7 million), bringing the total interest in ESC to 66.0%.

From October to December 2017, MPHHI completed the acquisitions of an aggregate 80.0% interest in SEHI for a total consideration of Pesos 600.0 million (US$11.9 million). Founded in 1962, SEHI is a 248-bed tertiary level hospital at General Santos City in the Philippines.

On 3 November 2017, MPTC completed the acquisition of approximately 42.25% interest in PT Nusantara with a consideration of Pesos 6.9 billion (US$137.0 million). Together with MPTC's earlier acquisitions, MPTC holds a total of approximately 48.3% interest in PT Nusantara. PT Nusantara is an infrastructure holding company listed in Indonesia, with interests in toll roads, port operations, energy and telecommunications businesses in Indonesia.

On 9 November 2017, MPW entered into an agreement to acquire 45% interest in BOO Phu Ninh Water Treatment Plant Joint Stock Company ("BOO PNW") for a consideration of Vietnamese Dong ("VND") 272.4 billion (US$12.2 million). BOO PNW has a license to serve clean water in the Chu Lai Open Economic Zone and adjacent areas in Quang Nam province in Vietnam. The transaction is expected to be completed by March 2018.

On 27 November 2017, GBPC completed the acquisition of 50% interest in ATEC for a consideration of approximately Pesos 4.3 billion (US$85.4 million).

On 20 December 2017, MPW officially received from Metro Iloilo Water District ("MIWD") the Notice of Award for the rehabilitation, operation, maintenance and expansion of MIWD's existing water distribution system and the provision of wastewater services. Completion of conditions precedent to the signing of the joint venture agreement are ongoing with targeted completion by March 2018. MIWD's service areas includes Iloilo city and seven municipalities having approximately 38,000 connections.

Power

In 2017, MPIC increased its power portfolio through the acquisition of the remaining 25.0% interest in Beacon Electric. It increased its effective interest in Meralco to 45.5% and in GBPC to 62.4%.

Meralco's operating performance remained strong, with power demand driven by Philippines' positive economic and business environment. The volume of electricity sold rose 5% to 42,102 gigawatt hours, with approximately 5% increase in each of industrial, residential and commercial demand. Revenues increased 10% to Pesos 282.6 billion (US$5.6 billion), reflecting a 5% growth in energy sales, a 5% increase in the number of customers and a 12% increase in pass-through generation charges.

Capital expenditure rose 5% to Pesos 12.1 billion (US$240.2 million) for upgrading critical loading of existing facilities, capacity and network expansion, electric poles and facilities relocation due to road widening, and additional customer connections.

As at 31 December 2017, Meralco's PLP and GBPC had a combined power generating capacity of 1,654 megawatts. Meralco PowerGen Corporation ("Meralco PowerGen") and GBPC are developing several power projects in the Philippines with a total planned capacity of approximately 3,693 megawatts through San Buenaventura Power, Redondo Peninsula Energy, Atimonan One Energy, St. Raphael Power, Mariveles Power Generation Corporation, Phase 2 of Saranggani Energy Corporation and San Ramon Power Inc.

Toll Roads

MPTC operates North Luzon Expressway ("NLEX"), Manila-Cavitex Toll Expressway ("CAVITEX") and Subic Clark Tarlac Expressway ("SCTEX") in the Philippines, and has investments in PT Nusantara in Indonesia, CII B&R in Vietnam and DMT in Thailand.

In 2017, revenues rose 10% to Pesos 13.1 billion (US$260.2 million) driven by strong traffic growth on all toll roads and a favorable vehicle mix. Reported net income rose 75% to Pesos 5.4 billion (US$107.6 million), reflecting a non-cash accounting gain related to the remeasurement of TMC after MPTC gained control over TMC and a higher core net income. The proposed merger of NLEX Corporation and TMC for the purpose of improving cost efficiency, with NLEX Corporation as the surviving corporation, is expected to be completed in 2018.

Capital expenditure amounted to Pesos 4.4 billion (US$87.8 million) mainly reflecting ongoing construction of new roads projects and expansion of existing roads for NLEX, SCTEX, Cavite-Laguna Expressway ("CALAX") and Cebu Cordova Link Expressway ("CCLEX") during 2017. MPTC plans to spend Pesos 122.8 billion (US$2.5 billion) in the Philippines over the next five years for expansion of existing roads and construction of new road projects, with expected completion between 2019 and 2021.

The entitled tariff adjustments for NLEX, CAVITEX and SCTEX have been delayed since 2012. MPTC continues its discussion with the regulator to resolve the long-lasting tariff issue where resolution is necessary to remain on track with the planned investment program.

Water

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

In 2017, Maynilad's average non-revenue water measured at the District Metered Area rose to 32.3% from 29.9% due to abnormal water production in connection with El Niño phenomenon in 2016. Revenues rose 3% to Pesos 20.8 billion (US$412.3 million), reflecting a 3% increase in billed water volumes to 512 million cubic meters and a 4% increase in billed customers to 1.4 million.

MPW provides bulk water supply services to water districts in Cebu and Iloilo, and delivers treated water to residents in Laguna. The capacity will increase to 390 million liters of water per day when MPW's existing water infrastructure projects are fully developed.

On 14 August 2017, MPW signed a joint venture agreement with the Cagayan de Oro Water District ("COWD") for the formation of a joint venture company to undertake the supply of treated bulk water to address the requirements of Cagayan de Oro City. The project commenced operation on 31 December 2017. It has a term of 30 years renewable for a further 20 years for the supply of up to 100 million liters of treated bulk water per day. COWD currently serves a population of more than 700,000 residents and has approximately 85,000 service connections.

Maynilad's Tariffs Arbitration

On 29 December 2014, Maynilad's water tariff under the rate rebasing for the period from 2013 to 2017 received a favorable award in arbitration proceedings in the Philippines. However, the Metropolitan Waterworks and Sewerage System ("MWSS") of the Philippines has not yet acted on the arbitration award. Maynilad subsequently proceeded to arbitration in Singapore and the final hearing was completed in December 2016. On 24 July 2017, the three-person Arbitral Tribunal (the "Tribunal") unanimously upheld the validity of Maynilad's claim against the Undertaking Letter issued by the Republic of the Philippines ("the Republic"), through the Department of Finance, to compensate Maynilad for the delayed implementation of its relevant tariffs for the above mentioned rebasing period.

The Tribunal ordered the Republic to reimburse Maynilad Pesos 3.4 billion (US$68.1 million) (subsequently adjusted to Peso 3.2 billion (US$64.1 million)) for losses from 11 March 2015 to 31 August 2016, without prejudice to any rights that Maynilad may have to seek recourse against MWSS for losses incurred from 1 January 2013 to 10 March 2015. Further, the Tribunal ruled that Maynilad is entitled to recover from the Republic its losses from 1 September 2016. On 9 February 2018, the Republic filed an application with the High Court of Singapore to set aside the arbitration award issued on 24 July 2017 and seeks to have a sealed hearing rather than an open court process.

This further delay in settling the entitled water tariffs has no direct impact on the current rate rebasing timeline.

Despite the delay in the tariff increase it is entitled to, Maynilad remains committed to enhancing its services to customers. In 2017, it repaired 26,792 leaking pipes, installed 38 kilometers of water pipes and expanded its distribution line to 7,675 kilometers. Drinking water supply and sewerage coverage were 93% and 15% of the concession area's population, respectively. Capital expenditure rose 24% to Pesos 12.0 billion (US$238.3 million) for upgrading and constructing reservoirs and pumping stations, laying of new primary pipes, and construction of wastewater treatment facilities. Maynilad is building six new sewage treatment facilities for serving over 1.3 million customers in its concession area.

Hospitals

MPIC's Hospital division comprises 14 full-service hospitals across the Philippines, three primary care clinics, one cancer center in Lipa, Batangas and has indirect ownership in two healthcare colleges in Davao and Bacolod. MPIC has the largest network of premier private hospitals in the Philippines with approximately 3,211 beds and 8,057 accredited doctors as at 31 December 2017.

Revenues rose 14% to Pesos 22.5 billion (US$445.9 million) in 2017, reflecting contributions from three newly-acquired hospitals and higher contributions from existing hospitals driven by increased patient revenues. The number of outpatients rose 14% to 3.1 million and inpatients rose 8% to 173,939.

MPHHI aims to expand its portfolio to 5,000 beds and contribute to the enhancement of healthcare services in the Philippines by expanding the number, capacities and capabilities of its hospitals, upgrading facilities, expanding in non-hospital based primary care clinics, establishing specialty healthcare facilities such as cancer centers, a central laboratory, greenfield specialist hospitals and creating synergies across the network.

Rail

LRMC commenced operation of LRT1 in September 2015, in a concession which runs until 2047. In 2017, revenues increased 5% to Pesos 3.2 billion (US$62.6 million) reflecting a 6% growth in LRT1's average daily ridership to 435,199 and a 9% increase in LRVs to 109.

Projects for rail replacement, lining and leveling are progressing well. Upon the completion of the replacement of existing 26 kilometers tracks in the second quarter of 2018, track speed will increase 50% to 60 kilometers per hour. Station improvements are expected to be completed in 2018. The capital expenditure so far invested in LRT1 has significantly improved its operational efficiency and passenger safety, resulting in quicker, safer and more comfortable journeys and shortened passenger waiting times.

The construction of the LTR1 South Extension project will commence in mid-2018 follows the regulator's acquisition of right-of-way.

In September 2017, MPIC received the original proponent status for the rehabilitation, operation and maintenance of MRT3 under a 30-year concession. The capital expenditure commitment is Pesos 12.5 billion (US$250.4 million). The related due diligence is largely completed and MPIC is ready to take up operations as soon as May 2018. MPIC's proposal must first be endorsed by the National Economic and Development Authority.

Logistics

This business contributed a loss of Pesos 100.0 million (US$2.0 million) due to the build-up of personnel and the leasing of warehouses for planned expansion. MMI plans to expand its logistics business by acquisition and further expand its warehouse capacity to strengthen its delivery capability for serving a larger customer base across the Philippines.

2018 Outlook

Continuing strong economic growth will lift volumes in all of MPIC's businesses in 2018. It remains uncertain when there will be resolution on the toll road and water tariffs although discussion is ongoing with regulators and the highest levels of Government. Progression in earnings in 2018 will depend on the extent to which revenues will offset MPIC's rising interest cost. MPIC is financing its rising capital expenditure commitments via debt, though the exact extent of which in turn depends to a degree on resolving MPIC's various long overdue regulatory matters.

FPW / goodman fielder

our homegrown food company

PROFIT CONTRIBUTION

US$

30.3

million

FPW's contribution to the Group increased 26% to US$30.3 million (2016: US$24.0 million) reflecting a higher core net income at Goodman Fielder and a stronger average Australian dollar exchange rate against the U.S. dollar.

In 2017, Goodman Fielder's core net income rose 19% to A$80.1 million (US$61.1 million) driven by higher profit contributions from businesses in Australia owing to efficiency gains, cost saving initiatives, and facilities/network optimization, and growth from the Fiji operations, partly offset by lower contributions from Papua New Guinea and start-up losses from the new Ingredients initiative. A non-recurring loss of A$117.1 million (US$90.5 million) at the Goodman Fielder level brought the reported profit to a loss of A$35.5 million (US$27.3 million). The non-recurring loss was due to site optimization costs in Australia and in New Zealand, business restructuring costs and a non-cash impairment of an intangible asset. The site optimization and restructuring costs are expected to improve the underlying business performance in 2018 and onward.

Sales increased 5% to A$2.1 billion (US$1.6 billion) and normalized EBIT up 6% to A$143.7 million (US$110.5 million). Capital expenditure rose 75% to A$142.1 million (US$109.2 million) to fund key projects for growth, automation, cost out as well as maintenance initiatives.

International Business

Goodman Fielder offers a wide range of high-quality consumer products to consumers in Fiji, Papua New Guinea, New Caledonia, China, the Philippines, Indonesia, Vietnam and other emerging markets in Asia Pacific under popular brands including Praise, Olive Grove, Meadow Fresh, Meadow Lea, Flame, Tuckers, Crest, White Wings and Pilot.

Sales from the International business rose 7% on healthy growth in key markets, partly offset by a weaker performance in Papua New Guinea. Sales contributions from Fiji, China and New Caledonia rose 12%, 15% and 12%, respectively. The operations in Papua New Guinea were on track for recovery and its sales recorded a slight decline on prior period.

In Fiji, growth driven was by increased volumes in all product categories, led by the poultry category.

In 2017, sales volume of Meadow Fresh UHT milk in China and Southeast Asia rose 16.7%.

In Papua New Guinea, operational issues stemming from the second half of 2016 were addressed with profit recovery. Management has focused on regaining market share of the Flour business, improving mill efficiency and cost savings in procurement, logistics and overheads. The site for a new flour mill has been acquired and preparation for construction of the plant is underway.

In addition to UHT milk, Goodman Fielder also increased exports of whipping cream, butter and cheese products to the Food Service and Retail markets across China, Southeast Asia and Pacific Islands.

New Zealand Business

Goodman Fielder has 13 manufacturing facilities in New Zealand producing a wide range of high-quality dairy, baked and grocery products. It also exports Meadow Fresh UHT milk to its International markets.

In 2017, New Zealand sales rose 6% mainly reflecting higher selling prices for milks, spreads and butter products, growth in the dairy category (cheese, yoghurts and creams) and grocery (spreads and convenience meals) businesses. The newly launched oils and flavor enhancers were well received by consumers.

New products launched in 2017 included Dairy delivering the reformulation of Everyday Yoghurts & Sour Cream, line extensions to the Puhoi Flavoured Milk range and the launch of Meadow Fresh Kalo Authentic Greek Yoghurt. Baking launched Natures Fresh reformulation, brand updates and burger bun line extension. MacKenzie Muffin Splits & Premium Burger Buns complimented craft loaf and LaFa for 2 garlic bread extended Goodman Fielder's Bakery Snack offerings. Grocery saw a relaunch of Irvines Pies with improved quality and packaging, Tuckers Ridge extensions into Single Pies & Sausage rolls, EA extensions and the launch of Praise Mayo & Dressings into New Zealand. In addition, Puhoi Valley Cheese, Cow's Milk Feta and Cellar Range Washed Rind Cheese secured category wins in the New Zealand Champion Cheese Awards. Puhoi Valley received six Gold, 11 Silver and nine Bronze awards overall. The Gold awards received were for Matured Washed Rind, Matakana Waxed Blue, Kawau Blue, Cow's Milk Feta, Farmhouse Brie and Single Cream Brie.

As part of Goodman Fielder's optimization strategy for its manufacturing network, it utilized A$13.1 million (US$10.1 million) for production consolidation and expansion, and efficiency enhancement at its Quality Bakers Auckland and Meadow Fresh Christchurch sites. The project involved the relocation of the production of pies from its Irvines' facility at Wiri to its Palmerston North facility and the transfer of production of garlic bread and other baked goods from its Hot Plate bakery at East Tamaki to Quality Bakers Auckland.

Australia Business

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

Sales rose 3% reflecting growth in both the grocery and baking businesses. The enhanced logistics arrangement is proving effective for Goodman Fielder's daily fresh business and sales of grocery products have improved by effective marketing activities and product innovations.

New products launched in 2017 included Helga's Thick Cut White and Mixed Grain Loaf, La Famiglia Turkish Garlic Bread, a new range of recipes for White Wings Cake in a Cup (Product of the Year), Pampas Chocolate Crust Pastry, White Wings Vanilla Cupcake Icing, One Night In Mexico (a comprehensive Mexican branded food line) and Deli Style Olive Oil Dressings. Upcoming product launches in 2018 will include Wraps, Gluten Free Transformation, Lawsons, Dairy blend, Chilled Dressings and Cake Mix.

Goodman Fielder's optimization plan for its bread manufacturing facilities in Southeast Queensland and Western Australia which commenced in early 2017 reached near completion. The total number of baking production plants in Australia was reduced by four to 10 by the end of 2017.

Debt Profile

As at 31 December 2017, Goodman Fielder's net debt stood at A$587.1 million (US$458.3 million) with maturities ranging from 2018 to 2022, with 38% of total borrowings at a fixed rate. Fixed-rate borrowings are denominated in U.S. dollars and hedged to A$168.0 million. Australian dollar and New Zealand dollar floating-rate borrowings are funded by a diverse panel of domestic and international banks. Interest expense in 2017 fell 6% to A$32.3 million (US$25.1 million).

2018 Outlook

Earnings growth is expected in the main geographies of Australia, and International divisions. Continued cost efficiencies and the introduction of new products will lead profit growth in the Australian business. In International, the company's push to sell new products into the Asian export markets and continued expansion in Fiji will underpin growth while recovery continues in Papua New Guinea.

PHILEX MINING CORPORATION

PROFIT CONTRIBUTION

US$ **12.7** million

Philex's natural resources portfolio as at 20 March 2018 comprises:

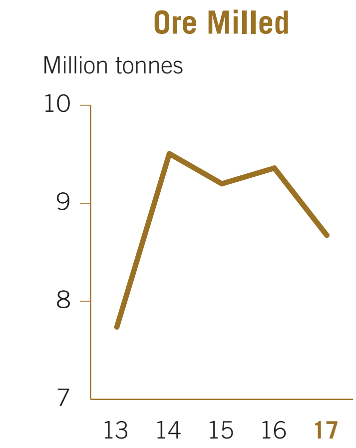
Philex for metal-related assets

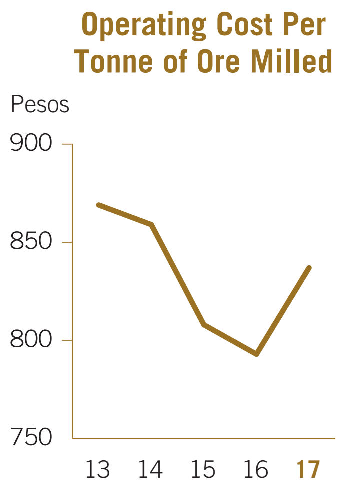
- 100% in Padcal mine
- 100% in Silangan Mindanao Exploration Co., Inc. ("SMECI")
- 100% in Silangan Mindanao Mining Co., Inc.
- 100% in Philex Gold Philippines, Inc.
- 99.0% in Lascogon Mining Corporation
- 5% in Kalayaan Copper Gold Resources, Inc.

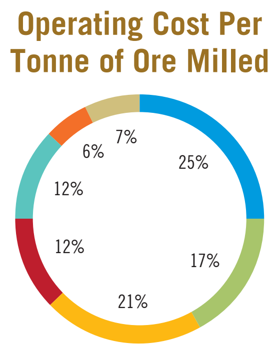
PXP Energy Corporation ("PXP")* for energy- and hydrocarbon-related assets

- 75.9% † in Forum Energy Limited ("Forum") which owns 70.0% of Service Contract ("SC") 72, and a 2.3% interest in the Galoc oil field (SC 14C-1) which is in the production stage, both of these assets are located in the West Philippine Sea
- 53.4% in Pitkin Petroleum Limited which owns 25% of Peru Block Z-38, an oil and gas exploration asset located in offshore Peru
- 50.0% in SC 75 and 70.0% in SC 74, both located in Northwest Palawan

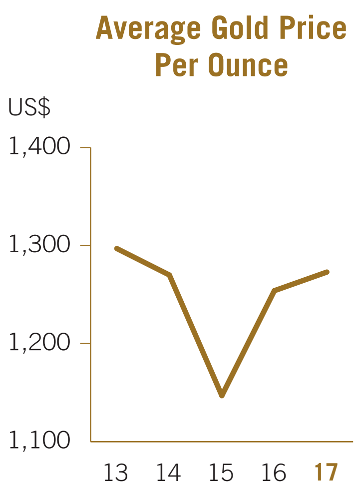
* 19.8% held by Philex, 25.0% held by First Pacific and 7.7% held by Two Rivers Pacific Holdings Corporation, a Philippine affiliate of First Pacific.
† 72.2% held directly by PXP and 6.8% held by PXP's 55.0%-owned subsidiary FEC Resources, Inc., for a total effective interest of 75.9% held by PXP.

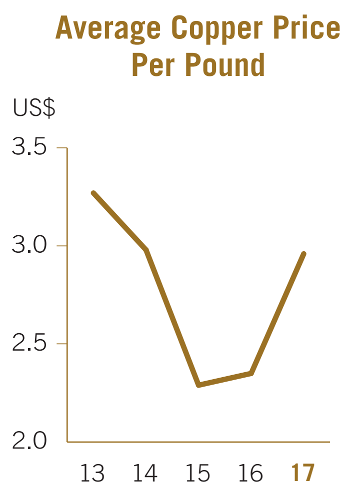






	Pesos per tonne
Materials & supplies	209
Power	142
Depreciation & amortization	179
Labor	103
Smelting charges	97
Excise tax and royalties	52
Others	55
Total	**837**





In addition to working toward adopting ISO 26000: Guidance on Social Responsibility, Philex has spearheaded the Philippine Chamber of Mine's adoption of the Mining Association of Canada's Towards Sustainable Mining ("TSM") Initiative in December 2017, making the TSM protocol mandatory for all Chamber members, and has begun to adopt the TSM in its company policies and programs. This move will further strengthen the company's adherence to internationally-recognized mining, environmental and safety standards needed to address social responsibilities relevant to its operations and processes, stakeholders and environmental impact.

Philex's contribution to the Group increased 25% to US$12.7 million (2016: US$10.2 million) reflecting higher realized metal prices. The average realized price of copper and gold rose 26% to US$2.96 per pound and 2% to US$1,273 per ounce, respectively. This positive factor, however, was partly offset by lower volumes of metal sold resulting from lower production volumes.

Total ore milled decreased 7% to 8.7 million tonnes, due primarily to a higher-than-normal proportion of bouldery ore in newly commissioned draw-points, which caused premature wear and tear on equipment leading to equipment availability issues. During 2017, gold grade at Padcal averaged 0.377 grams per tonne (2016: 0.417 grams per tonne) while average copper grade was 0.192% (2016: 0.206%). As a result of lower metal grades and tonnage milled, gold production fell 18% to 84,638 ounces and copper production decreased 14% to 30.1 million pounds.

During 2017, Philex repaid US$13 million of outstanding short-term bank debts. As at 31 December 2017, it had Pesos 583 million (US$11.7 million) of cash and cash equivalents, and Pesos 9.4 billion (US$188.2 million) of borrowings, comprising bonds payable and short-term bank loans. Short-term bank debt declined 21% to Pesos 2.4 billion (US$49.0 million).

Core net income up 2% to Pesos 1.7 billion (US$33.5 million) from Pesos 1.7 billion (US$34.8 million)	■ reflecting higher realized metal prices ■ lower cash cost and other charges ■ partly offset by lower tonnage and metal grades
Net income up 6% to Pesos 1.7 billion (US$32.9 million) from Pesos 1.6 billion (US$33.3 million)	■ reflecting higher core net income ■ lower foreign exchange losses
Revenue down 3% to Pesos 10.0 billion (US$198.2 million) from Pesos 10.3 billion (US$216.1 million)	■ reflecting lower metal output due to lower tonnage and metal grades ■ partly offset by higher realized metal prices and favorable foreign exchange rates ■ revenues from gold, copper and silver contributed 54%, 45% and 1% of the total, respectively
EBITDA up 3% to Pesos 4.0 billion (US78.9 million) from Pesos 3.9 billion (US$81.8 million)	■ reflecting a lower cash production cost resulting from lower power consumption, reduced cost of contracted work and other expenses ■ continued implementation of effective cost-management initiatives
Operating cost per tonne of ore milled up 6% to Pesos 837 (US$16.6) from Pesos 793 (US$16.6)	■ arising from higher depreciation and amortization costs due to amortization of newly commissioned draw-points, despite lower cash production cost
Capital expenditure (including exploration costs) remained at Pesos 2.4 billion (US$46.7 million) from Pesos 2.4 billion (US$50.3 million)	■ reflecting lower capital expenditure for the Silangan project ■ partly offset by higher capital expenditures for Padcal mine and Philex head office, and for other mineral exploration projects

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

Dividends

Philex's Board of Directors declared a final cash dividend of Peso 0.04 (U.S. 0.080 cent) per share payable on 26 March 2018 to shareholders on record as at 13 March 2018. Together with the interim cash dividend of Peso 0.04 (U.S. 0.080 cent) per share paid on 6 December 2017, total cash dividends for 2017 amounted to Peso 0.08 (U.S. 0.16 cent) (2016: Peso 0.07 (U.S. 0.143 cent)) per share, representing a payout ratio of 23% of core net income against 21% in 2016.

Silangan Project

The gold and copper project is located in Surigao del Norte, Northeastern Mindanao in the Philippines. The project has secured and currently maintains all major permits from the Department of Environment and Natural Resources ("DENR") including environmental compliance certification ("ECC"), a tree-cutting permit and approved Declaration of Mining Project Feasibility. Key aspects of the studies to date are a starter mine to initially extract the near surface ore and improve the groundwater condition of the ensuing underground mine, and an underground mine will be developed immediately to extract most of the ore for the planned mine life. These studies are being advanced to include more details to support requirements for project financing. The project has not yet commenced development. Meanwhile, community development and environment enhancement programs are continuing in compliance with the ECC conditions and environmental, social and governance ("ESG") commitments to the local communities.

The DENR Administrative Order ("DAO") 2017-10 banning the use of open-pit mining in the Philippines remains to be in effect. Under the Philippine Mining Act of 1995, surface mining such as open-pit mining is allowed in the Philippines.

PXP

During 2017, petroleum revenues rose 3% to Pesos 104 million (US$2.1 million) as a result of higher crude oil prices, partly offset by lower oil output in the Galoc oil field. Costs and expenses fell 7% to Pesos 158 million (US$3.1 million) reflecting lower crude oil output and containment of overhead expenses.

SC 72

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

On 12 July 2016, the Permanent Court of Arbitration made a favorable decision confirming that PXP's service contracts, particularly SC 72, are within the Philippine's EEZ. PXP, through Forum, will take guidance from the Philippine Government in respect of any future activity in SC 72 and other areas covered by the court's decision. Upon the lifting of the force majeure, Forum will have 20 months to drill two wells as required by its license for SC 72.

The Philippines and China held the second Bilateral Consultation Meeting ("BCM") on West Philippine Sea ("WPS") in Manila on 13 February 2018. The two countries have agreed to set up a special panel to work out how they can jointly explore oil and gas in parts of the WPS that both sides claim without having to address the issue of sovereignty. In addition, they reaffirmed the importance of maintaining and promoting peace and stability, freedom of navigation in and over flight above the WPS, freedom of international commerce, and other peaceful uses of the sea. Finally, the two countries agreed to address territorial and jurisdictional disputes by peaceful means, without resorting to the threat or use of force, through friendly consultations and negotiations by sovereign states directly concerned, in accordance with universally recognized principles of international law, including the Charter of the United Nations and the 1982 UN Convention on the Law of the Seas ("UNCLOS").

The third meeting of the BCM will be held in China in the second half of 2018.

SC 75

The property covered by SC 75 is located in Northwest Palawan. It has been under force majeure since 27 December 2015. Upon the lifting of the force majeure, PXP will have 18 months to obtain 1,000 square kilometers of 3D seismic data for sub-phase 2.

PXP will continue to coordinate with the Philippine Department of Energy ("DOE") on the immediate lifting of force majeure for both SC 72 and SC 75.

Others

In 2017, SC 14C-1 Galoc Field produced a total of approximately 1.5 million barrels of oil. About 1.1 million barrels of oil are scheduled for 2018 of which the first lifting of approximately 300,000 barrels oil was completed in January 2018. Production of oil will continue to decline as a result of the field nearing the end of its life.

SC 74 Linapacan Block and SC 14C-2 West Linapacan are in different stages of data processing and interpretation.

Peru Block Z-38 in Peru has been under force majeure since 1 September 2013. Upon the lifting of the force majeure, Pitkin will have 22 months to complete the required works for the third exploration period. In January 2018, Pitkin's partner for this project Karoon Gas Australia Ltd. ("Karoon") has agreed the financial participation of Tullow Oil Plc. (UK) ("Tullow") for drilling the well – Marina-1 while Karoon remains the project's operator.

2018 Outlook

Expansion to new mine levels at Padcal mine will ensure steady volumes and better quality of ore for the current year and beyond. Exploration of nearby sites continues, with guarded optimism for discovering economically viable ore bodies that will provide a pipeline for sustained production at Padcal mine. To this end, engineering studies are underway to increase the volume of available storage facilities to accommodate additional tailings as well as other mine waste management technologies and provide the basis for further mine life extension after 2022.

FPM Power / PacificLight

SHARE OF LOSS

US$
11.0
million

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

First Pacific's share of FPM Power's loss narrowed 21% to US$11.0 million, reflecting a lower core loss at PLP.

In 2017, the plant's system availability remained high at 95.3% and the heat rate exceeded its target level by 3.5%.

During 2017, the volume of electricity sold decreased 5% to 4,768 gigawatt hours, of which 90% was for retail, vesting contracts, futures and contracts for differences sales, and the remaining 10% was for pool market sales. PLP's generation market share for 2017 was approximately 9.3%.

Core net loss down 8% to S$80.9 million (US$58.9 million) from S$88.0 million (US$63.7 million)	■ reflecting a higher contribution from an improved margin for retail market sales following a rebound in oil prices ■ a gain from improved heat rate gain from contracts for differences sales to other generation companies ■ partly offset by a lower margin associated with pool market sales
Net loss down 29% to S$76.6 million (US$55.7 million) from S$108.6 million (US$78.6 million)	■ reflecting a lower core net loss ■ a lower provision for onerous contract ■ recorded foreign exchange gains on US$ denominated shareholders' loans versus losses in 2016
Revenues down 2% to S$776.8 million (US$565.4 million) from S$795.0 million (US$575.3 million)	■ reflecting a lower average selling price per unit of electricity sold to the retail market ■ partly offset by a higher average selling price per unit of electricity sold to the pool market
Operating expenses down 7% to S$22.1 million (US$16.1 million) from S$23.7 million (US$17.1 million)	■ reflecting lower depreciation and insurance expenses
EBITDA up 171% to S$13.0 million (US$9.5 million) from S$4.8 million (US$3.5 million)	■ reflecting higher contribution from an improved margin for retail market sales ■ improvement of power plant availability ■ a gain from contracts for differences sales to other electricity generation companies

Debt Profile

As at 31 December 2017, FPM Power's net debt stood at US$509.1 million while gross debt stood at US$566.8 million with 16% of debts maturing in 2018 and remaining borrowings maturing in the period 2019-2021. All of the borrowings were floating-rate bank loans, with 46% effectively changed to fixed-rate borrowings through interest rate swap arrangements.

2018 Outlook

Oversupply in the electricity market continues, bringing the prospect of competition remaining robust through 2018. As in the past, PLP will continue leveraging its efficiency advantage and operational flexibility to defend market share while keeping costs down.

FP Natural Resources / RHi /

SHARE OF LOSS
US$
2.6
million

Additional Investment

On 14 July 2017, FP Natural Resources completed the conversion of Pesos 524 million (US$10.4 million) of convertible notes issued by RHI into 125 million common shares of RHI at a price of Pesos 4.19 (U.S. 8 cents) per share. After the conversion, the aggregate economic interest in RHI of FP Natural Resources and its Philippine affiliate FAHC increased to 62.9% from 59.7%.

Review of Operations

First Pacific and its indirect agribusiness subsidiary IndoAgri, through a 70/30-owned entity FP Natural Resources and a Philippine affiliate have an aggregate 62.9% interest in RHI and 100.0% in FCMI.

During 2017, First Pacific's share of FP Natural Resources' loss narrowed 10% to US$2.6 million (2016: US$2.9 million), reflecting higher core net income at RHI and a higher average ownership in RHI, partly offset by a higher core loss at FCMI.

RHI recorded a profit contribution of US$1.5 million (2016: US$0.6 million) while the share of loss of FCMI was US$4.1 million (2016: US$3.2 million).

RHI

Together with its associate Hawaiian-Philippine Company, Inc. ("HPC"), RHI is one of the largest integrated sugar producers in the Philippines, accounting for 18% of domestic sugar production. Its three sugar mills in Batangas and Negros Occidental have combined milling capacity of 36,000 tonnes of sugar cane per day, and the refinery facility in Batangas has capacity of 18,000 LKg per day (one LKg is a unit of measure that is equal to one 50-kilogram bag of sugar). RHI also has two ethanol plants in Negros Occidental with daily production capacity of 285,000 liters.

RHI's sugar business milled 3.6 million tonnes of cane in 2017, up 30% from the previous year. During 2017, RHI sold 2.4 million LKg (2016: 1.7 million LKg) of refined sugar, 2.1 million LKg (2016: 1.4 million LKg) of raw sugar and 157,000 LKg (2016: 97,000 LKg) of premium raw sugar. The sales volume of ethanol increased 3% to 66.7 million liters (2016: 64.6 million liters) on higher demand from local oil companies.

Core net income up 86% to Pesos 240 million (US$4.8 million) from Pesos 129 million (US$2.7 million)	■ reflecting higher sales volumes of all products ■ improved production costs driven by upgraded facilities at production plants ■ partly offset by lower average selling prices of all products
Reported net income up 7% to Pesos 120 million (US$2.4 million) from Pesos 112 million (US$2.3 million)	■ reflecting higher core net income ■ partly offset by non-recurring expenses related to taxes for prior years
Revenue up 6% to Pesos 11.5 billion (US$228.9 million) from Pesos 10.8 billion (US$227.3 million)	■ driven by higher sales volumes of all products ■ partly offset by lower average selling prices of all products
Operating expenses up 1% to Pesos 936 million (US$18.6 million) from Pesos 932 million (US$19.6 million)	■ owing to higher staff-related costs
EBITDA up 17% to Pesos 1.6 billion (US$32.4 million) from Pesos 1.4 billion (US$29.4 million)	■ reflecting higher revenue and improved gross margins
EBITDA margin to 14% from 13%	■ propelled by higher EBITDA

Debt Profile

As at 31 December 2017, long-term debt of RHI stood at Pesos 5.7 billion (US$115.1 million) with maturities ranging from May 2018 to August 2024 at an annual interest of approximately 4.5%. Short-term debt stood at Pesos 4.4 billion (US$88.0 million) with an average interest rate of approximately 4.0%.

FCMI

In 2017, supply of copra was under pressure in the first three quarters as the harvest continued to be impacted by effects of El Niño, with some alleviation in the fourth quarter. Coconut oil is primarily used for food, cosmetics and pharmaceutical purposes and coconut by-products remain in high demand for their health and nutritional benefits. However, the higher average selling price of crude coconut oil was unable to compensate for the 19% increase in the cost of copra. FCMI sold 8,001 tonnes of crude coconut oil, 5,159 tonnes of cochin coconut oil and 1,194 tonnes of white refined, bleached and deodorized ("WRBD") coconut oil.

In 2017, FCMI's revenue remained at Pesos 1.2 billion (US$24.3 million), while core loss increased to Pesos 298 million (US$5.9 million) reflecting continued high raw material cost due to shortage of copra supply.

Debt Profile

As at 31 December 2017, FCMI had short-term debts of Pesos 300 million (US$6.0 million) with an average interest rate of approximately 3.8%.

2018 Outlook

RHI expects better performance from its alcohol segment with improved production efficiencies which will bring higher production volumes. Stable cane supply and stronger cost controls are expected to partially offset the impact of declining sugar prices and increasing fuel prices.

Chairman's Letter

"I believe our Company is well placed to deliver sustained earnings growth over the medium term, led by its three largest holdings, Indofood, PLDT and MPIC."

Dear Shareholders

I am happy to report that First Pacific has delivered robust earnings growth for 2017 notwithstanding headwinds in key markets and industries. Contribution from our businesses and recurring and net profit all delivered their strongest increase since 2011.

This success takes place in spite of a 5% depreciation last year in the average Philippine Peso and an increasing likelihood that the benign interest rate environment of the past several years is coming to an end. Management of your Company have worked assiduously to reduce both our borrowings and our interest bill as we wait for this year's improved results to translate into stronger dividend flows from our investee companies as we look ahead.

It's looking good. Our biggest holding, Indofood, has raised its contribution by more than 7% as all of its businesses reported stronger sales, and we hope a similar performance in 2018. Goodman Fielder has delivered the second-biggest increase in contribution to First Pacific while MPIC has reported its eighth successive year of earnings growth – to a record high.

After five years of heavy capital expenditures, PLDT is regaining its position as the finest telecommunications company in the Philippines, winning four out of six awards from OpenSignal for quality of mobile experience and tying in one category while not winning in only one. These impressive results underlie the improved operating results we are beginning to see and I look forward to its return to revenue and earnings growth moving forward.

All in all, I believe our Company is well placed to deliver sustained earnings growth over the medium term, led by its three largest holdings, Indofood, PLDT and MPIC. They are well managed companies dominant in their industries operating in markets where we are confident of continuing strong economic growth in the years ahead.

Yours sincerely

Anthoni Salim
Chairman

20 March 2018

Managing Director and Chief Executive Officer's Letter

To My Fellow Shareholders

Looking at First Pacific's results I cannot fail to be pleased to see the largest increases in contribution, recurring profit and net profit at our Company since 2011. The Group has evolved enormously in the seven years since then as it has diversified its sources of contribution, becoming less dependent on PLDT and growing the share of contribution delivered by, in particular, Indofood and MPIC.

As a corollary to the changing shape of our contribution, we have seen a diversification in our dividend income as well, even as we have had to adjust to a decline in the overall level. In 2011, PLDT provided First Pacific with nearly three-quarters of our dividend income, while Indofood delivered one-fifth and MPIC gave us only 2% of total dividend income. Contrast that with 2017, with Indofood's share of the total doubling to 37% and MPIC contributing 15% of dividend income. Even after four years of its own challenges, PLDT still provided 43% of our dividend income in 2017 and there is every indication that it will turn to earnings growth in 2018 following a long and expensive transformation. This in turn will lead to a return to a strengthening of its ability to pay dividends.

This reshaping of our dividend sources is an important development to First Pacific today, as this improved diversification of our source of dividends – driven by change in our earnings mix – has been accompanied by a meaningful decline in our dividend income over that same period. We have responded by cutting costs – particularly our interest bill, which is down by a full 15% last year – and our overall level of indebtedness. We have also launched a review of our assets with an eye towards disposing of non-core investments that don't fit our return criteria. This effort continues, and we are keen to release what funds we raise to finance further debt reduction and a meaningful share repurchase program to signal our optimism for the future of our Group as we rebalance our earnings and sources of dividend income onto a more stable footing.

Notwithstanding the recent belt-tightening in our cash flow, your Board of Directors feels it's prudent to maintain First Pacific's own distribution unchanged on a per-share basis, meeting our eight-year commitment to distribute 25% or more of recurring profit to First Pacific shareholders. On recent data, the dividend yield on First Pacific shares is a healthy 2.9% and compares well with our peers as we look forward, with increasing confidence, to sustained stronger performances across the First Pacific Group. Our future as a stronger, slimmer and more focused holding company is more clear than ever.

What is that future? A sustained turnaround at PLDT on the strength of its Pesos 260 billion capex program to build a world-class telecommunications network; continuing sales and revenue growth at Indofood and Goodman Fielder as they tap into the growing spending power of consumers in emerging Asia; continuing volume growth at MPIC's businesses even as it seeks new toll road, water and other infrastructure investments in the Philippines and elsewhere in Southeast Asia. Our core investments are well managed, large, and growing. We look forward to communicating our goals and strategies to our shareholders and others in the months ahead.

I am disappointed regarding the current share price, given the strong operational result in 2017 and our expectations of continued improvement at most businesses in 2018 as well as PLDT's expected higher recurring core profit. Our optimism has merit and I am hopeful that we will see a positive reaction from shareholders during the current year and beyond.

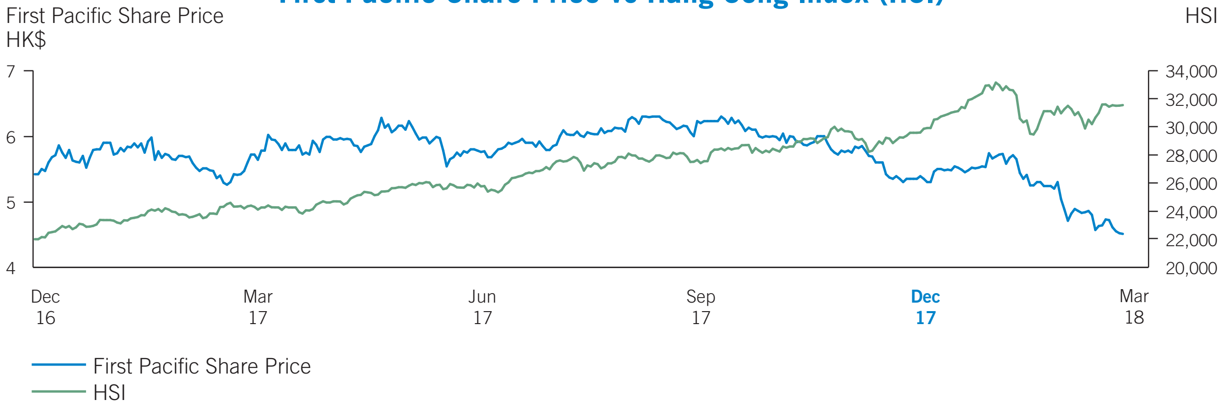
Yours cordially

M V Pangilinan
Managing Director and Chief Executive Officer

20 March 2018

"We are keen to release what funds we raise to finance further debt reduction and a meaningful share repurchase program to signal our optimism for the future of our Group as we rebalance our earnings and sources of dividend income onto a more stable footing."

First Pacific Share Price vs Hang Seng Index (HSI)



Board of Directors and Senior Executives

Board of Directors

Anthoni Salim

Chairman

Age 68, Mr. Salim graduated from Ewell County Technical College in Surrey, England. He is the President and CEO of the Salim Group, President Director and CEO of PT Indofood Sukses Makmur Tbk and PT Indofood CBP Sukses Makmur Tbk, and holds positions as Commissioner and Director in various companies.

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

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

Manuel V. Pangilinan

Managing Director and Chief Executive Officer

Age 71, Mr. Pangilinan graduated cum laude from the Ateneo de Manila University, with a Bachelor of Arts degree in Economics. He received his MBA degree from the Wharton School at the University of Pennsylvania. In Manila, he worked for Philippine Investment Management Consultants Inc. (PHINMA) in the Philippines, and in Hong Kong with Bancom International Limited and American Express Bank. Thereafter he founded First Pacific in May 1981.

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

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

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

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

Robert C. Nicholson

Executive Director

Age 62, Mr. Nicholson, who is a graduate of the University of Kent, qualified as a solicitor in England and Wales and in Hong Kong. He is Chairman of Goodman Fielder Pty Limited (since March 2015), a Commissioner of PT Indofood Sukses Makmur Tbk and a Director of Metro Pacific Investments Corporation, Philex Mining Corporation, PXP Energy Corporation and PacificLight Power Pte. Ltd., all of which are First Pacific Group subsidiaries, associates or joint venture.

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

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

Christopher H. Young

Executive Director and Chief Financial Officer

Age 60, Mr. Young is currently a Director of Rocket Internet SE, Roxas Holdings, Inc. and FPM Power Holdings Limited, and a member of the Advisory Board of PLDT Inc. (PLDT), a major operating associate of First Pacific. He also serves as Commissioner of PT Indofood Sukses Makmur Tbk and a Trustee of IdeaSpace Foundation, Inc. He most recently served as the Chief Financial Advisor of PLDT. He worked in PricewaterhouseCoopers in London and Hong Kong from 1979 until 1987, at which time he joined First Pacific in Hong Kong as Group Financial Controller. He joined Metro Pacific Corporation in 1995 as Finance Director, a position he held until he joined PLDT in November 1998. Mr. Young joined First Pacific's Board in August 2017.

Professor Edward K.Y. Chen
GBS, CBE, JP

Independent Non-executive Director

Age 73, educated at the University of Hong Kong and Oxford University, Professor Chen is an Independent Non-executive Director of Wharf Holdings Limited. He has served as President of Lingnan University; Professor and Director of the Centre of Asian Studies of the University of Hong Kong; Chairman of Hong Kong's Consumer Council; as an Executive Councillor of the Hong Kong Government; and as a Legislative Councillor. He is now the Chairman of the HKU SPACE Board of Directors, a Board Director of the Hong Kong Institute for Monetary Research of the Hong Kong Monetary Authority, a Distinguished Fellow of the Hong Kong Institute for the Humanities and Social Sciences at the University of Hong Kong, and Honorary Professor of the Open University of Hong Kong. Professor Chen joined First Pacific's Board in 1993.

Philip Fan Yan Hok

Independent Non-executive Director

Age 68, Fan holds a Bachelor's Degree in Industrial Engineering, a Master's Degree in Operations Research from Stanford University and a Master's Degree in Management Science from Massachusetts Institute of Technology.

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

Mr. Fan is also an Independent Non-executive Director of China Everbright International Limited, Hysan Development Company Limited, China Aircraft Leasing Group Holdings Limited and PFC Devices Inc. He joined First Pacific's Board in December 2012.

Madeleine Lee Suh Shin

Independent Non-executive Director

Age 55, Ms. Lee graduated with a Bachelor of Arts Honours in Economics and Accounting from the University of Leeds, UK and a Master of Business Administration from the University of Bradford, UK. She obtained her Chartered Financial Analyst qualification in 1989.

Ms. Lee has 30 years in investment management, having worked with the Government of Singapore Investment Corporation, Chase Manhattan and Morgan Grenfell. She was appointed Managing Director/Chief Investment Officer at Commerzbank Asset Management Asia in 1997. In 2001, Ms. Lee co-founded BowtieAsia Pte Ltd, which matched private equity investments in the technology space using an internet platform, a precursor to "crowdfunding". In 2002, she was made a Fellow of the Eisenhower Exchange Fellowship. From 2005 to 2007, Ms. Lee was the Deputy Chief Investment Officer of the Investment Office of the National University of Singapore. In 2008, she founded Athenaeum Limited, a boutique investment manager of Asian Pacific funds. The funds business was sold to Azimut Group in 2016. Since 2018, Ms. Lee has started an advisory and consultancy partnership to cater to Asian Family Offices.

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

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

Margaret Leung Ko May Yee
SBS, JP

Independent Non-executive Director

Age 65, Mrs. Leung holds a Bachelor's Degree in Economics, Accounting and Business Administration from the University of Hong Kong. She was the Vice-Chairman and CEO of Hang Seng Bank Limited and Chairman of Hang Seng Bank (China) Limited prior to her retirement on 30 June 2012. Mrs. Leung also held various pivotal positions in HSBC Holdings Plc and The Hongkong and Shanghai Banking Corporation Limited from February 1978 until 30 June 2012. She was also an Independent

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

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

Albert F. del Rosario

Non-executive Director

Age 78, Ambassador del Rosario received a Bachelor's Degree in Economics from New York University.

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

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

He is Co-founder of Gotuaco del Rosario Insurance Brokers Inc., the Chairman of Philippine Stratbase Consultancy Inc. and Stratbase ADR Institute, Inc. Ambassador del Rosario is a Director of Sarimonde Foods Corporation, Rockwell Land Corporation and Asia Insurance (Phil.) Corporation. He is also a trustee of the Carlos P. Romulo Foundation for Peace & Development and Philippine Cancer Society, Inc. A member of Asia Society Global Council and an Advisory Board of Metrobank Foundation, Inc. and CSIS Southeast Asia Program.

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

Tedy Djuhar

Non-executive Director

Age 66, Mr. Djuhar received a Bachelor of Economics degree from the University of New England in Australia. He has also completed the EMBA program at Cheung Kong School of Business Beijing in June 2014. Mr. Djuhar is Vice President Commissioner of PT Indocement Tunggal Prakarsa Tbk, a Director of Pacific Industries and Development Limited and a number of other Indonesian companies. He joined First Pacific's Board in 1981.

Benny S. Santoso

Non-executive Director

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

Senior Executives

Edward A. Tortorici
Executive Advisor

Age 78, Mr. Tortorici received a Bachelor of Science from New York University and a Master of Science from Fairfield University. He has served in a variety of senior and executive management positions, including Corporate Vice President for Crocker Bank and Managing Director positions at Olivetti Corporation of America and Fairchild Semiconductor Corporation.

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

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

Mr. Tortorici resigned on 30 August 2017 as an Executive Director of First Pacific due to retirement. He serves as an Executive Advisor of First Pacific until the end of 2018.

Marilyn A. Victorio-Aquino
Assistant Director

Age 62, Ms. Aquino was educated at the University of Santo Tomas (A.B.) and University of the Philippines (LL.B., cum laude) and qualified as a barrister in the Philippines in 1981. She joined Sycip Salazar Hernandez and Gatmaitan Law Offices in the Philippines in 1980 where she became a partner in 1989.

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

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

Ray C. Espinosa
Associate Director

Age 62, Mr. Espinosa has a Master of Laws degree from the University of Michigan Law School and is a member of the Integrated Bar of the Philippines. He was a partner of SyCip Salazar Hernandez & Gatmaitan from 1982 to 2000, a foreign associate at Covington and Burling (Washington, D.C., USA) from 1987 to 1988, and a law lecturer at the Ateneo de Manila School of Law from 1983 to 1985 and 1989.

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

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

Victorico P. Vargas

Assistant Director

Age 65, Mr. Vargas was educated at Ateneo de Manila and University of Santo Tomas.

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

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

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

Maisie M.S. Lam

Executive Vice President
Group Human Resources

Age 63, Ms. Lam received a Diploma from the Hong Kong Polytechnic University/ Hong Kong Management Association. She joined First Pacific in 1983.

Joseph H.P. Ng

Executive Vice President
Group Finance

Age 55, Mr. Ng received an MBA and a Professional Diploma in Accountancy from Hong Kong Polytechnic University. He is a member of the Hong Kong Institute of Certified Public Accountants, the Association of Chartered Certified Accountants and the Institute of Chartered Accountants in England and Wales. Mr. Ng joined First Pacific in 1988 from PriceWaterhouse's audit and business advisory department in Hong Kong. Prior to his appointment as Executive Vice President, Group Finance in May 2002, Mr. Ng was Group Treasurer of the First Pacific Group and served in several senior finance positions within the Group.

John W. Ryan

Group Chief Investor Relations and Sustainability Officer
Executive Vice President
Group Corporate Communications

Age 52, Mr. Ryan received a Bachelor of Arts degree from the University of Connecticut and completed a Master of Philosophy course on Slavonic and East European Studies at St. Antony's College, Oxford University. He spent several years as a financial journalist, opening and leading Bloomberg's Moscow bureau for five years in the early 1990s and later joining Dow Jones as Bureau Chief over the period 1998–2004 in Moscow and Hong Kong. Mr. Ryan subsequently served as Head of Corporate Communications, Asia Pacific for HSBC's wholesale bank. He joined First Pacific in 2010.

Stanley H. Yang

Executive Vice President
Group Corporate Development

Age 41, Mr. Yang received a Bachelor of Science degree in Economics from the Wharton School of the University of Pennsylvania. He oversees the Group's corporate development activities including mergers and acquisitions, strategic investments, joint ventures, and other portfolio company growth initiatives. Prior to joining First Pacific, Mr. Yang worked at Deutsche Bank where he led investment banking coverage for the diversified industrials sector in Asia. He also previously served as a director in Deutsche Bank's mergers and acquisitions department, where he advised clients on mergers and acquisitions, divestitures and leveraged investment transactions in Asia and the United States. Mr. Yang began his career in New York where he gained transaction experience in principal investments and investment banking. He joined First Pacific in 2013 and is currently a Director of FPW Singapore Holdings Pte Ltd.

Richard P.C. Chan

Vice President
Group Financial Controller

Age 48, Mr. Chan received a BBA (Hons) degree from Hong Kong Baptist University and an MBA from the Chinese University of Hong Kong. He is a Certified Public Accountant (Practising), a CFA charterholder and a Fellow of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. He has experience in auditing, accounting, finance and management spanning a diverse range of business activities. Mr. Chan joined First Pacific in 1996 from KPMG. Prior to his appointment as Vice President, Group Financial Controller in 2014, Mr. Chan was Vice President of Group Finance.

Sara S.K. Cheung

Vice President
Group Corporate Communications

Age 54, Ms. Cheung received a BA in Business Economics from the University of California, Los Angeles and an MBA from Southern Illinois University, Carbondale. She is a member of the Hong Kong Investor Relations Association. She joined First Pacific in 1997 from the Public Affairs department of Wharf Limited and Wheelock and Company.

Nancy L.M. Li

Vice President
Company Secretary

Age 60, Ms. Li received a BA from McMaster University in Canada and a MSc in Corporate Governance and Directorship from Hong Kong Baptist University. She is a Fellow of the Hong Kong Institute of Company Secretaries and The Institute of Chartered Secretaries & Administrators of Great Britain. Ms. Li joined First Pacific in 1987 from the Hong Kong Polytechnic University's academic secretariat. Prior to that, she worked in the company secretarial department of Coopers & Lybrand. Ms. Li was appointed as First Pacific's Company Secretary in 2003.

Peter T.H. Lin

Deputy Treasurer
Vice President
Group Tax

Age 48, Mr. Lin received a MSc in Management Sciences from the University of Southampton and a BSc in Economics and Statistics from Coventry University. He is a Fellow of the Institute of Chartered Accountants in England and Wales, Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. Mr. Lin joined First Pacific in 1998 from KPMG where he was a Tax Manager. Prior to his appointment as Deputy Treasurer and Vice President of Group Tax in 2014, Mr. Lin was Vice President of Group Tax and Treasury.

TULONG KAPATID SPREADS HOPE FOR MARAWI

CSR focus of First Pacific Group companies and foundations

First Pacific Charitable Fund

Supports the Hong Kong community with a focus on:

- Encouraging community involvement
- Environmental care
- Sharing and caring
- Well-being development

Tulong Kapatid

Offers a framework for seamless coordination among First Pacific Group companies to:

- Share information, resources and volunteers for collective impact
- Eliminate inefficient duplication and identify synergies
- Present First Pacific Group companies as trusted partners in nation-building in the Philippines

MVP Sports Foundation

- Aids in the development of National Team Programs and National Athletes in the Philippines
- Primarily supports 10 sports namely badminton, basketball, boxing, cycling, football, golf, gymnastics, taekwondo, rugby and weightlifting
- Purveyor of world class sporting events such as the Asian Junior Boxing Championships, FIBA World Cup Qualifiers and was instrumental in securing the 2023 FIBA World Cup hosting rights

ideaspace

Promotes technology and science-based entrepreneurship in the Philippines:

- Conducts a national and Southeast Asian start-up challenge
- Organizes technopreneurship boot camps
- Offers financial support and training
- Established and manages the first public and private sector innovation hub for the Philippines
- Conducts corporate innovation programs through innovation workshops

Indofood

Social and community activities are embodied in Indofood's five CSR pillars:

- Building human capital
- Nutrition for All
- Strengthening economic value
- Protecting the environment
- Solidarity and humanity

PLDT Smart Foundation

Funds and develops programs that promote:

- Education – with a focus on development of teachers and fostering innovation in education
- Livelihood and social enterprise
- Disaster response and recovery
- Youth and arts
- Sports development
- Local economic and social development

Metro Pacific Investments Foundation

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

goodman fielder

Promotes partnerships to deliver against our sustainability focus areas:

- Responsible sourcing and sustainable agriculture
- Hunger relief and malnutrition
- Improved environmental outcomes

Philex Group Foundation, Inc.

Provides funding and practical support for:

- Highland agriculture
- Social enterprise development
- Market establishment for the community goods, through PxCFMI

PacificLight

Supports Singapore-based charities through both financial and practical assistance:

- Socially responsible and acts ethically in the environment of Singapore
- Supports the community through volunteering and donations, particularly relating to the environment, the disadvantaged and education

RHi Roxas Holdings, Inc.

Focuses on social and environmental initiatives:

- Poverty alleviation
- Clean water and sanitation
- Responsible consumption

One Meralco Foundation

Provides funding and support for:

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

Maynilad

Leads initiatives and forges partnerships that promote:

- Water, sanitation and hygiene (W.A.S.H. agenda)
- Water resource conservation
- Social entrepreneurship
- Disaster response

MPTC Metro Pacific Tollways

Support activities that lead to improvements in:

- Road safety and safe expressway driving
- The environment
- Education
- Health
- Youth engagement in sports

MMC Makati Medical Center Foundation

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

Alagang Kapatid Foundation, Inc.

Funds activities that promote:

- Disaster response, recovery and rehabilitation
- Medical assistance for indigent patients

A Culture of Responsibility

First Pacific

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

First Pacific Group leads its CSR initiatives from the highest level. Management at Head Office and within our operating companies leverage their leadership, industry expertise and employees' participation to provide timely and long-term support to their communities.

Employee benefits

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

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

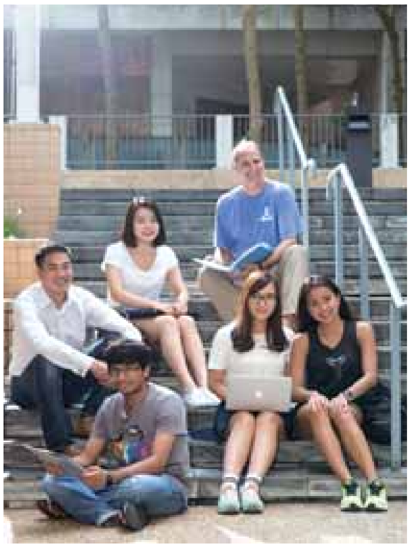
Community support

In Hong Kong

- Scholarships at Lingnan University
- HKMA Talent Development Fund
- The Community Chest
- The Society for the Relief of Disabled Children

In addition, First Pacific also supports:

- First Pacific Leadership Academy
- US Philippines Society, Inc.
- Philippine Center for Entrepreneurship Foundation Inc.
- Australia Day in Hong Kong
- Philippine Independence Day Charity event hosted by the Philippine Association of Hong Kong



Management and employee participation and contribution

To support our community and encourage management and employees' participation and contributions, First Pacific grants a day off on the designated day of blood donation at the Hong Kong Red Cross donor center or at the mobile donation vehicle.

In October 2017, a total of 22 large bags containing clothes, footwear, bags and small electric accessories, as well as 37 pieces of large and small household items, all in good condition, were donated by First Pacific employees and delivered to the Salvation Army and Crossroads Foundation in Hong Kong respectively.

Employees' donations continued in November 2017, when good quality shoes were donated to Caritas' Community Center to support the Shoes Donation Campaign for Africa.

In December 2017, First Pacific donated to The Community Chest the total amount raised from employees through the Festival fund-raising at Head Office, with the sale of selected old office chairs to employees.

Environmental care

- Encouraging e-communication and filing
- Reducing paper and electricity consumption
- Recycling of paper, plastic and metal waste
- Donation of old office furniture

First Pacific Group employee engagement

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

In 2017, photography themes remained "our people at work, our products and services, and sustainability at work". We received high quality entries from 17 operating companies. Prizes for the top three winners were the latest iPhone, Canon and Panasonic cameras.

A better sustainable future

Being responsible corporate citizens in countries where our business operate, First Pacific Group companies' CSR initiatives aim to make a significant difference to local communities, to help and to develop self-reliance opportunities for the needy and encourage economic growth.

With a strong Group-wide culture of care and commitment, our management takes the lead in sustainable programs in education, entrepreneurial fostering, environmental stewardship and forward-planning at the highest level. By our initiatives, we reinforce our mission to create long-term value for our companies and societies.

Tulong Kapatid *(Brotherly Help)*

Chasing the light – Tulong Kapatid spreads hope for Marawi

The five months from May to October of 2017 were the darkest times ever experienced by the people of Marawi City in the Southern Philippines. This scenic lakeside city in Lanao del Sur became the battleground between Philippine government troops and Islamic extremists linked to the Islamic State of Iraq and the Levant ("ISIL"). Over a thousand people – combatants and civilians – were killed during the fighting. Entire communities were shattered by bombs and bullets and many families are left homeless.

After the shooting stopped, amid the ruins of their devastated city, the people of Marawi started to return and rebuild their lives. Filipinos around the country rallied behind them and joined hands to help.

In that spirit, business leader Manuel V Pangilinan took the lead to raise financial assistance for the families of the fallen 98 soldiers and three police officers of the Marawi siege. In coordination with the Duterte Cabinet Spouses Association, PLDT and Smart – through the PLDT-Smart Foundation ("PSF"), Meralco, through its One Meralco Foundation ("OMF"), Philex Mining Corporation, and Metro Pacific Investments Corporation ("MPIC"), pooled resources and funds to extend their help to those families.

The biggest project in 2017 of Tulong Kapatid, the Corporate Social Responsibility ("CSR") consortium of the First Pacific Group in the Philippines, was the mission to Iligan and Marawi, where some of the families affected by the siege were evacuated. PSF donated 500 food packs and clothing while Smart and OMF provided food packs to more than 1,000 people in evacuation centers. PSF also provided ice cream at the Maria Cristina evacuation center in Iligan, to bring evacuees some much-needed cheer.

PSF also provided 1,000 care packs for soldiers at the 4th Mechanized Infantry Brigade, Camp Pintoy, Iligan City as well as

100 portable water filtration devices to address the problem of sanitation and potable water for both the troops and the evacuees. The care packs contained snacks, cookies, sports drinks and more, supplementing the soldiers' usual fare of sardines and rice. PSF also donated hundreds of lifesaving chest seals and hemostatic agents to the Camp Evangelista Hospital in Cagayan de Oro.

To address the health needs of the families in the City of Marawi, PSF, Alagang Kapatid Foundation Inc. ("AKFI") – the Corporate Social Responsibility arm of TV5 – and Makati Medical Center Foundation provided timely healthcare assistance.

Alagang Kapatid and its private donors served more than 12,500 displaced families. Donations ranged from food and hygiene packs, water and water containers to sleeping kits and school supplies. Other services such as free calls, free charging for mobile phones, stress debriefing activities, including games and art sessions, were given to children of the evacuees. AKFI also gave rosaries to soldiers, crafted by mothers displaced during Typhoon Pablo in Davao Oriental. The troops also received care packages including undergarments, mosquito nets, mosquito repellants and toiletries.

Smart set up a mobile cell site for the use of government troops in the Marawi military camp, to improve coverage. PLDT and Smart also provided Fibr internet and Wi-Fi routers so that soldiers could communicate more easily with their families at home.

Apart from giving relief assistance, PLDT and Smart also provided communication aid to displaced Marawi residents. Among these services were free calls and texts within Smart, Sun and TNT networks; Libreng Tawag (Free Call) booths and text blast solutions via Smart Infocast to aid in civil military operations. They also provided mobile and connectivity support for the Armed Forces of the Philippines, National Disaster Risk Reduction and Management Council and rescue teams helping in the evacuation of residents.

The First Pacific Group brought smiles, hope and visible joy to over 200 families through the annual Paskong Kapatid (Christmas) program. Each company under the First Pacific Group CSR Council provided noche buena (Christmas Eve) packs and hygiene kits to the families. Council members who participated in Paskong Kapatid 2017 were PSF, PLDT, DLSMC, AKFI, Maynilad, OMF, MPIC, Asian Hospital, Makati Medical Center, Cardinal Medical Charities Foundation, Roxas Holdings, Inc., and MVP Sports Foundation. The Christmas party was hosted by the De Los Santos Medical Center, and provided great happiness and treats for the children.

PSF, together with Tulong Kapatid, held a memorable CSR Activity day for some of the children from Marawi. The children were brought to Kidzania Manila in Bonifacio Global City for a once-in-a-lifetime experience. Tulong Kapatid made the day more special by giving away thoughtful gifts. PSF provided eco-bags for the giveaways as well as event t-shirts for the children. MPIC's Hospital group also gave medical attention to the children.

First Pacific Group companies such as PLDT, Smart, Meralco and MPIC Water also pledged their ongoing support for the rehabilitation of the devastated city of Marawi during a summit sponsored by the United for Marawi consortium. The consortium is made up of the Philippine Disaster Resilience Foundation (PDRF) and the Philippine Business for Social Progress (PBSP); both are headed by Manuel V Pangilinan.

During the summit, PLDT and SMART committed to build telecoms infrastructure. PSF's Gabay Guro pledged to build new classrooms. Meralco pledged to provide technical assistance for the restoration of electricity while Maynilad and MPIC Water will provide technical assistance to rebuild the city's water supply system. Pacific Global One Aviation will provide air transport and equipment.

Joining hands with other private sector groups, the First Pacific Group, led by its CSR Council, is actively helping to bring back light to the lives of the people of Marawi.

IdeaSpace

IdeaSpace is a non-profit accelerator in the Philippines which aims to uplift, develop, and equip Filipino technopreneurs to answer the needs of the 21st century and build a thriving Philippine economy.

2017 saw further growth in the startup industry with IdeaSpace increasing its commitment to nurturing startups and collaborative partnerships with government, academia, and other business ventures. To date, IdeaSpace has funded and supported 68 startups through its flagship incubation program, and enabled over 400 entrepreneurs.

IdeaSpace contributes to startup success

Adding new startups to the program

At the end of its 5th Startup Competition, IdeaSpace welcomed 12 new startups as it continues to help potential tech-based enterprises grow by providing them with resources such as funding, mentorship, and other operational needs. Each took part in the IdeaSpace Program, designed to develop innovation and entrepreneurship as a pathway to economic development.

IdeaSpace alumni startups break revenue barriers

2017 saw leaps in the startups' successes, as illustrated by the top performers' exceptional revenues. Leading alumni startup companies supported by the IdeaSpace Incubation Program generated a total of over Pesos 50 million in revenues for 2017. These companies offer the following solutions: Time Free, a queuing management solution (Batch 2013); Tambio, a mobile application that automates raffles for companies (Batch 2014); Frontlearners, an e-learning, ready-to-use school-in-a-box with interactive K-12 lessons (Batch 2015); Investagrams, a Bloomberg-for-every-Juan solution to provide beginner-friendly mobile guides and tools on stock market trading (Batch 2016); and Style Genie, the first styling+clothing subscription in the Philippines (Batch 2017).

Awards and accomplishments in the startup space

In both global and national arenas, IdeaSpace startups have marked some very notable successes. Taxumo (Batch 2016), an online solution which assists professionals, freelancers and small businesses with their taxes, became the first beneficiary of the Board of Investments ("BOI") tax incentive package for startups. Web and mobile school productivity solution, Wela School Systems (Batch 2017), was the sole Philippine representative to Pitch Jerusalem.

The e-learning and e-teaching company Frontlearners (Batch 2015) won two competitions: first place at the QBO/UNDP/PDRF/DTI-Slingshot competition on disaster preparedness, "Startups to the RESQUE", and the Model Overseas Filipino Family, awarded by President Duterte. The competitions yielded Frontlearners a combined amount of Pesos 1 million.

Three of the 15 startups that were awarded a total of Pesos 61 million in grants through the Department of Science and Technology ("DOST") PCIEERD's Start Up Research Grant Program ("SETUP") were also alumni of the IdeaSpace Incubation Program. The three awardees were: Tactiles (develops educational toys for electronics engineering), FAME (develops general aviation and maritime transponders and gateways) and Cropital (an agriculture-focused crowdfunding platform). In addition, Blood Hero (Batch 2017), a social utility app that connects blood donors, hospitals and organizations, represented the Philippines at Hack Osaka, Japan in February 2018.

Pushing innovation with QBO

QBO, the public-private collaboration between IdeaSpace, DOST, DTI and JP Morgan, has conducted and organized over 100 startup programs and gained over 1,700 members. It organized its first competition in cooperation with the United Nations Development Program ("UNDP") and the Philippine Disaster Resilience Foundation ("PDRF"). This was an innovation challenge named Startups to the RESQUE, staged in connection with Slingshot (an ASEAN-wide startup initiative). It focused on the Disaster Risk Reduction and Resilient Recovery theme, challenging participants from eight ASEAN member states. QBO ends its first year by winning recognition as the best accelerator at the Philippine Ricebowl Startup Awards.

IdeaSpace continues to forge partnerships

IdeaSpace recently established links with the Korea – Pangyo Startup Campus. The city of Pangyo is known as the Silicon Valley of Korea. IdeaSpace also increased its roster of mentors, advisers and business development opportunities for its startups through engagements with foreign chambers of commerce such as the Israeli Chamber of Commerce and the German Chamber of Commerce. On the home front, IdeaSpace strengthened its links with four key government agencies (DOST, Department of Information and Communications Technology ("DICT"), Department of Trade and Industry ("DTI") and the Senate) through its involvement in various programs related to the startup ecosystem.

To forge more collaboration across public and private sectors in 2017, IdeaSpace cultivated its institutional partnership with the Makati Medical Center Foundation to benefit the Philippine Navy through its CUPPID Program (Connectivity Upgrade through Public-Private Partnerships in Information Design). Team PN Medics – composed of intrapreneurial officers and employees from different services of the Philippine Navy – developed an electronic medical records system designed for Philippine military hospitals. To date, they are in the process of installing their solution within the out-patient department of the Cavite Naval Hospital and it will be rolled out to more hospitals of the Philippine Navy in 2018.

Reporting on the state of startups

IdeaSpace, QBO, and PriceWatehouseCoopers (Philippines) co-authored the 2017 Philippine Startup Report, the first comprehensive study on the Philippine startup scene. It surveyed 106 startup founders, providing a nationwide snapshot of the current state of startups. As a participant of the European Union-funded Project BEEHIVE, IdeaSpace Foundation helped prepare the Towards the Entrepreneurial University National Benchmarking Report for the Philippines. Published on 12 December 2017, the report assessed the current situation in Philippine higher education institutions ("HEIs"), with regards to the entrepreneurial ecosystem.

Indofood

Indofood's CSR programs have expanded in scope, reflecting the triple bottom line which drives the business not only to seek profit but also with a purpose beyond profit: to protect the planet and people. Driven by Indofood's Sustainability Commitment "*Striving for Sustainable Growth through Innovation and the Management of Excellence*", Indofood developed a Sustainability Framework to manage, measure and monitor this performance to meet stakeholder expectations.

Environmental stewardship

Enhancing governance in managing environment

Environmental policy

Indofood's Environmental Policy directs all divisions and operating units to adhere to regulations, prevent pollution and protect and conserve resources.

Management system

Indofood implements international standards such as ISO 14001 for its Environmental Management System and ISO 50001 for its Energy Management System.

Compliance to government regulation

Indofood conducts environmental self-assessment based on Indonesian Government criteria on Pollution Control, Evaluation and Rating ("PROPER") to ensure environmental compliance in all operating units.

Carbon footprint: managing energy and greenhouse gas ("GHG") emissions

Indofood endeavors to secure its energy supply while adopting energy efficiency and utilizing renewable energy alternatives. These measures, together with land-use and soil management, as well as conservation in agribusiness sector contribute to mitigate GHG emissions and reduce carbon footprint.

Managing water and waste

Indofood commits to manage its water and waste responsibly. Operating units are equipped with wastewater treatment plants ("WWTP") and discharge wastewater in accordance with government standard. Indofood applies Reduce, Reuse and Recycle ("3R") to its solid waste. All Agribusiness group mills' by-products are reused as compost or feedstock for boilers.

Sustainable plantation

Indofood's Agribusiness group adopts the principles of sustainable agriculture, implementing sustainable palm oil based on ISPO/RSPO standards, maintaining High Conservation Value ("HCV") and High Carbon Stock ("HCS") areas, preserving peatland, improving organic agricultural input and preventing haze risk. The Agribusiness group's target is that all estates and plasma smallholders are RSPO and ISPO certified by 2019.

Promoting green behavior among employees

The company promotes environmentally friendly behaviors at work through its green office program.

Labor practices, occupational safety and health practices

- Indofood has numerous employee training programs, supported by dedicated education and training centers.
- Employee safety and health are key Indofood priorities, as outlined in the Safety, Health and Environment Policy. Several operating units are certified to the National Occupational Health and Safety Standard and the Occupational Health and Safety Assessment Series ("OHSAS") 18001 standard.
- The company offers equal career opportunities to all employees, regardless of race, religion and gender. It complies with Indonesian labor laws, including the elimination of child and forced labor. Its employees enjoy healthcare benefits, maternity and religious pilgrimage leave. Indofood provides a scholarship program for employees' children.

Social and community development

Indofood's social and community development comprises five pillars: Building Human Capital, Nutrition for All, Strengthening Economic Value, Protecting the Environment and Solidarity and Humanity.

Building human capital

Indofood's programs include the Indofood Scholarship ("BISMA"), the Indofood Riset Nugraha research grant, Indofood Rumah Pintar educational community centers and Integrated Child-friendly Public Spaces.

Nutrition for all

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

Strengthening economic value

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

Indofood has been a member of Partnership for Indonesia Sustainable Agriculture ("PISAgro") since 2011, and is the Chair of Potato Working Group and a member of Soybean Working Group.

Indofood continued the Bogasari Mitra Card ("BMC") Program for SME Bogasari flour partners. The Noodles division group developed the Warmindo program for small traders of Indomie noodles. Indofood also implemented the Pojok Selera Program, an entrepreneurship program for spouses, family members of farmers and the community.

Engaging community for protecting the environment

The company encourages community participation in conserving the environment through waste bank and tree planting programs.

Solidarity and humanity

Indofood continuously supports relief programs for people and communities in need. In 2017, assistance has been provided to Rohingya Refugees, Mount Agung-Karangasem Bali Eruption, Yogyakarta Flood Relief, Sinabung volcano eruption and South Tapanuli flood victims. Indofood supports communities during Ramadan and other major religious events through Safari Ramadan, Indofood Share the Love and Qurban Donations Programs. Indofood, through the Agribusiness group, performs cleft lip surgeries for children.

Delivering responsible products

Ensuring food safety

Food safety is Indofood's top priority and is guided by Indofood's "quality pledge". It controls food safety in accordance with the company's Integrated Total Quality Management Program and Good Manufacturing Practices ("GMP"). It adopts international quality and food safety management systems: ISO 9001, ISO 22000, HACCP, FSSC 22000, ISO 17025, Hygiene Certificate and AIB International.

Producing only halal products

Indofood produces halal products that comply with the Assessment Institute for Food, Drugs and Cosmetics of the Indonesian Council of Ulamas ("LPPOM MUI"). All Indofood's products have obtained halal certification from LPPOM MUI. Indofood also has a Halal operating system that is certified by Halal Assurance System ("HAS"). Indofood Halal Secretariat ("HIS"), was established to ensure Indofood's conformity to HAS.

Product labelling

Indofood's products comply with applicable labelling regulations and can include information about ingredients, nutritional values, product expiry dates and customer services.

Consumer facilities

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

Indofood's extensive and long-lasting CSR programs

Indofood, through its extensive and long-lasting CSR programs across Indonesia, has continuously maintained its harmonious relationship with the community, creating shared benefits for the people engaged in its value chain, has conserved the environment and is well-recognized as a good corporate citizen. Indofood is recognized as an organization that supports Indonesia's Sustainable Development Goals ("SDGs") to leave no-one behind in 2030.

PLDT

PLDT-Smart Foundation ("PSF") – A bright light of hope

Since 1994, PSF has been a source of hope for many indigent families across the Philippines. Recognizing the plight of the Filipino people, PSF has immersed itself in various sectors and communities from all walks of life, including farmers, start-up companies, public high schools, universities and orphanages.

Over the years, PSF has focused its initiatives in education, sports and disaster response. As several typhoons and other natural calamities hit the country, PSF has provided assurance and comfort among disaster-stricken areas, extending its utmost support during their darkest times. A major recent initiative was the building of the multi-purpose hall and evacuation center in Palo, Leyte – one of the areas gravely affected by Super Typhoon Yolanda.

PSF actively directs its support for education. From providing scholarships to dependents of PLDT group's employees as well as the dependents of deceased soldiers from the 2017 Battle of Marawi, to encouraging the next generation of educators through its flagship project Gabay Guro (Guide the teachers), PSF has provided a path for equal opportunity for all. PSF strives to give every youth a chance for a good quality education, enabling them to pursue their goals and dreams.

The Filipinos' resilient spirit – a journey of disaster recovery

In the aftermath of some of the world's strongest typhoons such as Yolanda (Haiyan) and Pablo (Bopha) in recent years, Filipinos affected by these super typhoons continue to seek their way back to the path of rehabilitation and recovery.

In 2017, PSF with Tulong Kapatid (Brotherly Help) – the CSR consortium of First Pacific Group companies in the Philippines headed by PLDT-Smart CEO and Chairman Manuel V Pangilinan – conducted a number of initiatives to assist families affected by Super Typhoon Yolanda. Coinciding with the second anniversary of Pope Francis' visit to the people of Leyte, PSF, in partnership with One Meralco Foundation and Ciena Communications, inaugurated the Tulong Kapatid Multi-Purpose and Evacuation Center donated to the Archdiocese of Palo, Leyte. The multi-purpose center can accommodate up to 1,500 people and can also be used for gatherings and events in the community.

The Kapatid Village Program was also started in 2017, where First Pacific Group companies led by PSF, One Meralco Foundation and Metro Pacific Investments pledged a total of 40 houses to the Siasi Municipality, an island municipality of Sulu.

Equal learning opportunities for all

In 2017, First Pacific Group, led by Pangilinan, provided financial assistance to Pamantasan ng Lungsod ng Maynila ("PLM") – the University of the City of Manila – by inaugurating a renovated high-tech facility for its IT and Engineering students.

The project included improvements in the engineering school's facilities and equipment, the renovation of the ICT office, the installation of CCTV cameras, cooling and fire alarm systems and stairwell and hallway renovations in PLM's Gusaling Villegas-Annex Building, which was renamed the MVP Technology and Innovation Center.

MVP Academic Excellence Awards

Celebrating its 13th year in 2017, the MVP Academic Excellence Awards recognize academic excellence at all levels of education, from special education ("SPED"), grade school, high school, and tertiary levels. The program provides educational aid to some 243 student children of PLDT and Smart employees. From 2004 to date, PSF continues to invest in the beneficiaries in the belief that these students will one day become future leaders of the Philippines.

Gabay Guro program

2017 marked the 10th anniversary of the Gabay Guro Program, a flagship program of PSF and the PLDT Managers Club. The special anniversary was celebrated with a Grand Gathering during the National Teachers' Month with a spectacular star-studded show at the MOA Arena as a tribute to our heroes in the classrooms. The event was graced by the presence of the Department of Education Secretary Hon. Leonor Briones and attended by around 20,000 teachers from across the Philippines.

During the year, the new teacher scholars of the Gabay Guro program were celebrated for their achievements. Gabay Guro supported 542 public school teacher scholars of which 155 graduated – 67 with Latin Honors. In addition, 80 Gabay Guro scholars passed the Licensure Examinations for Teachers ("LET").

Gabay Guro continues its advocacy for equal learning opportunities for all. In 2017, they participated anew in Brigada Eskwela (School Brigade). Due to the devastation of typhoon Nina in 2016, the school Juan M. Alberto Memorial Elementary School ("JMAMES") was in disrepair. Gabay Guro extended its support in rebuilding JMAMES, bringing hope to both its teachers and students.

In 2017, four remote public schools received School-in-a-Bag units from PSF and UBS Investments Philippines. The School-in-a-Bag was created by Smart Communications and aims to help schools that lack access to electricity and digital tools to enhance their learning. Each backpack contains solar power equipment, LED TV, a laptop and teacher's tablet, five tablets for students, lapel mic, hard drive, and Wi-Fi with starter load. The packs also include 21st century teachers' training contents and a learning management system.

Brigada Eskwela project

Last May 2017, PSF, together with the Department of Education (DepEd) ran a Brigada Eskwela clean-and-repair project. The project brings various stakeholders in the community together to clean the assigned public schools and carry out minor repairs to classroom furniture and facilities.

MPIC

MPIC's long-term CSR initiatives are strongly supported by MPIC group companies' staff members and management. The participation of multiple stakeholders increases the positive impact for local communities.

Shore It Up!

In 2017, Shore It Up! ("SIU") celebrated its tenth year as the environmental advocacy arm of Metro Pacific Investments Foundation ("MPIF"). In just a decade, SIU has progressed from a simple beach and underwater cleanup drive to a number of sustainable programs for the environment, such as mangrove and tree planting, giant clam rearrangement, artificial reef restoration, environmental awareness for school children (through the Junior Environmental Scouts or JES), and livelihood promotion for coastal villagers. Most significant of these endeavors has been the establishment of mangrove centers. In ten years, the program has encouraged over 75,000 volunteers from MPIC group companies, as well as from government, the academe, civil society groups and community members.

Having reached this milestone, MPIF – through its newly-formed Board of Advisors and with input from its coastal communities – saw the need and opportunity to deepen relationships with its stakeholders while enhancing their capabilities to better nurture the environment.

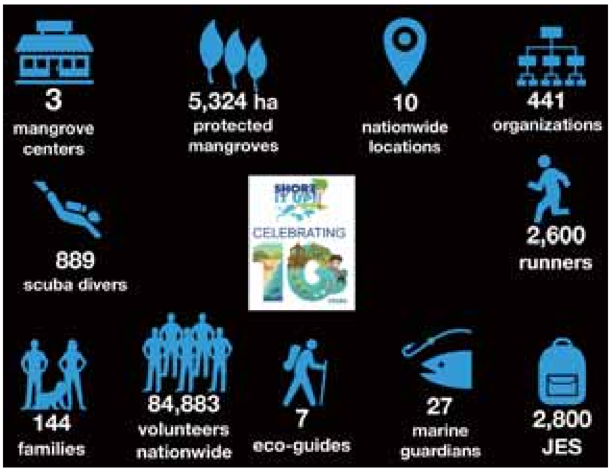
Confluence

On 17 and 18 March 2017, MPIF gathered its various SIU partners at the First Pacific Leadership Academy in what was billed as a Confluence, towards further learning and better collaboration. It gave local government units a platform to present their agenda and ideas for sustainable development. Alaminos City in Pangasinan and Del Carmen in Surigao del Norte – where MPIF helped put up a Mangrove Propagation and Information Center – shared their success stories, including how SIU helped protect its coastal and marine environment and boost ecotourism in their areas. It was also an opportunity to put the spotlight on new SIU partners: Mabini (Batangas), Cordova (Cebu) and Medina (Misamis Oriental), capped by the signing of a Memorandum of Agreement for new opportunities for collaboration.

From this, the participating stakeholders – local government units, national government agencies, community organizations, scientific organizations, students, and civil society groups – charted paths for comprehensive and long-term environmental programs, and synergized their actions to attain the goals of SIU. Inspiring them in the process were the words of Senator Cynthia Villar, Chairperson of the Senate Committee on Environment and Natural Resources, who keynoted the event with examples from her efforts to protect and preserve the Las Piñas-Parañaque Critical Habitat and Ecotourism Area (“LPPCHEA”). Participants raised their concerns for the environment, and Senator Villar committed to help on the policy and legislation side. She also learned more about SIU projects and promised to support and work closely with MPIF. In turn, MPIC President Jose Ma. K. Lim pledged to support her LPPCHEA wetlands advocacy.

Diving Resort and Travel Expo 2017

SIU joined as an exhibitor at the 2017 Diving, Resort and Travel Expo in Mandaluyong City. The SIU booth provided an opportunity to improve awareness about SIU and its work, networking with diving enthusiasts and marine conservationists and encouraging visitors to join as members.



The booth attracted over 800 visitors throughout its three-day participation. Its membership program successfully attracted applicants, with over 200 signing up as SIU member volunteers. Among them were 65 certified Professional Association of Diving Instructors, with the ability to assist SIU in underwater clean ups and even with coral reef restoration. Many also applied for membership even after the event. Today, SIU has a total of 250 of members under its membership program.

Shore It Up! Medina MO

In 2017, MPIF paid special focus on solid waste management in the province of Misamis Oriental through SIU.

MPIF committed to preserving and protecting Duka Reef, a 30-hectare marine fishery reserve located in Medina. This Marine Protected Area (“MPA”) boasts a wealth of marine biodiversity, with some 2,000 species of clams, mollusks and crustaceans, 22 whale and dolphin species, over 900 seaweed species and more than 200 coral species. The MPA has long been a subject of coral research, yielding promising results. Yet a devastating northeast monsoon in 2009 brought major damage to this marine ecosystem. Combined with the negative effects of the growing coastal communities’ domestic pollution, the MPA faced considerable natural and man-made threats to its existence.

In response, MPIF created project Shore It Up! Medina MO – “MO” being an abbreviation of Misamis Oriental. It gave residents a sense of ownership and responsibility to become more caring and responsible for their environment. Scuba diver volunteers from

First Pacific Group companies conducted an assessment of the area's underwater condition and organized an underwater and coastal clean-up along Medina's nine coastal barangays. MPIF also held eco-tourism workshops, complemented by the inauguration of 200 Junior Environment Scouts to develop young environmental advocates in their schools and communities.

The Municipality of Medina won an award from Business Week for its Outstanding Tourism Promotion and Business Development in Mindanao during the last quarter of 2017. Medina Mayor Donato Chan cited SIU's support as a contributing factor in the award.

Upcycle Your Trash – Christmas treecycling

The 2017 Yuletide season was another green Christmas for MPIC as it conducted a group-wide competition to create the best environment-friendly holiday display.

The friendly but serious competition Upcycle Your Trash encouraged departments to help reduce waste, promote a green Christmas, and reinforce MPIC's environmental advocacy. In the process, it also promoted teamwork, creativity, and camaraderie among MPIC employees.

Divided into seven teams, over 60 employees worked together to design and display their recyclable Christmas trees. Winning entries were displayed in the company's lobby. At the end of the activity, MPIC saved some Pesos 50,000 Christmas decorations.

Painting a creative learning environment

MPIF continues to sustain its long-standing partnership with MANO AMIGA, a non-profit organization that provides quality education to children from low-income families. With the support of MPIF in 2016, Mano Amiga was able to transfer to a larger campus in Parañaque City. Following the school's relocation, MPIF felt the need to transform the classrooms into a more creative learning space for the students.

A novelty solution was to engage the students and teachers into enlivening their classrooms through a mural painting activity in 2017. Three 9 feet x 4 feet walls were turned into giant art "canvasses" where the young "artists" channeled their creativity. The project aimed to inspire students to care for the environment even at a young age as well as to dream of a better future.

Goodman Fielder

Goodman Fielder understands that its business success is supported by healthy and productive communities and ecosystems. Our CSR activities in 2017 continued to support the communities in which we operate, improving the way we source our ingredients and raw materials, and reducing the environmental impacts of our products and activities. We collaborate with suppliers, peers and customers in a pre-competitive environment to drive our sustainability priorities.

Responsible sourcing and sustainable agriculture

Goodman Fielder is committed to sourcing certified sustainable palm oil ("CSPO") for all our products in Australia and New Zealand using the mass balance supply chain model. Goodman Fielder adopted Wilmar's *No Deforestation, No Peat and No Exploitation Policy* for sourcing ingredients and will be working with our suppliers to implement this policy.

In 2017, Goodman Fielder announced our commitment to use cage-free eggs for all products manufactured in Australia and New Zealand. This commitment forms part of our approach to animal welfare across the supply chain.

As a foundation member of the *Australian Chapter of the Sustainable Agriculture Initiative* ("SAI") *Platform*, Goodman Fielder participated in project to refine a CSIRO-developed climate change adaptation tool that assists agribusinesses to understand and plan for potential climate-related business continuity risks.

As a signatory to the *Australian Business Pledge against Forced Labour*, Goodman Fielder collaborates in the fight against forced labour, including commissioning research into business approaches to remedy. This research has gained international support and is expected to be released in 2018, contributing to a broader understanding of how business can address this important component of human rights in supply chains.

Supporting our local communities

Goodman Fielder Cares Trust (New Zealand)

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

Goodman Fielder employees contributed 655 volunteer hours in the year to 30 June 2017 to initiatives including the "Feed the Need" program providing meals to school children. The company also donated over 100,000 loaves of fresh bread to foodbanks, and matched, dollar for dollar, the employee payroll donations.

DINEAID (New Zealand)

In 2017, Goodman Fielder was principal sponsor of DINEAID, an initiative by a small group of New Zealand restaurateurs to help those in need. DINEAID funds are redistributed to *Foodbanks* in Auckland, Wellington and Christchurch/South Island regions.

Fighting food waste and hunger (Australia)

Goodman Fielder continued our long association with *Foodbank*, Australia's largest hunger relief organization, donating product and staff time to support the packing of hampers. Goodman Fielder also participated in *Oz Harvest's* CEO Cook Off, an event which raised nearly A$2 million for Australia's leading food rescue organization and provided a memorable event for vulnerable men and women in Australia.

Community support programs (Pacific Islands)

Our international operations in Fiji, Papua New Guinea and New Caledonia are all committed to supporting their local communities. In each country, we partner with local aid agencies to deliver food, health and education services to those in need.

Fiji businesses provide product and monetary donations to more than 10 local orphanages and aged care facilities. Goodman Fielder Fiji also supports the procurement and shipment of beds and specialized equipment for the high-support ward of the Frank Hilton Organization which provides holistic developmental support to over 200 children with disabilities.

The Fiji businesses also supported several healthcare facilities throughout 2017, assisting the Taveuni Hospital in raising funds to build two Health Centers, two Nursing Stations, the AdiBeti (Hospital Boat) and the Waiyevo Hospital.

Improving environmental performance

Zero waste to landfill (New Zealand)

The New Zealand operations team set an ambitious target of achieving zero waste to landfill from our manufacturing activities. Through a coordinated network of waste champions, supported by the leadership team, we have reduced waste to landfill by over 50%.The project now focuses on finding higher value outcomes for the remaining materials where alternatives to landfill do not exist.

Sustainable packaging

Goodman Fielder continued our focus on reducing the environmental impacts of packaging in 2017. As members of the Red Cycle programme in Australia and New Zealand, Goodman Fielder supports the collection and recycling of used soft plastic packaging (e.g. bread bags). These services have resulted in over four million items of Goodman Fielder packaging being collected for recycling annually.

Our focus on sustainable packaging design resulted in the introduction of short skirt caps for our milk bottles in New Zealand. The new caps use 41% less plastic and by working together with our peers for an industry change, 276 tonnes total of HDPE plastic waste is saved per year.

Philex

Philex Group Foundation Inc. ("PGFI") is the ESG arm of Philex Mining Corporation, with the mandate to empower its partner-communities to become socio-economically independent.

The Padcal mine has been in operation for six decades, and the ore life is expected to deplete soon. Aside from complying with the post-mining rehabilitation plan, Philex intends to ensure that the communities left behind will continue to have a sustainable source of income and livelihood once the mine life ends. With this in mind, the implementation of PGFI's main programs went hand-in-hand with the establishment of a social enterprise to provide a market for their partners in their entrepreneurial endeavors.

Padcal mine

Organic vegetable farming

2017 saw the continued expansion of the organic vegetable farming program. Eight new farmers joined the program, along with Ligay Elementary School and Torre Elementary School, which adopted the activity in compliance with the Department of Education's requirement for schools to set up vegetable gardens in their campuses.

In 2017, organic vegetable production from core partner-farmers located at Balayan, Makalbeng and Torre increased 54% to 3,823 kilograms while incomes grew 66%.

Core partner-farmers taught newly joined farmers organic farming techniques and trained them how to be trainers. As a result, the new partner-farmers, together with the two elementary schools, started well during the current year, with average weekly production of approximately 100 kilograms.

PGFI's social enterprise unit Px Community Foods and Marketing, Inc. ("PxCFMI") renewed its certification from the Organic Certification Center of the Philippines for all the partner-farms.

KapeBuhayan: coffee farming and roasting

PGFI received a grant from Metrobank Foundation, Inc. for the expansion of the KapeBuhayan program. The agreement involves farm-based training and simultaneous actual farm rehabilitation, targeting four communities in the host and neighboring communities around Padcal mine. The training will be conducted by the trained core partner-farmers and will be kicked off in 2018 in four targeted community-farms located in Benguet.

Social development and management program

Health and sanitation

The Padcal mine's Sto Niño Hospital caters to employees, their families, and the host and neighboring communities. On average, it serves 350 out-patients daily with medical consultations, treatment and medicines provided. The Health Program also covered a medical and dental mission, which offered free consultations and medicines. The company also provided Philippine Health Insurance to 551 indigents from the HNCs.

To promote self-reliance, Philex provides equipment to other health clinics in neighboring communities to accredit these as lying-in centers.

Education

Pusong Philex, the company's educational assistance program, supports and subsidizes elementary and high school students from the HNCs.

Philex also provided financial support to 75 college students in Baguio City and La Trinidad, who are enrolled in courses such as Engineering, Education, Criminology and Accountancy.

Livelihood and skill development

In 2017, Philex continued to support its local farmers and entrepreneurs through various projects and financial assistance for small and medium enterprises, aimed at enhancing opportunities for success.

The company provided seed capital for iodized salt retailing, equipment for a water refilling station, financial support for hog raising and poultry production, and the improvement of existing irrigation facilities.

Support to public infrastructure

The provision of public infrastructure provides safe access for users and Philex sustained this campaign in the host and neighboring communities through the following projects:

- Provision of infrastructure support to Health and Education Programs
- Construction and improvement of buildings and facilities for livelihood development
- Development and continuous improvement of farm-to-market and access roads such as the Philex-Kias Road (Provincial Road)
- Extension of secondary lines, electric wiring and installation of outlets

Among the notable infrastructure support provided under the program is the construction of teachers' quarters. With the mountainous topography of the host and neighboring communities around Padcal mine, teachers, who are also mothers, are forced to travel to their assigned schools a day before their classes. With the provision of teachers' quarters, travel time for teachers has substantially decreased, which allowed them more time for their own children.

In addition, Philex also prioritizes the construction and improvement of water systems as well as the delivery of water analysis equipment to ensure best access to potable water.

Silangan project

The project has not yet commenced development but community development and environment enhancement programs are continuing, in compliance with the Environmental Compliance Certification ("ECC") conditions and environmental, social and governance ("ESG") commitments to the local communities. Among the critical programs, Information, Education and Communications ("IEC") are the key focus of Silangan's CSR initiatives as of now.

Employee volunteerism and transfer of technology

Under this campaign, the Community Relations ("ComRel") IEC Officer and Silangan IT Supervisor conducted a lecture and served as a speaker at a 3-day seminar on Information and Communication Technology at Timamana National High School.

IEC on Forestry Law

In conjunction with the City Environment and Natural Resources of Surigao del Norte, Silangan Mindanao Mining Company Inc. ("SMMCI") conducted an IEC Campaign on Forestry Laws, Rules and Regulations to the host barangays around the project site. The activity was aimed at properly educating the community on forest laws, specifically with respect to addressing the problem of illegal tree-cutting activities within the Silangan controlled area.

Health

In 2017, the company donated emergency kits and equipment to three earthquake-hit barangays in Sison: Tagbayani, Mayag and Gacepan. Each barangay received a rechargeable megaphone, a number of flashlights, emergency blankets, first-aid kits, rubber boots, raincoats, hard hat, whistle and a box of canned goods.

School supplies distribution

For school year 2017-2018, 5,173 students from 33 public schools located in four host local government units ("LGUs") received school supplies from Silangan. In addition, regular meetings with the parents of Silangan Scholars in Timamana were conducted to provide updates on Silangan's Scholarship Program.

K-12 TVL work immersion partnership

Under the Memorandum of Agreement with the Department of Education, 27 K-12 students from Toldedo Pantilo Sr. Memorial National High completed their work immersion program at Silangan to enrich and reinforce the students' skills and competencies.

Workshops with the Barangay Water and Sanitation Committee and Councils

Three barangays developed a Community Water Management Plan, which addressed issues and concerns related to the acceptance of the Silangan Community Water Project. After identifying and analyzing the said items, proper action plans were formulated.

Establishment of Bansiwag Corporation

To sustain and further strengthen the promotion of sustainable livelihood during the commercial operations of Silangan, the company established the Bansiwag Corporation last year, a community-based corporation registered with the Securities and Exchange Commission. The Bansiwag Corporation comprises of 12 organizations within Silangan's host and neighboring communities, where 297 residents/members are the stockholders, and supplies the following services to Silangan:

- Kitchen/catering services
- Laundry services
- Housekeeping services
- Carpentry and electrical services
- Seedlings production for SMECI Nursery

PLP

PLP is part of the larger Singapore community and it is essential that we engage at all levels to support the communities we serve. PLP has been actively supporting various charity welfare organizations through volunteering. We firmly believe in sponsoring initiatives that promote education, environment conservation and resources preservation to make Singapore a better place and preserving resources for future generations.

Run for Hope 2017

This annual fund-raising run at the Marina Bay Waterfront is organized by the National Cancer Center Singapore ("NCCS") to raise awareness and support for cancer research. PLP staff and their families have been supporting the run since 2014.

Willing Hearts soup kitchen

Staff volunteers and their families spent a Saturday morning assisting at the soup kitchen to prepare meals for the elderly, disadvantaged families and people with disabilities. Willing Hearts distributes 3,000 meals per day in Singapore.

Singapore International World Water Day@Jurong Spring

PLP has supported this annual event since 2016 as a corporate member of Friends of the Waterway. We joined Juying Secondary School students in promoting water conservation with Jurong Spring residents. The event was followed by a self-initiated litter clearing session.

WE clean-up operations at Taman Jurong

Taman Jurong Grassroots Club organizes a litter clean-up, which PLP volunteers have joined since 2015. Waste collected at the public housing areas was tabulated and recorded for analysis.

Volunteer spring cleaning at Healthy Start Child Development Center

PLP's staff volunteers participated in cleaning and sanitizing the furniture, utensils, toys and floor of the pre-school to provide a healthy and hygienic environment for the students.

Coastal clean-up at Punggol Beach

Organized by the International Coastal Clean Up Singapore (ICCS), PLP has participated in the coastal event since 2016. In 2017, PLP's staff worked at Punggol Beach where 60 kilograms of trash were collected; while an alarming total of 14,339 kilograms of trash were collected from the 2017 Singapore – wide coastal clean-up.

NEMS charity day outing for children from Child at Street 21

An annual event organized by the Electricity Market Company (EMC), PacificLight Energy's staff joined participants to offer children from Child at Street 21 a half-day outing on a boat tour around Singapore.

Sustainable Singapore School Art Competition

The National Environmental Agency (NEA) is the leading public organization responsible for improving and sustaining a clean and green environment in Singapore. Its annual art competition program engages primary students in environmental conservation and resource preservation. The theme for 2017 was "Be an Energy Hero", with over 80 creative art pieces received. The winning pieces were showcased at the 2017 Clean and Green Singapore carnival, as well as in PLP 2018's corporate calendar.

RHI

Sustainability is in RHI's DNA, integrated in the business strategy and operations together with the triple bottom line approach: People, Planet and Profit. RHI strives to grow profitably and to be a responsible and positive contributor to our environment and the communities.

Aligned with the United Nations Sustainable Development Goals, RHI's CSR programs focus on Environment; Livelihood, Education and Health.

Environmental stewardship: tree planting and river clean-up programs

RHI is dedicated to complying with the appropriate and relevant environmental laws and standards.

RHI's Tree Planting and Adopt a River Programs, engage the Department of Environment and Natural Resources (DENR), the Local Government Units (LGUs), the communities and our employees. The company planted more than 2,000 trees in 2017, and cleaned up rivers and areas near the plant sites.

Building partnerships for inclusive growth

RHI pursues a policy of continuous stakeholder engagement between the company and its partner communities and organizations.

Educated Marginalized Entrepreneurs Resource Generation (EMERGE) Program

The EMERGE Program is created by the Management Association of the Philippines (MAP) to assist projects/businesses with potential for growth and job generation.

Central Azucarera Don Pedro, Inc. (CADPI) implements a napier grass biofuel program with low-income farmers.

RHI, with its subsidiary Agribusiness Development Corporation, offers farmers mentorship, knowledge of planting napier grass and good farming practices. An estimated harvest of 310 tons, from 7 hectares of farm lands, were sold to CADPI plant in 2017.

AgriClima Project

RHI engages World Wildlife Fund (WWF) for Nature Philippines, Multi-sectoral Alliance for Development (MUAD) and the Bank of the Philippine Islands (BPI) Foundation on the AgriClima Project. AgriClima aims to reduce the impacts from agricultural production and promote smart agricultural practices to increase productivity. The partnership also facilitates farmers' access to credit, financial education and possible market linkage for intercrops. RHI supports selected farm cooperatives in Pontevedra, La Castellana, Calatrava and Carlos City in Negros Occidental.

Providing access to education: RHI Scholarship and the Tulong Aral Programs

RHI places Education as a top priority. The aim is to nurture the younger generation to contribute to their families and communities and to play a role in national development. In 2017, RHI granted a total of 125 scholarships at Nasugbu, Batangas and Negros Occidental.

Tulong Aral Program, in partnership with Roxas Foundation Inc., channels voluntary financial donations from RHI employees to help deserving students. For the school year 2016/17, more than 50 deserving students were sponsored by employees at Central Azucarera de la Carlota, Roxol Bioenergy Corporation and CADPI.

Corporate Governance Report

Governance Framework

First Pacific is committed to building and maintaining high standards of corporate governance. The Company's Corporate Governance Committee, comprised of a majority of Independent Non-executive Directors (INEDs) and chaired by an INED, was delegated with the responsibility for supervision of the Company's corporate governance functions. The Committee carried out a review of its corporate governance practices in respect of the year ended 31 December 2017 to ensure its compliance with the Listing Rule requirements. This Committee is also tasked with the responsibility to oversee the process of Environmental, Social and Governance (ESG) reporting, in compliance with the Listing Rule requirements. With the approval of the Corporate Governance Committee, the Company's first ESG report was published on the websites of the SEHK and the Company in mid-July 2017.

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

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

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

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

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

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

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

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

Model Code for Securities Transactions

The Company has adopted its own Model Code for Securities Transactions by Directors (the Model Code) on terms no less exacting than the required standards of the Model Code for Securities Transactions by Directors of Listed Issuers, as set out in Appendix 10 of the Listing Rules. All Directors have confirmed, following specific enquiries by the Company, that they have complied with the required standards set out in the Model Code for the year ended 31 December 2017.

Directors' interest in securities of the Company and its associated corporations as at 31 December 2017 have been disclosed in the Report of the Directors as set out in this Annual Report.

Whistleblowing Policy

To promote good governance, the Company has put in place a Whistleblowing Policy, which is intended to assist employees and those who deal with the Group to disclose information relevant to any suspected misconduct, malpractice or irregularity which he/she has become aware of or genuinely suspects that the Group has been or may become involved in. Any suspected cases can be reported through a confidential reporting channel directed to the Chairman of the Audit and Risk Management Committee. The policy is regularly reviewed to ensure its effectiveness and is posted on the Company's website (www.firstpacific.com). In 2017, the Company did not receive any disclosure of information under the Whistleblowing Policy.

Board of Directors

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

Non-executive Directors	Independent Non-executive Directors	Executive Directors
Anthoni Salim *(Chairman)* Term of Re-appointment: 3 June 2015 (re-elected) to 2018 AGM	**Prof. Edward K.Y. Chen,** *GBS, CBE, JP* Term of Re-appointment: 6 June 2016 (re-elected) to 2019 AGM	**Manuel V. Pangilinan** Term of Re-appointment: 6 June 2016 (re-elected) to 2019 AGM
Benny S. Santoso Term of Re-appointment: 7 June 2017 (re-elected) to 2020 AGM	**Margaret Leung Ko May Yee,** *SBS, JP* Term of Re-appointment: 6 June 2016 (re-elected) to 2019 AGM	**Robert C. Nicholson** Term of Re-appointment: 7 June 2017 (re-elected) to 2020 AGM
Ambassador Albert F. del Rosario Term of Re-appointment: 7 June 2017 (re-elected) to 2020 AGM	**Philip Fan Yan Hok** Term of Re-appointment: 6 June 2016 (re-elected) to 2019 AGM	**Christopher H. Young** Term of Appointment: 30 August 2017 (appointed until 2018 AGM and subject to re-election at the 2018 AGM)
Tedy Djuhar Term of Re-appointment: 7 June 2017 (re-elected) to 2018 AGM	**Madeleine Lee Suh Shin** Term of Re-appointment: 6 June 2016 (re-elected) to 2019 AGM	

On 30 August 2017, Mr. Edward A. Tortorici resigned as an Executive Director of the Company due to retirement. As a transitional arrangement to ensure his retirement did not cause any disruption, Mr. Tortorici has continued to be employed as a senior executive of the Company until the end of the calendar year 2017 and would become an Executive Advisor of the Company until the end of the calendar year 2018. In addition, Mr. Christopher H. Young has been appointed as an Executive Director of the Company in his stead. In accordance with the Company's bye-laws, Mr. Young shall remain as a director of the Company until the next following annual general meeting of the Company and will be eligible for re-election at that meeting.

On 7 June 2017, the Chairman of the Audit and Risk Management Committee has been changed from Prof. Edward K.Y. Chen to Ms. Madeleine Lee Suh Shin. On 20 March 2018, Mr. Benny Santoso resigned as a member of the Audit and Risk Management Committee.

Board Process

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

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

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

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

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

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

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

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

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

Board Evaluation

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

The Company has been conducting internally-administered board evaluations for a number of years. In respect of the year 2016/2017, to further enhance independence and objectivity, the Board decided to engage an independent consultant to conduct an externally facilitated board evaluation. After considering competitive proposals, the Corporate Governance Committee recommended the engagement of Practising Governance Limited (PGL), an independent consultant specialized in corporate governance. It was approved by the Board.

Noting it being the Board's first externally facilitated evaluation, a "facilitated questionnaire approach" (instead of individual interviews) was adopted. Following review of the Company's corporate and board documents, and seeking feedback from both executive management and the Corporate Governance Committee, PGL developed a tailored questionnaire for directors. A combination of ranking and open-ended questions were used in the questionnaire, with appropriate "prompts" to stimulate the directors' thinking process.

There were two rounds of facilitated discussions on the findings and recommendations: first by the Corporate Governance Committee (with invitation extended to all INEDs) in August 2017; then by the Board in December 2017.

Top ranked areas include satisfaction with financial statements integrity; and in terms of team dynamic that the Board works together effectively, with an open and candid exchange of ideas among Board members. This is critical to a healthy, functioning board, and laid the foundation for implementing continuous enhancements.

For the purpose of devoting more time on strategic discussions at board meetings, corresponding refinements in board processes were suggested, including meeting arrangements, information provision, and training. The Board held an additional, dedicated strategy meeting in December 2017 with main focus on the Group's overall succession planning; review of past and current investment strategies. The Directors will continue discussion on group strategies in board meetings on a regular basis. The Board will further discuss other suggestions arising out of the board evaluation exercise and their implementation as appropriate.

Attendance Records

The Board held seven meetings in 2017, of which five were scheduled physical board meetings and two were held on an ad hoc basis (by teleconference) when a Board decision is required on the major issues. The attendance records of the Board and Board Committee meetings as well as the AGM and SGM held in 2017 are shown in the following table. The overall attendance rate of Directors at Board Meetings is 93.5% while for the Board Committee meetings is 97.7%. The high attendance record at the Board and its Board Committee meetings in 2017 demonstrates Directors' strong commitment to the Company.

	Meetings held in 2017							
	Physical Board	Board via Teleconference	Audit and Risk Management Committee	Corporate Governance Committee	Remuneration Committee	Nomination Committee	2017 AGM	SGM
Number of Meetings	5	2	3	4	3	2	1	1
Executive Directors								
Manuel V. Pangilinan	5/5	1/2	–	–	3/3	2/2	1/1	0/1
Edward A. Tortorici*1	3/3	0/1	–	–	–	–	1/1	0/1
Robert C. Nicholson	5/5	2/2	3/3#	4/4	2/3#	2/2#	1/1	1/1
Christopher H. Young*2	2/2	1/1	1/1#	1/1#	–	–	–	–
Non-executive Directors								
Anthoni Salim	5/5	0/2	–	–	1/3#	1/2	1/1	0/1
Benny S. Santoso	5/5	2/2	3/3	–	–	–	0/1	0/1
Ambassador Albert F. del Rosario	5/5	2/2	–	–	–	–	1/1	0/1
Tedy Djuhar	5/5	1/2	–	–	–	–	0/1	0/1
Independent Non-executive Directors								
Prof. Edward K.Y. Chen, *GBS, CBE, JP*	5/5	2/2	3/3	1/4#	3/3	2/2	1/1	1/1
Margaret Leung Ko May Yee, *SBS, JP*	5/5	2/2	3/3	4/4	–	–	1/1	1/1
Philip Fan Yan Hok	5/5	2/2	1/3#	4/4	3/3	2/2	1/1	1/1
Madeleine Lee Suh Shin	5/5	2/2	3/3	1/4#	2/3#	2/2	1/1	0/1
Average Attendance Rate	100%	77%	100%	100%	100%	90%	82%	36%

\# Not a member of the respective Board Committees but attended the Committee meetings.
*1 Mr. Tortorici resigned as an Executive Director with effect from 30 August 2017.
*2 Mr. Young was appointed as an Executive Director with effect from 30 August 2017.

Board Diversity

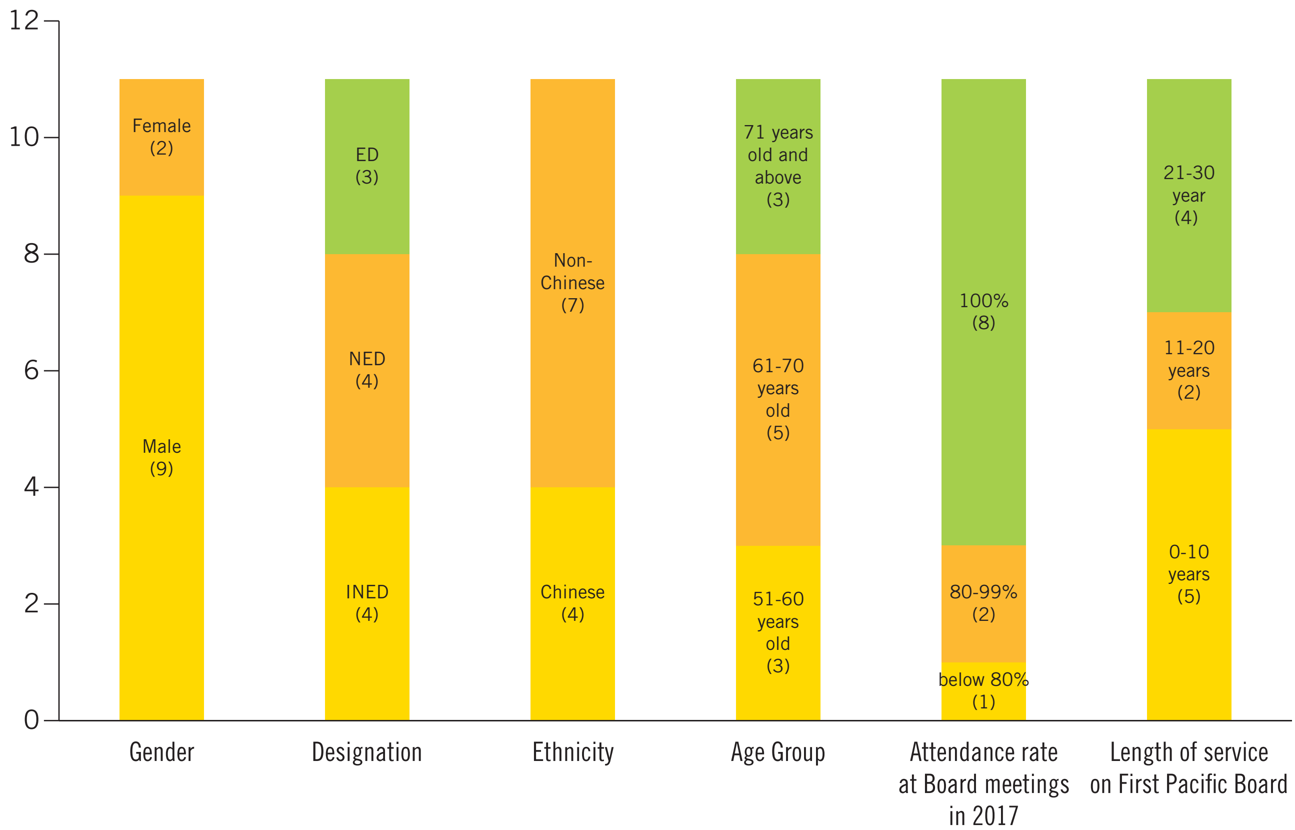
The Directors are collectively responsible for promoting the success of the Company by directing and supervising the Company's affairs. The Board has a balance of skill and experience appropriate for the requirements of the Group's businesses.

As at the date of this Annual Report, Members of the Board came from different background, with a diverse range of academic, business and professional expertise. Brief biographical information of each of our Directors is set out in the section "Board of Directors and Senior Executives" on pages 42 to 45 of this Annual Report.

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

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

Number of Directors



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

Chairman and Chief Executive

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

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

Responsibilities of Directors

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

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

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

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

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

Appointment and Re-election of Directors

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

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

At the meeting of the Nomination Committee held on 30 August 2017, the Members considered and approved the resignation of Mr. Edward A. Tortorici as an Executive Director of the Company due to retirement, and the proposed appointment of Mr. Christopher H. Young, Chief Financial Officer of the Company, as an Executive Director of the Company in his stead. Upon the recommendation from the Nomination Committee, the Board approved the change in directors and published an announcement in relation thereto.

In accordance with the Company's bye-laws, Mr. Young shall remain as a director of the Company until the next following annual general meeting of the Company to be held on 5 June 2018 (2018 AGM). Mr. Young will then be eligible for re-election at the 2018 AGM for a fixed term of approximately three years, commencing on the date of the 2018 AGM and expiring at the conclusion of the annual general meeting of the Company to be held in the third year following the year of his re-election (being 2021 AGM).

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

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

Following such assessment, the Nomination Committee affirmed, and the Board concurred, that all the INEDs continued to demonstrate strong independence in judgment and are free from any business or other relationship which could interfere with their ability to discharge their duties effectively, and they are therefore considered as independent. Each INED is required to inform the Company as soon as practicable if there is any change in his/her own personal particulars that may affect his/her independence. No such notification was received during 2017.

All Directors do not have any financial, business, family, or other material/relevant relationship with each other. Non-executive Directors (including INEDs) have the same duties of care and skill and fiduciary duties as Executive Directors. The biographies of the Directors are set out in the section "Board of Directors and Senior Executives" on pages 42 to 45 of this Annual Report.

Succession Planning

The Board recognizes the importance of having continuity in the senior management, maintaining leaders with appropriate skills and experience to support the delivery of the Group's strategic priorities. During the Strategic Session held in December 2017, special emphasis was put on reviewing the succession planning in the First Pacific Group, particularly in the Philippines where the Company's major investments are held.

Directors' Training

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

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

During the year, the Company arranged for a Directors' facilitated discussion relating to Board Evaluation, which was attended by a majority of our Directors and senior management.

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

Board Committee

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

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

BOARD

Audit and Risk Management Committee
Madeleine Lee Suh ShinΔ*
Prof. Edward K.Y. Chen*
Margaret Leung Ko May Yee*

Remuneration Committee
Prof. Edward K.Y. ChenΔ*
Philip Fan Yan Hok*
Manuel V. Pangilinan

Nomination Committee
Philip Fan Yan HokΔ*
Prof. Edward K.Y. Chen*
Madeleine Lee Suh Shin*
Anthoni Salim#
Manuel V. Pangilnan

Corporate Governance Committee
Margaret Leung Ko May YeeΔ*
Philip Fan Yan Hok*
Robert C. Nicholson

Δ Chairman of the Committee
* INED
\# NED

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

Audit and Risk Management Committee

On 20 March 2018, Mr. Benny S. Santoso (Mr. Santoso), a NED, resigned as a member of the Audit and Risk Management Committee of the Company. In this respect, the Audit and Risk Management Committee currently comprises of all INEDs. Ms. Madeleine Lee Suh Shin, who possesses appropriate professional qualifications and experience in financial matters, replaced Prof. Chen as chairman of the Audit and Risk Management Committee on 7 June 2017. This is in compliance with Rule 3.21 of the Listing Rules.

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

Members of the Audit and Risk Management Committee meet regularly with the Company's external auditor and hold separate sessions in the absence of management. The Audit and Risk Management Committee discussed the audit process and accounting issues and reviewed the effectiveness of risk management and internal control systems. Special meetings are also convened, where appropriate, to review significant financial or management issues. One additional meeting focusing on risk management was held in October 2017. In 2018, two additional regular meetings will be held to focus on discussions relating to risk management. Minutes of the Audit and Risk Management Committee meetings are prepared with details of the matters considered and decisions reached.

During the year, the Audit and Risk Management Committee held three meetings. The attendance record of each Committee members is shown in the section headed "Attendance Records" on page 71 of this Annual Report. Major work performed by the Audit and Risk Management Committee during the year was as follows:

- reviewed the Company's annual results and financial statements for the year ended 31 December 2016 and the related documents, financial reporting and audit issues noted by the Company's external auditor;
- reviewed the Company's interim results and financial statements for the six months ended 30 June 2017 and the related documents, financial reporting and audit issues noted by the Company's external auditor;
- reviewed the revised accounting standards and prospective changes to accounting standards, and the impact on the Group's financial statements;
- conducted annual reviews of the Group's continuing connected transactions pursuant to the Listing Rule requirements;
- reviewed the engagement and remuneration of the Company's external auditor, its independence and objectivity, and the effectiveness of the audit process;
- recommended the re-appointment of external auditor for shareholders' approval at the 2017 AGM;
- reviewed the adequacies of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budgets;
- exercised oversight over the Group's financial reporting system, risk management and internal control systems;
- exercised oversight over the audit and/or risk management committees of the Company's major operating companies;
- considered the 2017 Audit Plan for the First Pacific Group and the audit fee arrangement;
- reviewed the Company's Risk Matrix on a semi-annual basis;
- reviewed the Audit and Risk Management Committee's effectiveness in discharging its role and responsibilities and made recommendation to the Board for any changes;
- reviewed the change of the Chairman of the Audit and Risk Management Committee;
- considered the role of the Chief Risk Officer (CRO) and to evaluate his/her interaction with the Audit and Risk Management Committee; and
- reviewed the terms of reference of the CRO.

Remuneration Committee

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

During the year, the Remuneration Committee held three meetings. The attendance record of each Committee members is shown in the section headed "Attendance Records" on page 71 of this Annual Report. Major work performed by the Remuneration Committee during the year was as follows:

- made recommendations to the Board on the Company's policy and structure for Directors' and senior management's remuneration;
- assessed the performance of Executive Directors and approved the terms of Executive Directors' service contracts;
- reviewed and approved the management's remuneration proposals with reference to the Board's corporate goals and objectives;
- determined, with delegated responsibility, the remuneration packages of individual Executive Directors and senior management;
- reviewed the remuneration of non-executive directors and proposed an increase in the remuneration having regard to the recent market trend and the steady increase in regulatory requirements which have significantly expanded the responsibilities and commitment of the Company's non-executive directors, which was subsequently approved by the shareholders at the 2017 AGM;
- reviewed and approved the grant of share options under the share option scheme and the grant of subscription awards under share award scheme to a senior executive upon her promotion in May 2017;
- reviewed the 2018 salary budget and 2017 annual bonus; and
- reviewed the Remuneration Committee's effectiveness in discharging its role and responsibilities and made recommendation to the Board for any changes.

Nomination Committee

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

During the year, the Nomination Committee held two meetings. The attendance record of each Committee members is shown in the section headed "Attendance Records" on page 71 of this Annual Report. Major work performed by the Nomination Committee during the year was as follows:

- reviewed the structure, size and composition of the Board;
- reviewed succession planning for the Board;
- reviewed and confirmed the independence of INEDs (details of which are set out in the section headed "Appointment and Re-election of Directors" on page 73 of this Annual Report);
- nominated the retiring Directors to stand for re-election at the 2017 AGM;
- made recommendations to the Board on the appointment or re-appointment of Directors;
- reviewed the resignation of Mr. Edward A. Tortorici and the appointment of Mr. Christopher H. Young as a new Executive Director;
- reviewed the composition and diversity of the Board and monitored the implementation of the Board Diversity Policy; and
- reviewed the Nomination Committee's effectiveness in discharging its role and responsibilities and its terms of reference and made recommendation to the Board for any changes.

Corporate Governance Committee

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

During the year, the Corporate Governance Committee held four meetings. The attendance record of each Committee members is shown in the section headed "Attendance Records" on page 71 of this Annual Report. Major work performed by the Corporate Governance Committee during the year was as follows:

- developed and reviewed the Company's policies and practices on corporate governance and made recommendations to the Board;
- reviewed and monitored the training and continuous professional development for Directors and senior management;
- reviewed and monitored the Company's policies and practices on compliance with legal and regulatory requirements;
- reviewed the Company's compliance with the CG Code and disclosure in this Corporate Governance Report;
- reviewed and monitored the progress for ESG reporting and approved the formation of a management committee to finalize the 2016 ESG report for uploading to the websites of the Company and the SEHK before 31 July 2017;
- considered and reviewed the proposal for Board Evaluation;
- reviewed the terms of reference of the Corporate Governance Committee and the necessity for any change of name due to its revised functions and responsibilities;
- approved the adoption of revised terms of reference of the Corporate Governance Committee;
- reviewed the role of the CRO and its terms of reference;
- reviewed the proceedings for board meetings and recommended that more time should be devoted to strategy discussion;
- suggested holding a separate strategy session to focus on succession planning and corporate strategy; and
- reviewed the Corporate Governance Committee's effectiveness in discharging its role and responsibilities and made recommendations to the Board for any changes.

Directors' Service Contract

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

Disclosure of Inside Information

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

Financial Reporting

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

Directors' Responsibility for the Financial Statements

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

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

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

Auditor's Remuneration

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

US$ millions	**2017**	2016
Auditor's remuneration		
– Audit services	**4.1**	4.1
– Non-audit services[(i)]	**0.7**	0.3
Total	**4.8**	4.4

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

Company Secretary

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

The Company Secretary's biography is set out in the Board of Directors and Senior Management section of the 2017 Annual Report. During 2017, the Company Secretary undertook over 15 hours of professional training to update her skills and knowledge in the corporate governance field.

Constitutional Documents

During 2017, there was no change in the constitutional documents. These documents are available on the Stock Exchange's and the Company's websites.

Communications with Shareholders

Effective Communication

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

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

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

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

Voting by Poll

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

At the 2017 AGM and SGM, the chairman demanded a poll on all resolutions. The procedures for demanding a poll by the shareholders were incorporated in the respective AGM and SGM circulars sent to the shareholders in the time stipulated. Computershare Hong Kong Investor Services Limited, the Company's Hong Kong Branch Registrar, was engaged as scrutineer to ensure the votes were properly counted.

Shareholders Communication Policy

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

Calling a Special General Meeting

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

The requisition:

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

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

Putting Forward Proposals at General Meetings

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

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

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

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

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

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

Putting Enquiries to the Board

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

Continuing Connected Transactions and Connected Transactions

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

- 28 March 2017 announcement: the Company announced that Metro Pacific Tollways Development Corporation (MPTDC) entered into the 14% share sale and purchase agreement (SPA) with Egis Road Operation S.A. (Egis) on 27 December 2016 to acquire the 14% interest in Tollways Management Corporation (TMC) for a cash consideration of Pesos 884.7 million (equivalent to approximately US$17.7 million), with the beneficial ownership of the 14% TMC shares vested in MPTDC at that time. On 27 March 2017, MPTDC entered into the 7% SPA with Egis to acquire a further 7% interest in TMC for Pesos 442.3 million (equivalent to approximately US$8.8 million), with the beneficial ownership of the 7% TMC shares vested in MPTDC upon completion of the transaction on 4 April 2017. Prior to the 14% acquisition and the 7% acquisition, MPTDC held approximately 46% interest in TMC, which, together with the 14% acquisition and 7% acquisition, would increase its beneficial shareholding in TMC to approximately 67%.

  As at the date of that announcement, MPTDC is a subsidiary of the Group. Egis Investment Partners Philippines, Inc. (Egis Investment) owns NLEX Corporation as to 10%. Egis Investment is in turn owned as to approximately 54% by Egis and as to approximately 46% by MPTDC. Accordingly, Egis and Egis Investment are able to control the exercise of 10% of the voting power of NLEX Corporation at a general meeting of NLEX Corporation and are therefore substantial shareholders of NLEX Corporation. The Group has an approximately 55% voting interest and an approximately 42% economic interest in MPIC, which in turn owns MPTC as to approximately 99.9%. MPTC wholly owns MPTDC, which in turn directly and indirectly has an aggregate effective interest in approximately 75.6% of the total number of NLEX Corporation common shares in issue. Accordingly, NLEX Corporation is a subsidiary of the Group and Egis is a substantial shareholder of a subsidiary of the Group. Egis is therefore a connected person of the Company. The 14% acquisition and the 7% acquisition are therefore, connected transactions for the Company under the Listing Rules.

- 17 April 2017 announcement: the Company announced that NLEX Corporation and TMC, indirect subsidiaries of the Group, entered into a plan of merger and articles of merger, pursuant to which TMC would merge with and into NLEX Corporation, with NLEX Corporation as the surviving corporation. NLEX Corporation is the concessionaire for both the North Luzon Expressway (NLEX) and the Subic-Clark-Tarlac Expressway projects. TMC is engaged in the operation and maintenance of the NLEX and the Subic-Clark-Tarlac Expressway. The merger shall take effect 15 days from and after the approval by the Philippine Securities and Exchange Commission (PSEC) of the articles of merger and the issuance of the certificate of filing of the articles of merger. It is anticipated that the merger would be completed around the third quarter of 2017. Upon completion, the TMC Shareholders participating in the merger shall transfer all of their respective TMC common shares to NLEX Corporation in exchange for 2.7 NLEX Corporation common shares for every 1 TMC common share (or such other exchange ratio as may be approved by the PSEC).

  The Group has an approximately 55% voting interest and an approximately 42% economic interest in MPIC, which in turn owns MPTC as to approximately 99.9%. MPTC wholly owns MPTDC, which in turn has an aggregate effective interest in approximately 75.6% of the total number of NLEX Corporation common shares in issue and beneficially owns approximately 67% of the issued share capital of TMC. Accordingly, TMC and NLEX Corporation are indirect subsidiaries of the Group. Egis Investment owns 10% of NLEX Corporation and is, therefore, a substantial shareholder of NLEX Corporation and a connected person of the Company under the Listing Rules. Egis Investment is owned as to approximately 54% by Egis, which is, therefore, also a connected person of the Company under the Listing Rules. The merger includes the acquisition by NLEX Corporation of TMC common shares from Egis, a substantial shareholder of NLEX Corporation and TMC and a connected person of the Company under the Listing Rules. The merger is, therefore, a connected transaction for the Company under the Listing Rules.

- 26 April 2017 announcement: the Company announced that Indofood and CMZ BVI entered into a sale and purchase agreement, pursuant to which Indofood has agreed to sell, and CMZ BVI has agreed to purchase, 196,249,971 shares in China Minzhong Food Corporation Limited (CMZ), representing approximately 29.94% of its issued share capital, at a price of S$1.20 (equivalent to approximately US$0.87) per CMZ Share, for an aggregate consideration of S$235,499,965 (equivalent to approximately US$169.9 million), to be settled in cash in four instalments within 18 months from 26 June 2017. Immediately following completion of the CMZ Share Sale on 26 April 2017, Indofood has ceased to own any shares in CMZ.

  CMZ BVI is beneficially wholly-owned by Mr. Lin Guo Rong, Executive Chairman and Chief Executive Officer of CMZ. CMZ was a subsidiary of Indofood before the Offer and ceased to be a subsidiary of Indofood and the Company upon settlement of the consideration in respect of the CMZ Shares tendered by Indofood in acceptance of the Offer on 16 December 2016. Therefore, Mr. Lin Guo Rong is a connected person of the Company at the subsidiary level, and CMZ BVI, being an associate of Mr. Lin Guo Rong, is also a connected person of the Company at the subsidiary level. The CMZ Share Sale is a transaction with a person connected only at the subsidiary level and is therefore, a connected transaction for the Company under the Listing Rules.

- 7 June 2017 announcement: the Company announced that on 7 June 2017, PT Aston Inti Makmur (AIM), a subsidiary of Indofood, entered into two conditional sale and purchase agreements with Mr. Anthoni Salim (Mr. Salim) and PT Adithya Suramitra (ADS), a company wholly-owned by Mr. Salim, respectively, for the purchase of six plots of land with a total area of 42,877 m^2 at a price of Rupiah 51 million (equivalent to approximately US$3,827) per m^2, for an aggregate consideration of Rupiah 2,186,727 million (equivalent to approximately US$164.1 million). The price of Rupiah 51 million (equivalent to approximately US$3,827) per m^2 was determined after arm's length negotiations on normal commercial terms with reference to the valuation of Rupiah 50.8 million (equivalent to approximately US$3,812) per m^2 provided by an independent valuer.

  The purchased lands are currently used by PT Salim Ivomas Pratama Tbk (SIMP), a subsidiary of Indofood, for its cooking oil production facilities, pursuant to a licence agreement with Mr. Salim and a lease agreement with ADS. Having received an offer from an independent third party to acquire the purchased lands for commercial development, Mr. Salim and ADS gave a priority offer to the Indofood Group as the existing lessee to acquire the purchased lands, for purpose of ensuring the continuity of SIMP's cooking oil production operations.

  Mr. Salim is the Chairman of the Board, a substantial shareholder of the Company and the President Director and Chief Executive Officer of Indofood. ADS is a company in which Mr. Salim has an aggregate effective interest of 100% and an associate of Mr. Salim. Therefore, both Mr. Salim and ADS are connected persons of the Company and the acquisition constitutes a connected transaction for the Company.

- 14 June 2017 announcement: the Company announced that, on 13 June 2017, MPIC and PLDT Communications and Energy Ventures, Inc. (PCEV) entered into the Beacon Acquisition Agreement, pursuant to which MPIC agreed to purchase, and PCEV agreed to sell, the Beacon Acquisition Shares, representing a 25% economic interest in Beacon Electric Asset Holdings, Inc. (Beacon Electric), for an aggregate purchase price of Pesos 21.8 billion (equivalent to approximately US$435.6 million). Following completion of the Beacon Electric acquisition, the financial results of Beacon Electric would be consolidated (instead of being equity-accounted for) in the financial statements of the Group. The Beacon Electric acquisition will align the Group's portfolio towards a more appropriate strategic ownership mix, with the interests in Beacon Electric and Meralco to be held by the Group's flagship infrastructure company (MPIC), rather than by PLDT, which is principally engaged in telecommunications and related businesses.

  As at the date of that announcement, Beacon Electric is an equity-accounted for joint venture of the Group because, although MPIC holds 75% of the issued share capital of Beacon Electric, pursuant to a voting agreement MPIC is only entitled to exercise 50% of the voting rights in respect of Beacon Electric (PCEV is entitled to exercise the remaining 50%). However, as MPIC holds more than half of Beacon Electric's issued share capital, Beacon Electric is treated as a subsidiary of MPIC for the purposes of the Listing Rules (notwithstanding the existence of the voting agreement). PCEV, as the holder of 25% of Beacon Electric's issued share capital, is a connected person of the Company and the Beacon Electric acquisition is, therefore, a connected transaction for the Company under Chapter 14A of the Listing Rules.

- 30 June 2017 announcement: the Company announced that MPCALA Holdings, Inc. (MPCALA) and D.M. Consunji, Inc. (DMCI) entered into the construction contract, pursuant to which DMCI has agreed to construct and complete the Civil Works for the Laguna Segment of the Cavite-Laguna Expressway in the Philippines, in accordance with the terms of the construction contract. The contract price for the project is Pesos 7.2 billion (equivalent to approximately US$142.7 million), inclusive of taxes, subject to adjustments as provided for in the construction contract. The contract price was determined after arm's length negotiations between MPCALA and DMCI and was based on normal commercial terms with reference to the expertise, experience and market position of DMCI, and the complexity, design, quality and quantity of the works for the project, and the allocation of risks under the construction contract.

  The Group has an approximately 55% voting interest and an approximately 42% economic interest in MPIC, which in turn indirectly owns MPCALA as to approximately 99.9%. Accordingly, MPCALA is a subsidiary of the Group. The Group has an approximately 51.3% interest in Maynilad Water Holdings Company Inc. (MWHC), the holding company of Maynilad Water Services, Inc. (Maynilad), which holds an exclusive concession granted by Metropolitan Waterworks and Sewerage System on behalf of the Philippine government, to provide water and sewerage services in the area of West Metro Manila. DMCI Holdings, Inc. (DMCI Holdings), being the remaining 27.2% shareholder of MWHC, is a connected person of the Company. DMCI is a subsidiary of DMCI Holdings and is, therefore, a connected person of the Company. Accordingly, the entering into of the construction contract constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

- 6 September 2017 announcement: following the Company's previous announcement made on 10 November 2016 and the Company's circular dated 30 December 2016 in relation to certain CCTs relating to the Indofood Group, due to expansion of businesses, the Company has undertaken a review in respect of Indofood's Plantations Business Transactions, Distribution Business transactions, Flour Business Transactions, Beverages Business – Salim Transactions, Dairy Business Transactions and Beverages Business – Asahi Transactions. As a result of that review, the Company has revised the Annual Caps for each of those business categories for the remainder of 2017 and for 2018 and 2019 in order to more closely reflect the projected transaction amounts. As for Indofood's Packaging Business Transactions, due to expansion of business and the addition of new CCTs, the 2017-2019 aggregated Annual Caps in respect of the Packaging Business transactions have been revised and are subject to the reporting and announcement requirements, but not the Independent Shareholders' approval requirements, under Chapter 14A of the Listing Rules.

  Set out in that announcement are details of the revised Annual Caps for the remainder of 2017, 2018 and 2019 in respect of each of the Plantations Business Transactions, Distribution Business Transactions, Flour Business Transactions, Beverages Business – Salim Transactions, Dairy Business Transactions, Beverages Business – Asahi Transactions and Packaging Business Transactions.

- 2 October 2017 announcement: the Company announced that Indofood's consumer branded products subsidiary, PT Indofood CBP Sukses Makmur Tbk. (ICBP), replied to and accepted a non-legally binding letter of intent from Asahi Group Holdings, Limited (Asahi) in relation to the possible sale of the entire equity interest of Asahi Group Holdings Southeast Asia Pte. Ltd. (Asahi Group SEA), a wholly-owned subsidiary of Asahi, in each of PT Asahi Indofood Beverage Makmur (AIBM) and PT Indofood Asahi Sukses Beverage (IASB).

  As at the date of that announcement, AIBM is owned by ICBP as to 49% and by Asahi Group SEA as to 51%, while IASB is owned by ICBP as to 51% and by Asahi Group SEA as to 49%. Following completion, both AIBM and IASB would be wholly owned by ICBP.

- 22 December 2017 announcement: following the Company's previous announcement made on 2 October 2017 in relation to the possible purchase of a 51% interest in AIBM and a 49% interest in IASB by the Indofood Group from the Asahi Group, ICBP and PT Prima Intipangan Sejati (as Purchasers), Asahi Group SEA (as Seller) and Asahi entered into a conditional sale and purchase agreement (CSPA), pursuant to which the Purchasers agreed to purchase, and the Seller agreed to sell, 617,100 shares in AIBM (representing approximately 51% of the total issued share capital of AIBM) and 632,100 shares in IASB (representing approximately 49% of the total issued share capital of IASB) at the total consideration of US$20 million.

  Within five business days after completion, the Purchasers shall satisfy or procure the satisfaction of the following conditions subsequent:

  (a) ICBP shall pay or procure IASB, AIBM, IASB subsidiaries and AIBM subsidiaries (collectively known as the Target Group) to pay all outstanding principal amount and any unpaid interest owing under certain bank loan facilities provided by the Japanese Banks to the Target Group specified in the CSPA, to each of the relevant Japanese Banks, and to release the guarantees provided by Asahi in connection with those bank loan facilities; and

  (b) ICBP shall repay, or procure the Target Group to repay, all outstanding shareholder loan amount owed by the Target Group to Asahi under certain facility agreements specified in the CSPA.

  As of 30 November 2017, the total outstanding principal amount drawn under those bank loan facilities was Rupiah 2.0 trillion (equivalent to approximately US$147.6 million), of which the total amount guaranteed by Asahi was Rupiah 1.5 trillion (equivalent to approximately US$110.7 million). The total outstanding shareholder loan amount drawn under those facility agreements was Rupiah 60.5 billion (equivalent to approximately US$4.5 million).

  As one or more of the applicable percentage ratios in respect of the transaction contemplated under the CSPA exceeds 5% but all the applicable percentage ratios are less than 25%, it would constitute a discloseable transaction for the Company under Chapter 14 of the Listing Rules.

  As at the date of that announcement, IASB is a 51%-owned subsidiary of Indofood. Asahi Group SEA, the remaining 49% shareholder of IASB, and Asahi, the holding company of Asahi Group SEA, are connected persons of the Company. In this respect, the aforesaid transaction would also be a connected transaction for the Company under Chapter 14A of the Listing Rules.

- 12 March 2018 announcement: following the Company's previous announcement made on 16 January 2015 in relation to, among other things, the execution of the framework agreement between DMCI and Maynilad dated 13 January 2015, the Company announced that the framework agreement expired in accordance with its terms on 31 December 2017. In order to continue performance of the services under the framework agreement and allow DMCI to continue to submit proposals for business put out to competitive tender by Maynilad, DMCI and Maynilad have entered into a renewal agreement, pursuant to which DMCI and Maynilad have agreed to renew the framework agreement for a period of three years. Save for the new annual caps set for the years ending 31 December 2018, 2019 and 2020, all other terms and conditions of the framework agreement will remain in full force and effect.

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

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

Parties to the agreement/arrangement: Name of entity of the group	Parties to the agreement/arrangement: Name of connected party and relationship between the parties	Nature of agreement/arrangement	Period covered by the agreement/arrangement: From	Period covered by the agreement/arrangement: To	Transaction amount for the year ended 31 December 2017 (US$ millions)
PT Indofood Sukses Makmur Tbk (ISM)/ PT Indofood CBP Sukses Makmur Tbk (ICBP)	Dufil Prima Foods PLC (Dufil), an associate of Mr. Anthoni Salim	ISM/ICBP (1) grants an exclusive licence in respect of the "Indomie" trademark in Nigeria and provides technical services in connection with instant noodle manufacturing operations in Nigeria; and (2) sells and supplies ingredients, noodle seasonings and packaging used for instant noodle products	1 January 2017	31 December 2019	34.0
ISM/ICBP	Pinehill Arabian Food Ltd. (Pinehill), an associate of Mr. Anthoni Salim	ISM/ICBP (1) grants an exclusive licence in respect of the "Indomie", "Supermi" and "Pop Mie" trademarks in certain countries in the Middle East; (2) provides technical services in connection with instant noodle manufacturing operations in certain countries in the Middle East; and (3) sells and supplies ingredients, noodle seasonings and packaging used for instant noodle products	1 January 2017	31 December 2019	58.1
ISM/ICBP	Salim Wazaran Group Limited (SAWAZ), an associate of Mr. Anthoni Salim	ISM/ICBP (1) grants a non-exclusive licence in respect of the "Indomie" trademark in certain countries in the Middle East and Africa; (2) provides technical services in connection with instant noodle manufacturing operations in certain countries in the Middle East and Africa; and (3) sells and supplies ingredients, noodle seasonings and packaging used for instant noodle products	1 January 2017	31 December 2019	31.0
ISM and its subsidiaries	PT Indomobil Sukses Internasional Tbk. (Indomobil) and its subsidiaries, an associate of Mr. Anthoni Salim	Indomobil and its subsidiaries sell/rent vehicles, provide vehicle services and sell spare parts to ISM and its subsidiaries	1 January 2017	31 December 2019	1.2
Aggregated transaction amount					**124.3**

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

Parties to the agreement/arrangement: Name of entity of the group	Parties to the agreement/arrangement: Name of connected party and relationship between the parties	Nature of agreement/arrangement	Period covered by the agreement/arrangement: From	Period covered by the agreement/arrangement: To	Transaction amount for the year ended 31 December 2017 (US$ millions)
PT Salim Ivomas Pratama Tbk (SIMP)	PT Adithya Suramitra (ADS), an associate of Mr. Anthoni Salim	ADS grants a 7-month lease to SIMP for use of factory properties	1 January 2017	31 July 2017	0.5
SIMP and its subsidiaries	PT Sarana Tempa Perkasa (STP), an associate of Mr. Anthoni Salim	STP (1) provides pumping services to SIMP and its subsidiaries to load crude palm oil and other derivative products to vessels; and (2) rents office space from SIMP and its subsidiaries	1 January 2017	31 December 2019	0.7
SIMP and its subsidiaries	PT Rimba Mutiara Kusuma (RMK), an associate of Mr. Anthoni Salim	SIMP and its subsidiaries (1) lease heavy equipment and buy building materials from RMK; (2) rent office space, trucks and tug boats from RMK; (3) use transportation services from RMK; and (4) purchase road reinforcement services from RMK	1 January 2017	31 December 2019	1.3
SIMP and its subsidiaries	IndoInternational Green Energy Resources Pte. Ltd. (IGER Group), an associate of Mr. Anthoni Salim	SIMP and its subsidiaries (1) provide operational services to IGER Group; (2) sell seedlings to IGER Group; (3) sell prefabricated housing materials to IGER Group; (4) sell fertilizer products to IGER Group; (5) lease office space to IGER Group; and (6) buy palm oil and its derivatives products from IGER Group	1 January 2017	31 December 2019	31.2
ISM and its subsidiaries	PT Indotek Konsultan Utama (IKU), an associate of Mr. Anthoni Salim	IKU provides consulting services for project development to ISM and its subsidiaries	1 January 2017	31 December 2019	-

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

Parties to the agreement/arrangement: Name of entity of the group	Name of connected party and relationship between the parties	Nature of agreement/arrangement	Period covered by the agreement/arrangement: From	To	Transaction amount for the year ended 31 December 2017 (US$ millions)
ISM and its subsidiaries	PT Lajuperdana Indah (LPI), an associate of Mr. Anthoni Salim	ISM and its subsidiaries buy sugar from LPI	-	-	-
SIMP	PT Fast Food Indonesia Tbk (FFI), an associate of Mr. Anthoni Salim	SIMP sells deep fat frying oil to FFI	1 January 2017	31 December 2019	4.5
ISM and its subsidiaries	Indomobil and its subsidiaries, an associate of Mr. Anthoni Salim	Indomobil and its subsidiaries sell/rent vehicles, provide vehicle services and sell spare parts to ISM and its subsidiaries	1 January 2017	31 December 2019	4.9
SIMP	Shanghai Resources International Trading, Co. Ltd. (Shanghai Resources), an associate of Mr. Anthoni Salim	SIMP sells palm oil and its derivative products to Shanghai Resources	1 January 2017	31 December 2019	28.5
SIMP	PT Nippon Indosari Corpindo (NIC), an associate of Mr. Anthoni Salim	SIMP sells margarine to NIC	1 January 2017	31 December 2019	0.9
ISM	LPI, an associate of Mr. Anthoni Salim	ISM grants an exclusive license of its "Indosugar" trademark related to sugar to LPI	1 January 2017	31 December 2019	0.4
PT Inti Abadi Kemasindo (IAK)	LPI, an associate of Mr. Anthoni Salim	IAK sells packaging materials to LPI	1 January 2017	31 December 2019	0.4
SIMP and its subsidiaries	PT Indomarco Prismatama (Indomaret), an associate of Mr. Anthoni Salim	SIMP and its subsidiaries sell finished goods to Indomaret	1 January 2017	31 December 2019	50.7
SIMP and its subsidiaries	PT Inti Cakrawala Citra (Indogrosir) , an associate of Mr. Anthoni Salim	SIMP and its subsidiaries sell finished goods to Indogrosir	1 January 2017	31 December 2019	24.1
SIMP and its subsidiaries	PT Cipta Subur Nusa Jaya (CSNJ), an associate of Mr. Anthoni Salim	SIMP and its subsidiaries rent infrastructure from CSNJ, and vice versa	1 January 2017	31 December 2019	0.0
Aggregated transaction amount					**148.1**

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

Parties to the agreement/arrangement			Period covered by the agreement/arrangement		Transaction amount for the year ended 31 December 2017
Name of entity of the group	Name of connected party and relationship between the parties	Nature of agreement/arrangement	From	To	(US$ millions)
PT Indomarco Adi Prima (IAP)	PT Lion Superindo (LS), an associate of Mr. Anthoni Salim	IAP distributes various consumer products to LS	1 January 2017	31 December 2019	19.3
IAP	FFI, an associate of Mr. Anthoni Salim	IAP sells chilli and tomato sauces, seasonings and dairy products to FFI	1 January 2017	31 December 2019	1.7
PT Putri Daya Usahatama (PDU)	LS, an associate of Mr. Anthoni Salim	PDU distributes various consumer products to LS	1 January 2017	31 December 2019	1.5
ISM and its subsidiaries	Indomobil and its subsidiaries, an associate of Mr. Anthoni Salim	Indomobil and its subsidiaries sell/rent vehicles, provide vehicle services and sell spare parts to ISM and its subsidiaries	1 January 2017	31 December 2019	6.9
ISM and its subsidiaries	PT Sumberdaya Dian Mandiri (SDM), an associate of Mr. Anthoni Salim	ISM and its subsidiaries use human resources outsourcing services from SDM	1 January 2017	31 December 2019	8.5
IAP	Indomaret, an associate of Mr. Anthoni Salim	IAP sells finished goods to Indomaret	1 January 2017	31 December 2019	148.0
IAP	Indogrosir, an associate of Mr. Anthoni Salim	IAP sells finished goods to Indogrosir	1 January 2017	31 December 2019	46.0
PDU	Indomaret, an associate of Mr. Anthoni Salim	PDU sells finished goods to Indomaret	1 January 2017	31 December 2019	9.8
IAP	RMK, an associate of Mr. Anthoni Salim	RMK rents space from IAP	1 January 2017	31 December 2019	–
IAP	Indomaret, an associate of Mr. Anthoni Salim	Indomaret rents space from IAP	1 January 2017	31 December 2019	0.2
IAP	LS, an associate of Mr. Anthoni Salim	LS rents space from IAP	1 January 2017	31 December 2019	0.3
IAP	PT Indolife Pensiontama, an associate of Mr. Anthoni Salim	IAP's pension plan assets are managed by PT Indolife Pensiontama	2 January 2017	31 December 2019	0.4
PDU	Indogrosir, an associate of Mr. Anthoni Salim	PDU sells finished goods to Indogrosir	1 January 2017	31 December 2019	3.0
Aggregated transaction amount					**245.6**

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

Parties to the agreement/arrangement: Name of entity of the group	Name of connected party and relationship between the parties	Nature of agreement/arrangement	Period covered by the agreement/arrangement: From	To	Transaction amount for the year ended 31 December 2017 (US$ millions)
ISM and its subsidiaries	PT Asuransi Central, Asia (ACA), an associate of Mr. Anthoni Salim	ACA provides vehicle, property and other assets insurance services to ISM and its subsidiaries	1 January 2017	31 December 2019	6.2
ISM and its subsidiaries	PT Central Asia Raya (CAR), an associate of Mr. Anthoni Sali	CAR provides insurance services for personal accident and health to ISM and its subsidiaries	1 January 2017	31 December 2019	4.5
ISM and its subsidiaries	PT Indosurance Broker Utama (IBU), an associate of Mr. Anthoni Salim	IBU provides insurance services to ISM and its subsidiaries	1 January 2017	31 December 2019	0.4
Aggregated transaction amount					**11.1**

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

Parties to the agreement/arrangement: Name of entity of the group	Name of connected party and relationship between the parties	Nature of agreement/arrangement	Period covered by the agreement/arrangement: From	To	Transaction amount for the year ended 31 December 2017 (US$ millions)
Bogasari	NIC, an associate of Mr. Anthoni Salim	Bogasari sells flour to NIC	1 January 2017	31 December 2019	15.8
Bogasari	FFI, an associate of Mr. Anthoni Salim	Bogasari sells flour and spaghetti to FFI	1 January 2017	31 December 2019	1.0
Bogasari	PT Tarumatex (Tarumatex), an associate of Mr. Anthoni Salim	Bogasari rents warehouse from Tarumatex	–	–	–
ISM and its subsidiaries	IKU, an associate of Mr. Anthoni Salim	IKU provides consulting services to ISM and its subsidiaries	1 January 2017	31 December 2019	0.0
ISM and its subsidiaries	Indomobil and its subsidiaries, an associate of Mr. Anthoni Salim	Indomobil and its subsidiaries sell/rent vehicles, provide vehicle services and sell spare parts to ISM and its subsidiaries	1 January 2017	31 December 2019	2.1
ISM and its subsidiaries	SDM, an associate of Mr. Anthoni Salim	ISM and its subsidiaries use human resources outsourcing services from SDM	1 January 2017	31 December 2019	5.7
ISM and its subsidiaries	PT Primajasa Tunas Mandiri (PTM), an associate of Mr. Anthoni Salim	ISM and its subsidiaries use human resources outsourcing services from PTM	1 January 2017	31 December 2019	2.5
Bogasari	Shanghai Resources, an associate of Mr. Anthoni Salim	Bogasari sells pasta products to Shanghai Resources	–	–	–
Bogasari	Indomaret, an associate of Mr. Anthoni Salim	Bogasari sells finished goods to Indomaret	1 January 2017	31 December 2019	1.3
Bogasari	Indogrosir, an associate of Mr. Anthoni Salim	Bogasari sells finished goods to Indogrosir	1 January 2017	31 December 2019	9.1
Aggregated transaction amount					**37.5**

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

Parties to the agreement/arrangement			Period covered by the agreement/arrangement		Transaction amount for the year ended 31 December 2017 (US$ millions)
Name of entity of the group	Name of connected party and relationship between the parties	Nature of agreement/arrangement	From	To	
PT Indofood Asahi Sukses Beverage (IASB) and its subsidiaries	SDM, an associate of Mr. Anthoni Salim	IASB uses human resources outsourcing services from SDM	1 January 2017	31 December 2019	0.4
IASB	Indomaret, an associate of Mr. Anthoni Salim	IASB sells finished goods to Indomaret	1 January 2017	31 December 2019	0.0
IASB	Indogrosir, an associate of Mr. Anthoni Salim	IASB sells finished goods to Indogrosir	1 January 2017	31 December 2019	-
IASB	Indomobil and its subsidiaries, an associate of Mr. Anthoni Salim	Indomobil and its subsidiaries sell/rent vehicles, provide vehicle services and sell spare parts to IASB	1 January 2017	31 December 2019	0.5
IASB	LS, an associate of Mr. Anthoni Salim	IASB sells drinking products to LS	1 January 2017	31 December 2019	-
IASB	FFI, an associate of Mr. Anthoni Salim	IASB sells drinking products to FFI	1 January 2017*	31 July 2022	7.9
Aggregated transaction amount					**8.8**

* PT Indofood Asahi Sukses Beverage renewed this agreement for another 5 years (1 August 2017 to 31 July 2022) in November 2016 after expiration on 31 July 2017.

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

Parties to the agreement/arrangement			Period covered by the agreement/arrangement		Transaction amount for the year ended 31 December 2017 (US$ millions)
Name of entity of the group	Name of connected party and relationship between the parties	Nature of agreement/arrangement	From	To	
ISM and its subsidiaries	Indomobil and its subsidiaries, an associate of Mr. Anthoni Salim	Indomobil and its subsidiaries sell/rent vehicles, provide vehicle services and sell spare parts to ISM and its subsidiaries	1 January 2017	31 December 2019	0.1
ISM and its subsidiaries	SDM, an associate of Mr. Anthoni Salim	ISM and its subsidiaries use human resources outsourcing services from SDM	1 January 2017	31 December 2019	1.6
PT Indolakto (Indolakto)	Indomaret, an associate of Mr. Anthoni Salim	Indolakto sells finished goods to Indomaret	1 January 2017	31 December 2019	4.7
Indolakto	Indogrosir, an associate of Mr. Anthoni Salim	Indolakto sells finished goods to Indogrosir	1 January 2017	31 December 2019	0.0
Indolakto	LS, an associate of Mr. Anthoni Salim	Indolakto sells finished goods to LS	1 January 2017	31 December 2019	0.6
Indolakto	NIC, an associate of Mr. Anthoni Salim	Indolakto sells finished goods to NIC	1 January 2017	31 December 2019	1.3
Indolakto	FFI, an associate of Mr. Anthoni Salim	Indolakto sells finished goods to FFI	1 January 2017	31 December 2019	0.3
Aggregated transaction amount					**8.6**

H. Transactions relating to the Customer Relationship Management of the Indofood Group

Parties to the agreement/arrangement			Period covered by the agreement/arrangement		Transaction amount for the year ended 31 December 2017 (US$ millions)
Name of entity of the group	Name of connected party and relationship between the parties	Nature of agreement/arrangement	From	To	
ISM and its subsidiaries	PT Transcosmos Indonesia, an associate of Mr. Anthoni Salim	PT Transcosmos Indonesia provides call center services to ISM and its subsidiaries	1 January 2017	31 December 2019	0.3
ISM and its subsidiaries	PT Data Arts Xperience, an associate of Mr. Anthoni Salim	ISM and its subsidiaries use digital media buying services from PT Data Arts Xperience	1 January 2017	31 December 2019	–
ISM and its subsidiaries	PT Popbox Asia (Popbox Asia), an associate of Mr. Anthoni Salim	ISM and its subsidiaries utilizes Popbox Asia's lockers for branding purposes	1 January 2017	31 December 2019	0.3
Aggregated transaction amount					**0.6**

I. Transactions relating to the Packaging Business of the Indofood Group

Parties to the agreement/arrangement: Name of entity of the group	Parties to the agreement/arrangement: Name of connected party and relationship between the parties	Nature of agreement/arrangement	Period covered by the agreement/arrangement: From	Period covered by the agreement/arrangement: To	Transaction amount for the year ended 31 December 2017 (US$ millions)
SRC	FFI, an associate of Mr. Anthoni Salim	SRC sells carton box packaging to FFI	1 January 2017	31 December 2019	0.0
ISM and its subsidiaries	Indomobil and its subsidiaries, an associate of Mr. Anthoni Salim	Indomobil and its subsidiaries sell/rent vehicles, provide vehicle services and sell spare parts to ISM and its subsidiaries	1 January 2017	31 December 2019	0.5
ISM and its subsidiaries	SDM, an associate of Mr. Anthoni Salim	ISM and its subsidiaries use human resources outsourcing services from SDM	1 January 2017	31 December 2019	0.1
ISM and its subsidiaries	PTM, an associate of Mr. Anthoni Salim	ISM and its subsidiaries use human resources outsourcing services from PTM	1 January 2017	31 December 2019	0.7
ISM/ICBP	NIC, an associate of Mr. Anthoni Salim	ISM/ICBP sells packaging materials to NIC	1 January 2017	31 December 2019	0.3
ISM/ICBP	Indomaret and its subsidiaries, an associate of Mr. Anthoni Salim	ISM/ICBP sells packaging materials to Indomaret and its subsidiaries	1 January 2017	31 December 2019	-
ISM/ICBP	LPI, an associate of Mr. Anthoni Salim	ISM/ICBP sells packaging materials to LPI	-	-	-
Aggregated transaction amount					**1.6**

J. Transactions relating to the Revolving Loan Facility of the Indofood Group

Parties to the agreement/arrangement: Name of entity of the group	Parties to the agreement/arrangement: Name of connected party and relationship between the parties	Nature of agreement/arrangement	Period covered by the agreement/arrangement: From	Period covered by the agreement/arrangement: To	Transaction amount for the year ended 31 December 2017 (US$ millions)
SIMP	IGER Group, an associate of Mr. Anthoni Salim	SIMP provides a revolving loan facility to IGER Group	2 January 2017	31 December 2019	40.0
Aggregated transaction amount					**40.0**

K. Transactions relating to the Beverage Business – Asahi Transactions

Parties to the agreement/arrangement: Name of entity of the group	Parties to the agreement/arrangement: Name of connected party and relationship between the parties	Nature of agreement/arrangement	Period covered by the agreement/arrangement: From	Period covered by the agreement/arrangement: To	Transaction amount for the year ended 31 December 2017 (US$ millions)
IASB	Asahi Breweries Ltd. (ABL), a substantial shareholder of the Indofood Group	Secondment agreement to assign certain Japanese employees of ABL who have certain skills and expertise to conduct beverages business	1 January 2017	31 December 2017	0.2
ISM	PT Asahi Indofood Beverage Makmur (AIBM)	AIBM rents office space from ISM	1 January 2017	31 December 2019	0.2
PT Surya Rengo Containers (SRC)	AIBM and its subsidiaries	SRC sells carton box packaging to AIBM and its subsidiaries for product packaging	1 January 2017	31 December 2019	1.1
ICBP	AIBM and its subsidiaries	ICBP sells lids to AIBM and its subsidiaries for product packaging	1 January 2017	31 December 2019	1.1
IASB and its subsidiaries	AIBM and its subsidiaries	AIBM and its subsidiaries sell drinking products to IASB and its subsidiaries	1 January 2017	31 December 2019	114.3
IASB and its subsidiaries	PT Calpis Indonesia (PTCI), a substantial shareholder of ABL	PTCI pays supply fee to IASB and its subsidiaries	1 January 2017	30 June 2017	0.1
Aggregated transaction amount					**117.0**

L. Transactions relating to the Baby Diapers Business of the Indofood Group

Parties to the agreement/arrangement: Name of entity of the group	Parties to the agreement/arrangement: Name of connected party and relationship between the parties	Nature of agreement/arrangement	Period covered by the agreement/arrangement: From	Period covered by the agreement/arrangement: To	Transaction amount for the year ended 31 December 2017 (US$ millions)
PT Indo Oji Sukses Pratama (IOSP)	LS, an associate of Mr. Anthoni Salim	IOSP sells finished goods to LS	–	–	–
IOSP	Indomobil and its subsidiaries, an associate of Mr. Anthoni Salim	Indomobil and its subsidiaries sell/rent vehicles, provide vehicle services and sell spare parts to IOSP	–	–	–
IOSP	Indomaret, an associate of Mr. Anthoni Salim	IOSP sells finished goods to Indomaret	–	–	–
IOSP	Indogrosir, an associate of Mr. Anthoni Salim	IOSP sells finished goods to Indogrosir	–	–	–
IOSP	SDM, an associate of Mr. Anthoni Salim	IOSP uses human resources outsourcing services from SDM	–	–	–
Aggregated transaction amount					**–**

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

Parties to the agreement/arrangement: Name of entity of the group	Parties to the agreement/arrangement: Name of connected party and relationship between the parties	Nature of agreement/arrangement	Period covered by the agreement/arrangement: From	Period covered by the agreement/arrangement: To	Transaction amount for the year ended 31 December 2017 (US$ millions)
Maynilad Water Services, Inc. (Maynilad)	D.M. Consunji, Inc. (DMCI), a subsidiary of DMCI Holdings	DMCI provides construction services for the supply and installation of additional pumps, motors and gear box	7 July 2017	8 January 2018	
Maynilad	DMCI	DMCI provides construction services for water reserve osmosis system at Putatan Water Treatment Plant	20 April 2017	21 October 2017	
Maynilad	VA Tech Wabag – DMCI (Joint Venture)	VA Tech Wabag – DMCI (Joint Venture) provides construction services in respect of rehabilitation, retrofitting and process improvement of La Mesa Water Treatment Plant 2	16 November 2017	21 November 2022	
Aggregated transaction amount					**37.8**

In respect of the financial year ended 31 December 2017, each of the continuing connected transactions has been subject to annual review by the INEDs of the Company pursuant to Rule 14A.55 of the Listing Rules and confirmation of the auditor of the Company pursuant to Rule 14A.56 of the Listing Rules.

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

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

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

Risk Management and Internal Control

As a decentralized organization in which local management have substantial autonomy to run and develop their respective company business, the Group views well developed reporting systems and internal controls as essential. The Board plays a key role in the implementation and monitoring of internal controls. Their responsibilities include:

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

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

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

In respect of the financial year ended 31 December 2017, the Board confirmed that it has received confirmations from the operating companies' audit committees, risk committees and/or internal auditor/chief risk officer on the effectiveness of the Group's risk management and internal control systems and that there is no significant area of concern to be disclosed.

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

Operational Controls

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

Financial Controls

- The management in each of the operating companies manages and ensures that optimal capital structure of its company is maintained. Information about the Group's capital management is set out in Note 40(A) to the Consolidated Financial Statements.

- The finance and treasury teams in each of the operating companies undertake the management of the financial risks relating to foreign exchange, interest rate, liquidity and commodity. Information about the Group's management of its financial risks is set out in the "Financial Review – Financial Risk Management" section and Note 40(B) to the Consolidated Financial Statements.

Compliance Controls

- The Company Secretary and legal team in each of the operating companies undertake the monitoring of compliance with relevant laws, rules and regulations. In some of the regulated businesses, specific regulatory management groups with experienced personnel are established to mitigate risk arising from potential differences with regulators in the interpretation of the relevant laws, rules and regulations.

- The financial reporting team and audit committee in each of the operating companies ensure that the financial statements of their companies comply with the relevant financial reporting and accounting standards and regulatory requirements, and are based on suitable accounting policies as well as prudent and reasonable judgments and estimates.

- The treasury team in each of the operating companies undertakes the monitoring of compliance with relevant covenants for borrowings.

Risk Management

- Head Office has formed a Risk Assessment Committee comprising of two Executive Directors and senior executives of the Company to oversee the Head Office's risk management function, in relation to its role as an investment holding and management company. This Committee will report to the Audit and Risk Management Committee twice each year. The key risks which need to be managed are those risks attributable to its business plans, the inherent risks of the operating companies in which it is invested, evaluation of possible acquisitions and divestments in the context of the operating companies in which it is invested and the risk that the Group's overall performance does not meet market expectations. A risk matrix has been developed and is reviewed by the Audit and Risk Management Committee and the Board on a semi-annual basis.

- To ensure effective implementation of risk management and internal control systems, risk management processes are conducted according to the operating companies' prescribed risk management policies and procedures, based on carefully defined risk management frameworks for the effective management of risk at all levels across all operating and functional units of the operating companies.

- Telecommunications – The PLDT Group's Enterprise Risk Management team continuously implements its standard risk evaluation processes to address the key identified risks. For 2017, the major risks relate to the competitive situation and economic conditions which may significantly restrict growth opportunities and hamper its efforts to secure market leadership, the rapid speed of disruptive innovations and/or new technologies within the industry which may outpace its ability to compete and/or manage risk appropriately, succession challenges, resistance to change, decline in revenues and heightened capital expenditures, reliance on outsourcing and strategic sourcing arrangements and dependence on third party vendors, timely identification and escalation of risk issues, cyber threats, unexpected crises, regular occurrence of natural disasters, execution and implementation its business transformation and digital pivot. In order to ensure effective management of the risks identified, the PLDT Group has, among other measures, appointed new officers to oversee risks, to restructure the organization and to build a superior network to support the migration and rollout of new services. It will continue to undertake its Digital Transformation Program and promote a risk culture within the Group. Risk management activities are continuously monitored and reviewed to ensure that critical risks are appropriately addressed across the organization.

- Consumer food products – the major risks that Indofood identified are associated with food safety and quality, health and safety in the working environment, availability and price fluctuations of raw materials, system and information, reputation due to unsubstantiated news/rumors, environmental, new/changes of government regulations, talent and people, competition, and natural disaster/global warming. Indofood strives to produce safe food for all consumers by adhering to Good Manufacturing Practices that ensure products are manufactured through hygienic processes and according to Indofood quality standards; and follows requirements set by authorities such as Halal standards. Related to risk of availability and price fluctuations of raw materials, Indofood has collaborated and increased domestic farmers' contributions, as well as monitoring the price movements regularly. As for rising competition, Indofood conducts marketing initiatives to build strong brand awareness and loyalty, focuses on innovation to develop new products, and introduces competitive terms to its customers. Indofood conducts ongoing people development, professional training programs both internally and externally, and continues with succession plan assessment. Indofood ensures adequate insurance coverage in the event of natural disasters, and implements crisis management system. Indofood is committed to environmentally sustainable business practice, through the development of guidelines, improvement in its operational facilities, increase awareness and ensure compliance with the government regulations.

- Branded consumer foods – Goodman Fielder, through its Audit and Risk Management Committee, was established to assist the Board in fulfilling its responsibility to oversee the quality and effectiveness of its risk management system and framework, which set out the policy and process to be followed to enable the identification, assessment, treatment, reporting and monitoring of risks on a per business and Group basis. Goodman Fielder considered its ability to secure private label contracts for bread and dairy products a key risk, as failure to do so would significantly increase unit production costs. Currently, management is renegotiating for the renewal of existing private label contracts. Goodman Fielder continues to focus on cash flow forecasting, working capital and capital expenditure management program, and to pursue the sale of surplus assets to generate cash flow for purpose of supporting the pursuit of strategic objectives; complying with loan covenants; funding capital expenditure and paying dividend. Goodman Fielder strives to deliver a safe, high quality, low cost, flexible supply chain, and manufacturing footprint and distribution network aligned with its strategic objectives. The Audit and Risk Management Committee reports to the Board on the risks identified and the mitigation measures adopted on a regular basis.

- Infrastructure – MPIC, through its Risk Management Committee, has identified the key potential risks specific to its businesses as operational risks, political and regulatory risks for businesses which are directly regulated by the state or any agency thereof such as: electricity distribution; water supply and distribution along with sewage treatment; tollroads and Light Rail. In order to mitigate those risks, each operating company has a full management team which is responsible for managing the risks and dedicated regulatory management groups with experienced personnel to manage the relationship with regulators, keeping management up-to-date on the status of the relationship and ensuring that companies are well prepared for any forthcoming regulatory changes or challenges, as well as adhering to the holding company's investment disciplines.

  Meralco recognizes the regulatory uncertainty risks relating to the inaction or delayed decisions/resolutions on pending and future applications, petitions and cases before the Energy Regulatory Commission (ERC) competitive selection process, unjustified/unsupported modifications of performance based regulation, system loss cap risk and uncertainty in the policies on retail competition and open access. It monitors the risks through closely monitoring developments in cases and actively participating in the hearings and in the deliberations of new draft rules at the ERC, legislative inquiries at both houses of Congress, emphasizing and providing information/data to lawmakers and engaging qualified/competent technical consultants to conduct studies covering comparable international locations and operating environment.

  Maynilad has managed its water supply risk by reducing its reliance on the Angat dam by developing the Putatan water treatment plants to secure alternative water supply. In respect of its legal and regulatory compliance risk, Maynilad engaged the services of a consultant to assess its existing wastewater treatment facilities and recommends solutions on how to comply with the new standards.

  MPTC has managed the risk relating to the delay in commercial operations of new projects/segments by engaging qualified contractors, accreditation of contractors/service providers, and close coordination with contractors and other government agencies. Other risks identified are non approval of adjusted and periodic toll rates in future, and an unfavorable decision in the arbitration case against the government on past due toll rate adjustments. MPTC has mitigated the risks through exploring and timely pursuit of appropriate legal remedies and close coordination with government agencies.

  LRTI has managed the risks relating to acts of terrorism in its trains and stations, significant damages due to earthquake, defects on the tachymetry module and human error in the operations of the trains through implementation of security policies and emergency response plans. It has a crisis management structure in place for earthquakes and other related policies. It has ongoing testing and modification of actuators for improvement in detection, and ongoing signal testing, replacement and repair of all tachymetry for Gen-1 trains. With regard to damages and injuries due to falling debris/ballast from the viaduct and cable duct, LRTI is considering engaging a third party expert for stray current analysis and determination of an acceptable level.

  In order to manage the regulatory risk leading to periodic disruption of services, GBP's legal department regularly files PSA applications to ERC within deadline and filed a motion for reconsideration with regard to the lowering of rates of PEDC3. With regard to the replacement of low sulphur fuel oil (LSFO) with bunker fuel oil (BFO) for use by GBP's diesel plants, which has resulted in higher SOx emissions and exceeds DENR's SPx standards, GBP has submitted a letter for consideration to DENR for the use of BFO due to unavailability of LSFO. In terms of market competition risk, GBP offers competitive tariffs by increasing plant efficiency and reliability and seeks out new markets such as ancillary services to NGCP and retail sales to contestable customers.

  For the Hospitals Group, the primary risk is that investment runs ahead of demand and patients' ability to pay. To address the risk, the Hospital Group will ensure that they fully understand their target market and scale improvements towards the patients' ability to pay for hospital services.

- Electricity generation business – risk management programs are undertaken by PLP to mitigate business risks, including intense retail competition from independent retailers which are not constrained by generation cost; depressed pool prices due to overcapacity in the market; regulatory decisions that impact the market dynamics and cost of compliance; and adverse movement of its fuel cost relative to that of the competitors. PLP's Team closely monitors the electricity wholesale and retail markets and oil price movement to adjust its strategies accordingly.

- Natural resources – Philex has undertaken a risk management program that will mitigate or eliminate identified physical, social ecological and economic risks inherent in its mining business, thereby ensuring a productive and profitable operation. It employs a comprehensive, integrated risk management program, effected across all levels of the organization, with the goal of identifying, analyzing and managing its risks to an acceptable level, so as to enhance opportunities, reduce threats, and thus sustain competitive advantage. As the local mining industry is heavily regulated, Philex continues to ensure strict compliance with existing regulations and maintains strong working relationships with local and national government agencies directly and indirectly. It continues to engage international consultants to resolve technical issues and concerns relating to capital project execution at Padcal and Silangan. With regard to the continued opposition from anti-mining sectors across multi-media channels, Philex continues to ensure strict compliance with regulatory requirements specifically with respect to ensuring safety and environmental protection in all aspects of operations and maintains good relationship with regulatory agencies, LGUs and host communities.

- Risk assessments are conducted regularly by each operating company's management team and reported to its audit and/or risk management committee and its board of directors. The audit and/or risk management committees of the operating companies meet with internal and external auditors as well as the operating companies' management teams regularly to communicate on the issues regarding the operating companies' risks in order to ensure accuracy of risk assessment reports and proper implementation of the reported risk mitigation strategies and controls.

During the year ended 31 December 2017, the Audit and Risk Management Committee reviewed and advised that:

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

Remuneration Policy

Details of Directors' remuneration for the year are set out in Note 37(A) to the Consolidated Financial Statements. The remuneration of senior executives, including Directors, consists of the following:

Salary and Benefits

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

Bonus and Long-term Incentives

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

Fees

It is the Company's policy that it does not pay any fees to the Company's Executive Directors for attending Board or Board Committee meetings. As for the Company's NEDs (including the INEDs), they are paid at the sum of US$7,000 for each meeting of the Board (which he or she attends in person or by telephone conference call) and each general meeting of Shareholders (which he or she attends in person); and the sum of US$6,000 for each meeting of the Board Committees (which he or she attends in person or by telephone conference call).

Pension Contributions

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

Financial Review

Financial Performance and Position

Analysis of Consolidated Income Statement

An analysis of the Group's 2017 reported results compared with 2016's follows.

For the year ended 31 December US$ millions	2017	2016	% change
Turnover	**7,296.8**	6,779.0	+7.6
Gross profit	**2,152.5**	2,004.7	+7.4
Operating expenses	**(1,152.4)**	(1,095.1)	+5.2
Other operating income/(expense), net	**10.7**	(40.1)	–
Net finance costs	**(330.6)**	(309.9)	+6.7
Share of profits less losses of associated companies and joint ventures	**204.0**	224.5	–9.1
Taxation	**(322.9)**	(286.3)	+12.8
Profit for the year from a discontinued operation	**–**	20.0	–
Non-controlling interests	**(440.4)**	(414.6)	+6.2
Recurring profit	**300.0**	264.9	+13.3
Profit attributable to owners of the parent	**120.9**	103.2	+17.2

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

Turnover – increased by 7.6%, mainly reflecting a growth in Indofood's sales (increased by 5.3% in rupiah terms) and MPIC's revenues (increased by 39.5% in peso terms), partly offset by a decrease in revenue at PLP and the impact of the depreciation in the average peso exchange rate against the U.S. dollar of 5.4%. The growth in Indofood's sales mainly reflects an increase in sales volumes for all major products, except noodles and average selling prices at the Agribusiness division. The growth in MPIC's revenues mainly reflects the consolidation of GBPC in June 2017, higher traffic volumes at MPTC and an increase in billed water volume at Maynilad. The decrease in PLP's revenues mainly reflects a lower volume of electricity sold.

Gross profit – increased by 7.4%, mainly reflecting the increase in gross profits at both Indofood and MPIC, partly offset by the depreciation in the average peso exchange rate against the U.S. dollar. The marginal decrease in gross margin (2017: 29.5% vs 2016: 29.6%) mainly reflects a decrease in Indofood's gross margin (2017: 28.3% vs 2016: 29.1%) as a result of higher raw material costs, partly offset by the consolidation of GBPC with a gross margin of 53.0%

Operating expenses – increased by 5.2%, mainly reflecting an increase in freight and handling expenses at Indofood and employees expenses at both Indofood and MPIC, partly offset by the depreciation in the average peso exchange rate against the U.S. dollar.

Other operating income/(expenses), net – the net other operating income for 2017 mainly reflects MPIC's dividend income from Beacon Electric's preferred shares, partly offset by impairment provisions made by Indofood and MPIC. The net other operating expenses for 2016 mainly reflects the Group's impairment provision for the investments in PLP, partly offset by a net foreign exchange gain recorded by Indofood for its foreign currency denominated net borrowings and payables.

Net finance costs – increased by 6.7%, mainly reflecting a higher average debt level at MPIC for its investments and capital expenditure and consolidation of Beacon Electric/GBPC and lower interest income at Indofood.

Share of profits less losses of associated companies and joint ventures – decreased by 9.1%, mainly reflecting a decrease in profit contribution from PLDT and a net loss recorded by Goodman Fielder, partly offset by an increase in profit contribution from Meralco.

Taxation – increased by 12.8%, principally reflecting a higher taxable profit at Indofood and MPIC.

Profit for the year from a discontinued operation – the amount in 2016 represented the Group's share of CMZ's profit.

Non-controlling interests – increased by 6.2%, mainly attributable to an increase in non-controlling interests' share of MPIC's profit following the Group's partial divestment of its interest in MPIC to GT Capital in May 2016 and MPIC's consolidation of GBPC in June 2017.

Recurring profit – increased by 13.3%, mainly reflecting an increase in recurring profit contribution from Indofood and a lower Head Office net interest expense as a result of lower average debt level.

Profit attributable to owners of the parent – increased by 17.2%, mainly reflecting an increase in recurring profit and net foreign exchange and derivative gain recorded in 2017 as compared to a net loss in 2016.

Analysis of Consolidated Statement of Financial Position

An analysis of the Group's statement of financial position at 31 December 2017 compared with 31 December 2016's follows.

At 31 December US$ millions	**2017**	2016	% change
Property, plant and equipment	**5,321.1**	3,870.5	+37.5
Associated companies and joint ventures	**5,203.2**	4,741.5	+9.7
Goodwill	**1,095.1**	996.3	+9.9
Other intangible assets	**3,659.4**	3,338.7	+9.6
Cash and cash equivalents(i)	**2,238.3**	1,770.4	+26.4
Other assets	**2,937.4**	2,498.0	+17.6
Total Assets	**20,454.5**	17,215.4	+18.8
Borrowings	**7,969.7**	6,108.4	+30.5
Other liabilities	**3,742.3**	3,072.7	+21.8
Total Liabilities	**11,712.0**	9,181.1	+27.6
Net Assets	**8,742.5**	8,034.3	+8.8
Equity attributable to owners of the parent	**3,227.1**	3,112.0	+3.7
Non-controlling interests	**5,515.4**	4,922.3	+12.0
Total Equity	**8,742.5**	8,034.3	+8.8

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

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

Property, plant and equipment – increased by 37.5%, mainly reflecting MPIC's consolidation of GBPC, capital expenditure incurred by Indofood, MPIC and RHI, Indofood's investments in newly planted area and maintenance of immature plantations and a retranslation effect (mainly reflecting the appreciation of the closing exchange rate of the S$ against the U.S. dollar of 8.3%, partly offset by the depreciation of the closing exchange rate of the rupiah against the U.S. dollar of 0.8%), partly offset by depreciation.

Associated companies and joint ventures – increased by 9.7%, mainly reflecting MPIC's consolidation of Beacon Electric (US$599.0 million), the Group's share of profits of PLDT, Meralco and Philex, MPIC's acquisition of a 48.3% interest in PT Nusantara (US$151.3 million) and GBPC's acquisition of a 50.0% interest in ATEC (US$85.4 million) and a retranslation effect (mainly reflecting the appreciation of the closing exchange rate of the A$ against the U.S. dollar of 8.4%, partly offset by the depreciation of the closing exchange rate of the peso against the U.S. dollar of 0.4%), partly offset by the payments of dividends by the associated companies and joint ventures.

Goodwill – increased by 9.9%, mainly reflecting the goodwill arising from MPIC's acquisitions of TMC and ESC.

Other intangible assets – increased by 9.6%, mainly reflecting MPIC's capital expenditure for its water, toll road and rail concessions and consolidation of GBPC, partly offset by amortization and Indofood's impairment provision for the brand and distribution network of the packaged drinking water business.

Cash and cash equivalents – increased by 26.4%, mainly reflecting operating cash inflows from Indofood and MPIC, proceeds from MPIC's divestment of a 4.5% interest in Meralco and the first two installments received by Indofood from its disposal of the remaining 29.9% interest in CMZ and net new borrowings, partly offset by the Group's payments for new investments, capital expenditure, dividends/distributions to shareholders of the Company and non-controlling shareholders of its subsidiary companies.

Other assets – comprise biological assets, investment properties, accounts receivable, other receivables and prepayments, available-for-sale assets, deferred tax assets, other non-current assets and inventories, increased by 17.6%, mainly reflecting MPIC's consolidation of Beacon Electric/GBPC and advances to contractors for construction projects.

Borrowings – increased by 30.5%, mainly reflecting MPIC's consolidation of Beacon Electric/GBPC and Indofood's and MPIC's new borrowings for financing its investments and capital expenditure.

Other liabilities – comprise accounts payable, other payables and accruals, provision for taxation, deferred liabilities, provisions and payables and deferred tax liabilities, increased by 21.8%, mainly reflecting MPIC's consolidation of Beacon Electric/GBPC and the outstanding payable arose during 2017 for its acquisition of the remaining 25% interest in Beacon Electric in June 2017, partly offset by MPIC's partial settlement of its payable to PCEV for its acquisition of a 25% interest in Beacon Electric in May 2016.

Equity attributable to owners of the parent – increased by 3.7%, mainly reflecting the Group's net profit for 2017 (US$120.9 million), the Company's proceeds from issuance of shares upon the exercise of share options and a favourable movement in the Group's exchange reserve due mainly to the appreciation of the closing exchange rate of the S$ against U.S. dollar during 2017, partly offset by the Company's payments for 2016 final distribution (US$30.5 million) and 2017 interim distribution (US$44.3 million).

Non-controlling interests – increased by 12.0%, mainly reflecting the share of profits by non-controlling shareholders and MPIC's consolidation of GBPC, partly offset by dividends paid to non-controlling shareholders by Indofood, MPIC and their subsidiary companies and a retranslation effect.

Liquidity and Financial Resources

Analysis of Consolidated Statement of Cash Flows

An analysis of the Group's 2017 consolidated statement of cash flows compared with 2016's follows.

For the year ended 31 December US$ millions	2017	2016	% change
Operating Activities			
Net cash flows from operating activities	**776.1**	731.4	+6.1
Investing Activities			
Dividends received	**282.5**	248.6	+13.6
Net capital expenditure	**(1,056.5)**	(690.8)	+52.9
Acquisitions, investments and disposals	**86.2**	(346.3)	–
Financing Activities			
Net new borrowings/(repayment of borrowings)	**541.1**	(154.9)	–
Dividends/Distributions paid	**(278.7)**	(238.8)	+16.7
Other financing cash flows	**29.4**	628.2	–95.3
Net Increase in Cash and Cash Equivalents	**380.1**	177.4	+114.3
Cash and cash equivalents at 1 January[(i)]	**1,611.2**	1,450.0	+11.1
Exchange translation	**(4.0)**	(16.2)	–75.3
Cash and Cash Equivalents at 31 December[(i)]	**1,987.3**	1,611.2	+23.3

(i) Includes short-term deposits, but excludes time deposits with original maturity of more than three months

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

Net cash flows from operating activities – increased by 6.1%, mainly reflecting the increase in operating cash inflows at Indofood and MPIC, partly offset by the depreciation in the average peso exchange rate against the U.S. dollar.

Dividends received – increased by 13.6%, mainly reflecting the receipt of preferred share dividends from Beacon Electric and an increase in dividend income from Meralco, partly offset by a decrease in dividend income from PLDT.

Net capital expenditure – increased by 52.9%, mainly reflecting higher investments in infrastructure projects at MPIC and property, plant and equipment at Indofood.

Acquisitions, investments and disposals – 2017's net cash inflow principally relates to MPIC's proceeds from divestment of a 4.5% interest in Meralco (US$246.2 million), Indofood's receipt of the first two installments for its disposal of the remaining 29.9% interest in CMZ (US$85.6 million) and MPIC's proceeds from redemption of preferred shares by Beacon Electric (US$69.5 million), partly offset by MPIC's investments in PT Nusantara (US$151.3 million) and ATEC (US$85.4 million) and net cash outflow on acquisition of Beacon Electric (US$112.0 million), TMC (US$5.7 million), a logistic business (US$4.0 million) and SEHI (US$2.3 million). 2016's net cash outflow principally relates to MPIC's partial payments to PCEV for its acquisition of an additional 25% interest in Beacon Electric in May 2016 (US$235.2 million), MPIC's payments to PCEV for its acquisition of preferred shares issued by Beacon Electric (US$121.4 million) and to Beacon Electric for subscription of additional preferred shares (US$73.4 million) in May 2016, MPIC's final payment for its acquisition of an additional 10% direct interest in Meralco in April 2015 (US$89.0 million) and acquisition of a logistic business (US$46.1 million), ESTII (US$36.2 million) and MVMC (US$20.1 million), partly offset by the net proceeds on disposal of CMZ in December 2016 (US$258.7 million).

Net borrowings – 2017's net cash inflow principally relates to net proceeds from borrowings at MPIC (US$529.6 million) and Indofood (US$177.6 million), partly offset by net debt repayment at Head Office (US$167.6 million). 2016's net cash outflow principally relates to net debt repayments at Indofood mainly with the proceeds from disposal of CMZ (US$345.0 million), partly offset by net proceeds from borrowings at MPIC (US$196.9 million).

Dividends/Distributions paid – increased by 16.7%. The amount represents the payments of 2016 final distribution and 2017 interim distribution by the Company to its shareholders and by its subsidiary companies to their non-controlling shareholders. The increase principally reflects an increase in dividends paid by Indofood and its subsidiary companies.

Other financing cash flows – decreased by 95.3%. 2017's net cash inflow mainly relates to the Company's proceeds from issuance of shares upon the exercise of share options (US$38.2 million). 2016's net cash inflow mainly relates to net proceeds from MPIC's share placement (US$460.7 million) and sale of 1.3 billion common shares in MPIC (US$168.6 million).

Net Debt and Gearing

(A) Head Office Net Debt

The increase in net debt mainly reflects the payments for interest expenses and the Company's distributions, partly offset by dividend income received. The Head Office's borrowings at 31 December 2017 comprise bonds of US$1,040.3 million (with an aggregated face value of US$1,045.5 million) which are due for redemption between June 2019 and April 2023 and bank loans of US$572.2 million (with a principal amount of US$580.0 million) which are due for repayment between March 2021 and June 2024.

Changes in Head Office Net Debt

US$ millions	Borrowings	Cash and cash equivalents[i]	Net debt
At 1 January 2017	1,759.5	(248.2)	1,511.3
Movement	(147.0)	157.5	10.5
At 31 December 2017	**1,612.5**	**(90.7)**	**1,521.8**

(i) Includes pledged deposits and restricted cash as at 31 December 2017 of US$0.1 million (2016: US$11.7 million)

Head Office Free Cash Flow[ii]

For the year ended 31 December US$ millions	2017	2016
Dividend and fee income	**185.5**	199.7
Head Office overhead expense	**(26.5)**	(27.6)
Net cash interest expense	**(72.4)**	(91.7)
Net Cash Inflow from Operating Activities	**86.6**	80.4
(Net investments)[iii]/net proceeds on sale of investment[iv]	**(23.5)**	163.2
Financing activities		
– Distributions/dividends paid	**(74.8)**	(74.2)
– Repayment of loans, net	**(167.6)**	(36.0)
– Others, mainly proceeds from issuance of shares upon the exercise of share options	**33.4**	0.5
(Decrease)/Increase in Cash and Cash Equivalents	**(145.9)**	133.9
Cash and cash equivalents at 1 January	**236.5**	102.6
Cash and Cash Equivalents at 31 December	**90.6**	236.5

(ii) Excludes pledged deposits and restricted cash as at 31 December 2017 of US$0.1 million (31 December 2016: US$11.7 million and 1 January 2016: US$11.5 million).

(iii) 2017's net investments principally represents the subscription of convertible notes issued by RHI.

(iv) 2016's net proceeds on sale of investment principally represents the net proceeds from the sale of 1.3 billion common shares in MPIC.

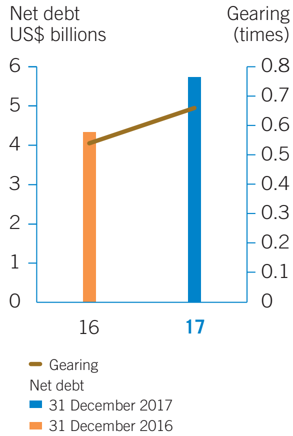
(B) Group Net Debt and Gearing

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

Consolidated

US$ millions	Net debt 2017	Total equity 2017	Gearing (times) 2017	Net debt 2016	Total equity 2016	Gearing (times) 2016
Head Office	**1,521.8**	**1,837.7**	**0.83x**	1,511.3	2,016.7	0.75x
Indofood	**784.6**	**3,485.2**	**0.23x**	674.3	3,349.2	0.20x
MPIC	**2,717.4**	**4,302.5**	**0.63x**	1,492.9	3,775.5	0.40x
FPM Power	**509.1**	**398.1**	**1.28x**	470.2	344.8	1.36x
FP Natural Resources	**198.5**	**197.2**	**1.01x**	189.3	201.2	0.94x
Group adjustments[(i)]	**–**	**(1,478.2)**	**–**	–	(1,653.1)	–
Total	**5,731.4**	**8,742.5**	**0.66x**	4,338.0	8,034.3	0.54x

Net Debt and Gearing



Associated Companies and Joint Venture

US$ millions	Net debt 2017	Total equity 2017	Gearing (times) 2017	Net debt 2016	Total equity 2016	Gearing (times) 2016
PLDT	**2,798.0**	**2,223.1**	**1.26x**	2,942.7	2,183.0	1.35x
FPW	**457.9**	**1,005.0**	**0.46x**	368.6	952.8	0.39x
Philex	**176.5**	**495.3**	**0.36x**	185.4	470.6	0.39x

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

Head Office's gearing increased mainly because of a decrease in its equity reflecting its payments for interest expenses and the Company's distributions.

Indofood's gearing increased because of an increase in its net debt, which mainly reflects its payments for capital expenditure, partly offset by its operating cash inflow, the first two installments received from its disposal of the remaining 29.9% interest in CMZ and an increase in its equity reflecting its profit recorded during the year.

MPIC's gearing increased mainly reflecting an increase in its net debt as a result of its consolidation of Beacon Electric and GBPC, upfront payment for its acquisition of the remaining 25.0% interest in Beacon Electric from PCEV, payments for capital expenditure by Maynilad and MPTC, partly offset by the proceeds from its divestment of a 4.5% interest in Meralco and operating cash inflow, despite a growth of its equity as a result of profit recorded during the year and consolidation of GBPC.

FPM Power's gearing decreased mainly because of an increase in PLP's equity reflecting the capital injection from a non-controlling shareholder through the conversion of PLP's S$ denominated shareholder's loan during the year, partly offset by an increase in its net debt as a result of the appreciation of the S$ against the U.S. dollar during the year.

FP Natural Resources' gearing increased because of an increase in its net debt as a result of RHI's payments for capital expenditure and FCMI's operating cash outflow, partly offset by RHI's operating cash inflow and the depreciation of the peso against the U.S. dollar.

The Group's gearing increased to 0.66 times which reflects a higher net debt level mainly as a result of MPIC's consolidation of Beacon Electric/GBPC and Indofood's payments for capital expenditure, partly offset by MPIC's proceeds from divestment of a 4.5% interest in Meralco, despite an increase in the Group's equity as a result of MPIC's consolidation of GBPC and the Group's profit recorded during the year.

PLDT's gearing decreased because of a decrease in its net debt mainly reflecting its receipt of upfront payment from MPIC for its disposal of the remaining 25.0% interest in Beacon Electric and a growth of its equity reflecting its profit recorded during the year, partly offset by dividends paid. FPW's gearing increased mainly because of an increase in its net debt reflecting its payments for capital expenditure, partly offset by its operating cash inflow. Philex gearing decreased mainly because of an increase in its equity reflecting its profit recorded during the year and a decrease in its net debt reflecting its operating cash inflow, partly offset by its payments for capital expenditure.

Maturity Profile

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

Consolidated

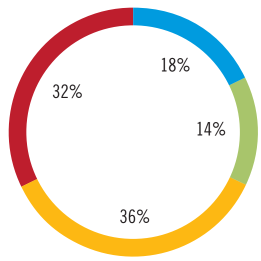
	Carrying amounts		Nominal values	
US$ millions	**2017**	2016	**2017**	2016
Within one year	**1,460.4**	1,280.7	**1,448.2**	1,283.4
One to two years	**1,086.5**	953.8	**1,076.9**	958.6
Two to five years	**2,845.2**	2,040.6	**2,849.5**	2,051.4
Over five years	**2,577.6**	1,833.3	**2,586.2**	1,839.9
Total	**7,969.7**	6,108.4	**7,960.8**	6,133.3

The change in the Group's debt maturity profile from 31 December 2016 to 31 December 2017 mainly reflects a shift in long-term borrowings among the different maturity periods for Head Office, Indofood and MPIC, Head Office's repurchase of bonds and net new bank borrowings, Indofood's refinancing of Rupiah 2.0 trillion (US$147.6 million) of its bonds matured in May 2017 with new bonds issued with the same amount which mature in May 2022 and MPIC's consolidation of Beacon Electric/GBPC.

Associated Companies and Joint Venture

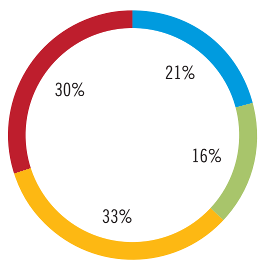
	PLDT				FPW				Philex			
	Carrying amounts		Nominal values		Carrying amounts		Nominal values		Carrying amounts		Nominal values	
US$ millions	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
Within one year	**299.5**	669.2	**302.5**	673.2	**345.2**	306.8	**345.5**	307.1	**49.0**	62.0	**49.0**	62.0
One to two years	**400.7**	294.8	**402.7**	297.3	**0.3**	0.5	**0.3**	0.5	**–**	–	**–**	–
Two to five years	**1,142.2**	1,216.3	**1,146.0**	1,220.9	**222.6**	142.7	**224.5**	143.0	**139.2**	–	**144.2**	–
Over five years	**1,614.6**	1,541.2	**1,616.4**	1,542.8	**–**	–	**–**	–	**–**	132.6	**–**	144.8
Total	**3,457.0**	3,721.5	**3,467.6**	3,734.2	**568.1**	450.0	**570.3**	450.6	**188.2**	194.6	**193.2**	206.8

Maturity Profile of Consolidated Debt 2017



	US$ millions
Within one year	1,460.4
One to two years	1,086.5
Two to five years	2,845.2
Over five years	2,577.6
Total	**7,969.7**

Maturity Profile of Consolidated Debt 2016



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

The change in PLDT's debt maturity profile from 31 December 2016 to 31 December 2017 mainly reflects new borrowings arranged to finance capital expenditure and/or refinance its loan obligations which were utilized for service improvements and expansion programs and loan repayments. The increase in FPW's debt mainly reflects its new long-term borrowings to finance its working capital and capital expenditure. The decrease in Philex's debt mainly reflects loan repayments.

Financial Risk Management

Foreign Currency Risk

(A) Company Risk

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

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

With the exception of the Head Office, the principal components of the Group's NAV mainly relate to investments denominated in the rupiah and the peso. Accordingly, any change in these currencies, against their respective 31 December 2017 exchange rates, would have an effect on the Group's NAV in U.S. dollar terms.

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

Company	Basis	**Effect on adjusted NAV**[i] US$ millions	**Effect on adjusted NAV per share** HK cents
Indofood	(i)	24.7	4.44
PLDT	(i)	16.4	2.94
MPIC	(i)	18.1	3.26
Philex	(i)	2.8	0.50
PXP	(i)	0.9	0.16
FP Natural Resources	(ii)	0.6	0.11
Head Office – Other assets	(iii)	1.0	0.18
Total		**64.5**	**11.59**

(i) Based on quoted share prices at 31 December 2017 applied to the Group's economic interests
(ii) Based on quoted share prices of RHI at 31 December 2017 applied to the Group's effective economic interest
(iii) Based on the investment cost in SMECI's convertible notes

(B) Group Risk

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

Net Debt by Currency

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

Consolidated

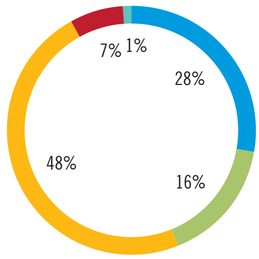
US$ millions	US$	Rupiah	Peso	S$	Others	**Total**
Total borrowings	2,213.0	1,245.8	3,858.1	566.8	86.0	**7,969.7**
Cash and cash equivalents[(i)]	(481.0)	(665.1)	(1,020.9)	(57.7)	(13.6)	**(2,238.3)**
Net Debt	1,732.0	580.7	2,837.2	509.1	72.4	**5,731.4**
Representing:						
Head Office	1,535.0	(0.1)	(10.9)	–	(2.2)	**1,521.8**
Indofood	166.5	586.5	–	(3.6)	35.2	**784.6**
MPIC	35.1	(5.7)	2,648.6	–	39.4	**2,717.4**
FPM Power	(3.6)	–	–	512.7	–	**509.1**
FP Natural Resources	(1.0)	–	199.5	–	–	**198.5**
Net Debt	1,732.0	580.7	2,837.2	509.1	72.4	**5,731.4**

Associated Companies and Joint Venture

US$ millions	US$	Peso	A$	NZ$	Others	**Total**
Net Debt						
PLDT	263.2	2,536.8	–	–	(2.0)	**2,798.0**
FPW	139.2	(0.1)	195.7	157.9	(34.8)	**457.9**
Philex	46.3	130.2	–	–	–	**176.5**

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

Analysis of Total Borrowings by Currency



	US$ millions
US$	2,213.0
Rupiah	1,245.8
Peso	3,858.1
S$	566.8
Others	86.0
Total	**7,969.7**

Details of changes in Head Office net debt are set out on page 105.

PLDT carries U.S. dollar debts primarily because international vendors of telecommunications equipment quote prices and require payment in U.S. dollars. In addition, large funding requirements often cannot be fully satisfied in local currency due to inherent constraints within the financial markets in the Philippines. As a result, certain financing needs to be sourced from the international capital market, principally in U.S. dollars. PLDT has actively hedged approximately 35% of its U.S. dollar net borrowings. In addition, certain revenues of PLDT are either denominated in, or linked to, the U.S. dollar. In addition, under certain circumstances, PLDT is able to adjust the rates for its fixed line service by one per cent for every Peso 0.1 change in the U.S. dollar to peso exchange rate.

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

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

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

US$ millions	Total for US$ exposure	Hedged amount	Unhedged amount	Profit effect of 1% change in currency	**Group net profit effect**
Head Office[(i)]	1,535.0	–	1,535.0	–	**–**
Indofood	166.5	–	166.5	1.7	**0.6**
MPIC	35.1	–	35.1	0.4	**0.1**
FPM Power	(3.6)	–	(3.6)	–	**–**
FP Natural Resources	(1.0)	–	(1.0)	–	**–**
PLDT	263.2	(92.4)	170.8	1.7	**0.3**
FPW	139.2	(142.7)	(3.5)	–	**–**
Philex	46.3	–	46.3	0.5	**0.1**
Total	**2,180.7**	**(235.1)**	**1,945.6**	**4.3**	**1.1**

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

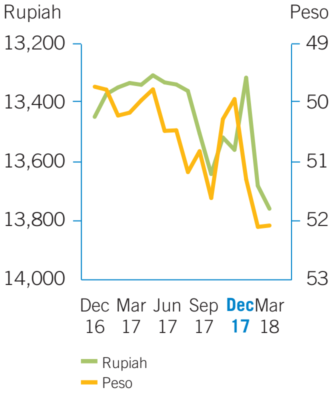
Equity Market Risk

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

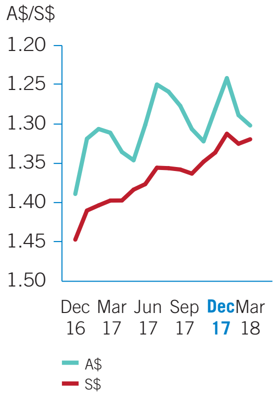
First Pacific's listed investments are located in Indonesia, the Philippines and Singapore. Accordingly, in addition to operating factors within the Company's control, the Company also has an equity market risk in respect of general investor sentiment towards these countries. Changes in the stock market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

	Jakarta Composite Index	Philippine Composite Index	Singapore Straits Times Index
At 31 December 2016	5,297	6,841	2,881
At 31 December 2017	**6,335**	**8,558**	**3,403**
Increase during 2017	+19.6%	+25.1%	+18.1%
At 20 March 2018	6,244	8,060	3,513
Change during 1 January 2018 to 20 March 2018	–1.4%	–5.8%	+3.2%

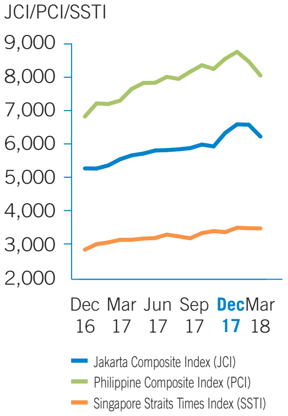
Rupiah and Peso Closing Rates against the U.S. Dollars



Australian Dollars and Singapore Dollars Closing Rates against the U.S. Dollars



Stock Market Indices



Interest Rate Risk

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

Consolidated

US$ millions	Fixed interest rate borrowings(i)	Variable interest rate borrowings(i)	Cash and cash equivalents(ii)	**Net debt**
Head Office	1,040.3	572.2	(90.7)	**1,521.8**
Indofood	294.3	1,500.8	(1,010.5)	**784.6**
MPIC	3,603.2	183.0	(1,068.8)	**2,717.4**
FPM Power	259.4	307.4	(57.7)	**509.1**
FP Natural Resources	115.1	94.0	(10.6)	**198.5**
Total	**5,312.3**	**2,657.4**	**(2,238.3)**	**5,731.4**

Associated Companies and Joint Venture

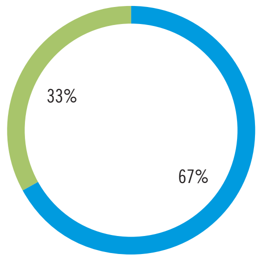
US$ millions	Fixed interest rate borrowings(i)	Variable interest rate borrowings(i)	Cash and cash equivalents(ii)	**Net debt**
PLDT	3,184.7	272.3	(659.0)	**2,798.0**
FPW	143.0	425.1	(110.2)	**457.9**
Philex	139.2	49.0	(11.7)	**176.5**

(i) Reflects certain interest rate swap agreements which effectively changed variable interest rate borrowings to fixed interest rate borrowings at FPM Power, PLDT and FPW
(ii) Includes short-term deposits, pledged deposits and restricted cash

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

US$ millions	Variable interest rate borrowings	Profit effect of 1% change in interest rates	**Group net profit effect**
Head Office	572.2	5.7	**5.7**
Indofood	1,500.8	15.0	**5.6**
MPIC	183.0	1.8	**0.5**
FPM Power	307.4	3.1	**1.1**
FP Natural Resources	94.0	0.9	**0.3**
PLDT	272.3	2.7	**0.5**
FPW	425.1	4.3	**1.5**
Philex	49.0	0.5	**0.2**
Total	**3,403.8**	**34.0**	15.4

Interest Rate Profile



	US$ millions
Fixed	5,312.3
Variable	2,657.4
Total	**7,969.7**

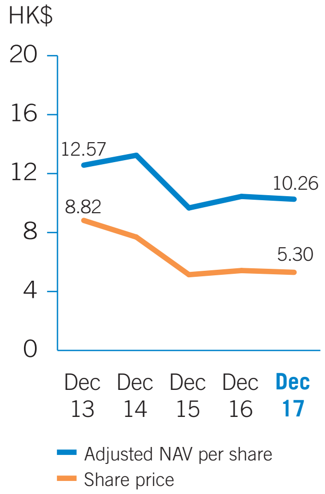
Adjusted NAV Per Share

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

At 31 December US$ millions	Basis	**2017**	2016
Indofood	(i)	**2,474.2**	2,593.0
PLDT	(i)	**1,637.5**	1,516.7
MPIC	(i)	**1,814.1**	1,771.2
Philex	(i)	**276.9**	394.6
PXP	(i)	**88.6**	37.0
FPW	(ii)	**554.0**	554.0
FPM Power	(iii)	**230.0**	230.0
FP Natural Resources	(iv)	**58.5**	50.1
Head Office – Other assets	(v)	**100.9**	101.4
– Net debt		**(1,521.8)**	(1,511.3)
Total Valuation		**5,712.9**	5,736.7
Number of Ordinary Shares in Issue (millions)		**4,342.0**	4,281.7
Value per share – U.S. dollars		**1.32**	1.34
– HK dollars		**10.26**	10.45
Company's closing share price (HK$)		**5.30**	5.42
Share price discount to HK$ value per share (%)		**48.3**	48.1

(i) Based on quoted share prices applied to the Group's economic interests
(ii) Represents investment costs
(iii) Represents carrying amounts
(iv) Mainly represents RHI (based on quoted share price applied to the Group's effective economic interest)
(v) Represents investment costs in SMECI's convertible notes

Share Price vs Adjusted NAV Per Share



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

Contents

Statutory Reports

Report of the Directors

The Directors present their report and the audited financial statements of First Pacific Company Limited (the Company) and its subsidiary companies (together, the Group) (the Consolidated Financial Statements) for the year ended 31 December 2017.

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

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

An analysis of the Group's turnover and operating segmental information for the year is set out in Note 4 to the Consolidated Financial Statements, and a summary of its principal investments is set out on pages 250 and 251.

Further discussion and analysis of these activities as required by Schedule 5 to the Hong Kong Companies Ordinance, including a description of the principal risks and uncertainties facing the Group, an indication of likely future development in the Group's business and the Group's environmental policies and performance, can be found in the "Review of Operations", "Chairman's Letter", "Managing Director and Chief Executive Officer's Letter", "Corporate Social Responsibility Report" and "Corporate Governance Report" sections set out on pages 6 to 41 and pages 49 to 100 of this annual report. Those discussions form part of this Report of the Directors.

Incorporation

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

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

Details of movements in the Company's share capital, shares held for share award scheme and share options issued by the Group during the year, together with their reasons, are set out in Notes 29, 30 and 37(D)(a) to the Consolidated Financial Statements.

Reserves

Details of movements in the reserves of the Group and the Company during the year are set out in the Consolidated Financial Statements on page 127 and page 245, respectively.

Purchase, Sale or Redemption of Listed Securities of the Company

During the year ended 31 December 2017, the Company has not repurchased any of its ordinary shares (2016: Nil) on SEHK.

On 4 January 2017, the Company made tender offers inviting holders of the US$300 million 7.375% Guaranteed Secured Bonds due July 2017 issued by FPMH Finance Limited (2017 Bonds) and the US$400 million 6.375% Guaranteed Secured Bonds due September 2020 issued by FPT Finance Limited (2020 Bonds) to tender their Bonds for purchase by the Company for cash (Tender Offer). The purchase price for the two bonds under the Tender Offer was 103.25% of the principal amount of the 2017 Bonds and 109.00% of the principal amount of the 2020 Bonds, respectively. On expiration deadline of the Tender Offer, the Company received valid tenders for an aggregate principal amount of US$69.0 million in respect of the 2017 Bonds (2016: US$12.5 million repurchased) and US$83.2 million in respect of the 2020 Bonds (2016: US$4.6 million repurchased), which were accepted by the Company for purchase, with settlement completed on 18 January 2017. These purchased bonds were subsequently cancelled.

On 24 July 2017, being the maturity date of the 2017 Bonds, FPMH Finance Limited redeemed all the outstanding 2017 Bonds in aggregate principal amount of US$218.5 million, which bonds were subsequently cancelled and delisted from the Singapore Exchange Securities Trading Limited.

In addition to the Tender Offer and redemption of the 2017 Bonds, during the year the Company also repurchased US$8.5 million (2016: US$17.0 million) in principal amount of the US$400 million 4.5% Guaranteed Bonds due April 2023 issued by FPC Treasury Limited at an aggregate consideration of US$8.8 million (2016: US$17.6 million) and US$25.5 million (2016: Nil) in principal amount of the US$400 million 6% Guaranteed bonds due June 2019 issued by FPC Finance Limited, at an aggregate consideration of US$27.7 million (2016: Nil). All such repurchased bonds were subsequently cancelled.

During the year ended 31 December 2017, the independent trustee managing the Company's share award scheme subscribed 134,342 new shares (2016: 4,284,489 shares) issued by the Company at an aggregate consideration of approximately US$0.1 million (2016: approximately US$2.8 million) and purchased 7,452,000 shares (2016: 6,764,000 shares) of the Company at an aggregate consideration of approximately US$5.8 million (2016: US$4.7 million) at the cost of the Company.

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

Results and Appropriations

The consolidated profit of the Group for the year ended 31 December 2017 and the Group's financial position at that date are set out in the Consolidated Financial Statements on pages 124 to 245.

An interim distribution of HK8.00 cents (U.S. 1.03 cents) (2016: HK8.00 cents or U.S. 1.03 cents) per ordinary share, totaling US$44.3 million (2016: US$44.0 million), was paid on 27 September 2017. The Directors recommended the payment of a final distribution of HK5.50 cents (U.S. 0.71 cents) (2016: HK 5.50 cents or U.S. 0.71 cents) per ordinary share, totaling US$30.8 million (2016: US$30.5 million). The total distribution per ordinary share for 2017 equals to HK13.50 cents (U.S. 1.74 cents) (2016: HK 13.50 cents or U.S. 1.74 cents), totaling US$75.1 million (2016: US$74.5 million).

Charitable Contributions

The Group made charitable contributions totaling US$16.8 million in 2017 (2016: US$30.0 million).

Property, Plant and Equipment

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

Borrowings

Details of the borrowings of the Group are provided in Note 26 to the Consolidated Financial Statements.

Distributable Reserves

At 31 December 2017, the Company's reserves available for distribution, calculated in accordance with the provisions of the Companies Act 1981 of Bermuda (as amended) amounted to US$1,840.2 million (2016: US$1,915.0 million), representing the Company's contributed surplus account. In addition, the Company's share premium account of US$62.0 million (2016: US$5.3 million) may be distributed in the form of fully paid bonus shares.

Pre-emptive Rights

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

Directors

The names and biographical details of the Directors of the Company who held office at 31 December 2017 are set out on pages 42 to 45. Details of the remuneration policy and other details are provided in the Corporate Governance Report on page 100 and Note 37(A) to the Consolidated Financial Statements, respectively.

Interests of Directors in the Company and its Associated Corporations

As at 31 December 2017, the interests and short positions of the Directors and chief executive of the Company in the shares of the Company, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (SFO)) which (a) were recorded in the register required to be kept under section 352 of Part XV of the SFO; or (b) were notified to the Company and SEHK pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as adopted by the Company (Model Code) were as follows:

(A) Long Positions in Shares in the Company

Name	Ordinary shares	Approximate percentage of issued share capital (%)	Ordinary share options
Anthoni Salim	1,925,474,957[(C)(i)]	44.35	–
Manuel V. Pangilinan	70,293,078[(P)(ii)]	1.62	10,224,972
Robert C. Nicholson	6,138,528[(P)(iii)]	0.14	13,927,435
Christopher H. Young	3,554,340[(P)(iv)]	0.08	–
Benny S. Santoso	446,535[(P)(v)]	0.01	3,868,235
Ambassador Albert F. del Rosario	1,722,231[(P)(vi)]	0.04	–
Prof. Edward K.Y. Chen, *GBS, CBE, JP*	1,989,559[(P)(vii)]	0.05	1,097,139
Margaret Leung Ko May Yee, *SBS, JP*	1,131,652[(P)(viii)]	0.03	1,812,887
Philip Fan Yan Hok	1,131,652[(P)(ix)]	0.03	1,812,887
Madeleine Lee Suh Shin	893,070[(P)(x)]	0.02	–

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

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

(ii) It included Mr. Pangilinan's interests in 2,976,920 awarded shares granted pursuant to the Company's Share Award Scheme as adopted by the Board on 19 March 2013 (the Share Award Scheme) which remain unvested, and interests in 29,033,817 shares transferred to certain family trusts.

(iii) It included Mr. Nicholson's interests in 1,759,880 awarded shares granted pursuant to the Company's Share Award Scheme which remain unvested.

(iv) It included Mr. Young's interests in 2,369,560 awarded shares granted pursuant to the Company's Share Award Scheme which remain unvested.

(v) It included Mr. Santoso's interests in 297,690 awarded shares granted pursuant to the Company's Share Award Scheme which remain unvested.

(vi) It included Ambassador del Rosario's interests in 595,380 awarded shares granted pursuant to the Company's Share Award Scheme which remain unvested.

(vii) It included Prof. Chen's interests in 595,380 awarded shares granted pursuant to the Company's Share Award Scheme which remain unvested.

(viii) It included Mrs. Leung's interests in 643,098 awarded shares granted pursuant to the Company's Share Award Scheme which remain unvested.

(ix) It included Mr. Fan's interests in 643,098 awarded shares granted pursuant to the Company's Share Award Scheme which remain unvested.

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

(B) Long Positions in Shares in Associated Corporations

- Manuel V. Pangilinan owned (a) 30,092,404 common shares[(P)] (0.10%)* (which included 2,500,000 stock grant) in MPIC, (b) 237,033 common shares[(P)] (0.11%)* in PLDT as beneficial owner and a further 15,417 common shares (less than 0.01%)* in PLDT as nominee, (c) 4,655,000 common shares[(P)] (0.09%)* in Philex, (d) 1,603,465 common shares[(P)] (0.09%)* in PXP, (e) 40,000 common shares[(P)] (less than 0.01%)* in Meralco, as well as (f) 61,547 common shares[(P)] (less than 0.01%)* and 500,000 share options in RHI.

- Robert C. Nicholson owned (a) 600,000 stock grant (less than 0.01%)* and 5,000,000 share options in MPIC, (b) 1,250 common shares[(P)] (less than 0.01%)* in Philex, (c) 337 common shares[(P)] (less than 0.01%)* in PXP, as well as (d) US$600,000 of bonds due 2019 issued by FPC Finance Limited, US$200,000 of bonds due 2020 issued by FPT Finance Limited and US$400,000 of bonds due 2023 issued by FPC Treasury Limited, all of which are wholly-owned subsidiaries of the Company.

- Christopher H. Young owned (a) 54,313 common shares[(P)] (0.02%)* in PLDT and (b) 61,547 common shares[(P)] (less than 0.01%)* in RHI.

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

- Anthoni Salim owned (a) 1,329,770 ordinary shares(P) (0.02%)* in Indofood and an indirect interest of 4,396,103,450 Indofood shares(C) (50.07%)* through the Company's group companies, (b) an indirect interest of 2,007,788 shares(C) (0.14%)* in IndoAgri through his controlled corporations other than the Company and an indirect interest of 1,037,760,830 IndoAgri shares(C) (74.34%)* through the Company's group companies, (c) an indirect interest of 20,483,364 shares(C) (0.13%)* in SIMP through his controlled corporations other than the Company and an indirect interest of 12,471,746,400 SIMP shares(C) (80.46%)* through the Company's group companies; as well as (d) an indirect interest of 245,681,396 shares(C) (37.48%)* in CMZ in the form of security under a share charge over CMZ shares in favour of his controlled corporations other than the Company and an indirect interest of 196,249,971 CMZ shares(C) (29.94%)* through the Company's group companies in the form of security under a share charge over CMZ shares in favour of Indofood.

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

(P) = Personal interest, (C) = Corporate interest
* Approximate percentage of the issued capital of the respective class of shares in the respective associated corporations as at 31 December 2017.

Save for those disclosed above, as at 31 December 2017, none of the Directors and chief executive of the Company had any interests or short positions in respect of shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company pursuant to the Model Code.

Interests of Substantial Shareholders in the Company

The interests and short positions of substantial shareholders in the shares and underlying shares of the Company as at 31 December 2017 as recorded in the register required to be kept under Section 336 of the SFO are set out below:

(a) Salerni International Limited (Salerni), which was incorporated in the British Virgin Islands, was interested in 1,135,245,593 ordinary shares of the Company at 31 December 2017, representing approximately 26.15% of the Company's issued share capital at that date, by way of 502,058,994 ordinary shares of the Company held, representing approximately 11.56% of the Company's issued share capital at that date and also its 100% interest in First Pacific Investments (B.V.I.) Limited (FPIL-BVI). Anthoni Salim, Chairman of the Company, beneficially owns the entire issued share capital of Salerni and, accordingly, is taken to be interested in the shares owned by Salerni.

(b) Asian Capital Finance Limited (ACFL), which was incorporated in the British Virgin Islands, was interested in 790,229,364 ordinary shares of the Company at 31 December 2017, representing approximately 18.20% of the Company's issued share capital at that date, by way of its 59.61% interest in First Pacific Investments Limited (FPIL-Liberia). Anthoni Salim, Chairman of the Company, beneficially owns the entire issued share capital of ACFL and, accordingly, is taken to be interested in the shares owned by ACFL.

(c) FPIL-Liberia, which was incorporated in the Republic of Liberia, beneficially owned 790,229,364 ordinary shares at 31 December 2017, representing approximately 18.20% of the Company's issued share capital at that date. FPIL-Liberia is owned by Salerni, ACFL, Anthoni Salim (Chairman of the Company), Tedy Djuhar (a Non-executive Director of the Company), Sutanto Djuhar (a former Non-executive Director of the Company) and a company controlled by the estate of the late Ibrahim Risjad (a former Non-executive Director of the Company), in the proportion specified in note (i) of the table on page 116. Anthoni Salim, Chairman of the Company, is taken to be interested in the shares owned by FPIL-Liberia.

(d) FPIL-BVI, which was incorporated in the British Virgin Islands, beneficially owned 633,186,599 ordinary shares at 31 December 2017, representing approximately 14.58% of the Company's issued share capital at that date. Anthoni Salim, Chairman of the Company, indirectly owns the entire issued share capital of FPIL-BVI and, accordingly, is taken to be interested in the shares owned by FPIL-BVI.

(e) Lazard Asset Management LLC (Lazard), a United States incorporated company, notified the Company that it held 249,258,361 ordinary shares of the Company as at 1 September 2017, representing approximately 5.74% of the Company's issued share capital at that date. At 31 December 2017, the Company has not received any other notification from Lazard of any change to such holding.

(f) Brandes Investment Partners L.P. (Brandes), a United States incorporated company, notified the Company that it held 286,584,541 ordinary shares of the Company as at 28 September 2017, representing approximately 6.60% of the Company's issued share capital at that date. At 31 December 2017, the Company has not received any other notification from Brandes of any change to such holding.

Other than as disclosed above, the Company had not been notified of any person (other than Directors or chief executive of the Company) at 31 December 2017 who had an interest or short position in the shares or underlying shares of the Company to be recorded in the register required to be kept under Section 336 of Part XV of the SFO.

Transactions, Arrangements or Contracts of Significance

Except for the related party transactions set out in Note 38 to the Consolidated Financial Statements, there were no transactions, arrangements or contracts of significance in relation to the Company's business to which the Company or its subsidiary companies were parties, and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

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

Directors' Rights to Acquire Shares or Debentures

Apart from as disclosed under the heading "Interests of Directors in the Company and its Associated Corporations" above, "Shares Held for Share Award Scheme" and "Share Options" in Notes 30 and 37(D)(a) to the Consolidated Financial Statements, at no time during the year was the Company or any of its subsidiary companies a party to any arrangement to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate and none of the Directors of the Company or their spouses or minor children had any right to subscribe for securities of the Company, or had exercised any such right during the year.

Summary Financial Information

A summary of the published results, assets, liabilities and non-controlling interests, and various information and financial ratios of the Company and the Group for the last ten financial years, as extracted from the audited Consolidated Financial Statements and restated/reclassified as appropriate, is set out on pages 2 and 3. This summary does not form part of the audited Consolidated Financial Statements.

Major Customers and Suppliers

In 2017, sales to the Group's five largest customers accounted for less than 30% of the total sales for the year, whereas purchases from the Group's five largest suppliers accounted for 34% (2016: 33%) of the total purchases for the year of which purchases from the largest supplier included therein accounted for 22% (2016: 27%) of the total purchases.

Continuing Connected Transactions and Connected Transactions

Continuing connected transactions and connected transactions required to be disclosed in accordance with Chapter 14A of the Listing Rules, are disclosed in the Corporate Governance Report on pages 81 to 95.

Sufficiency of Public Float

Based on information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total number of issued shares were held by the public at both 31 December 2017 and the date of this report.

Directors' and Officers' Liability Insurance

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

Employment Policy

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

Auditor

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

On behalf of the Board of Directors

Nancy L.M. Li
Company Secretary

Hong Kong
20 March 2018

Independent Auditor's Report

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

Opinion

We have audited the consolidated financial statements of First Pacific Company Limited (the "Company") and its subsidiaries (the "Group") set out on pages 124 to 245, which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

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

Key Audit Matters

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

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

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of goodwill, intangible assets with indefinite useful life and concession assets not yet available for use (collectively, the "Intangible Assets")	
The Intangible Assets and their carrying amounts were allocated to the Group's respective cash-generating units ("CGUs") for impairment testing. Impairment was determined by assessing the recoverable amount of the CGU to which each of the Intangible Assets relates and whether the recoverable amount of the CGU was less than the carrying amount. For the year under review, the recoverable amounts of respective CGUs have been determined based on value-in-use calculations using cash flow projections specific to each CGU and applying discount rates which reflected specific risks relating to the relevant CGUs. The impairment testing of the Intangible Assets required management to make significant assumptions and estimates that would affect the reported amounts of the Intangible Assets and related disclosures in the consolidated financial statements. Related disclosures are included in Notes 3, 15 and 16 to the consolidated financial statements.	We evaluated management's assessment of impairment of the Intangible Assets. Our audit procedures included evaluating the methodologies, assumptions and estimates used by the Group. In particular, for each relevant CGU, we assessed the historical accuracy of the prior years' assumptions and estimates, and obtained an understanding of the current and expected future developments of the Group and its environment. Certain key assumptions, including discount rate, expected market development and long term growth rates, were assessed with the assistance from our valuation experts with relevant expertise and with external information sources. We also evaluated the management's assessment about the reasonably possible change in the relevant key assumptions.
Amortization of concession assets using unit-of-production method	
The concession assets of the Group which were amortized using the unit-of-production method were related to toll roads and certain water distribution businesses. The amortization of toll road concession assets was based on the ratio of actual traffic volume to the total expected traffic volume of the underlying toll roads over the remaining concession period, while the amortization of the water distribution concession assets was based on actual billed volume over the estimated billable water volume for the period over which the concession agreement was in force. The amortization method required management to make significant estimates on the total expected volume of traffic and total volume of billable water over the period for which the corresponding concession assets were in force. These estimates affected the reported amount of amortization expenses and related disclosures in the consolidated financial statements. Related disclosures are included in Notes 3 and 16 to the consolidated financial statements.	We evaluated management's schedule of amortization of concession assets and related assumptions and estimates used by the Group with reference to industry data and information related to the estimated total traffic, billable water volume, historical traffic and billed water volume. We also evaluated the competence and objectivity of management's specialists who estimated the forecasted volumes. We recalculated the amortization expense for the year and the amount of the concession assets as of year-end based on the estimated billable water volume and traffic volume.

Independent Auditor's Report (continued)

Other Information included in the Annual Report

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

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

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

Responsibilities of the Directors for the Consolidated Financial Statements

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

Independent Auditor's Report (continued)

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit and Risk Management Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. We also provide the Audit and Risk Management Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

The engagement partner on the audit resulting in this independent auditor's report is Catherine Yen Kai Shun.

ERNST & YOUNG
Certified Public Accountants

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

20 March 2018

Consolidated Financial Statements

Consolidated Income Statement

For the year ended 31 December US$ millions	Notes	2017	2016
Turnover	4	**7,296.8**	6,779.0
Cost of sales		**(5,144.3)**	(4,774.3)
Gross Profit		**2,152.5**	2,004.7
Selling and distribution expenses		**(542.9)**	(540.6)
Administrative expenses		**(609.5)**	(554.5)
Other operating income/(expenses), net		**10.7**	(40.1)
Interest income		**55.9**	56.3
Finance costs	5	**(386.5)**	(366.2)
Share of profits less losses of associated companies and joint ventures		**204.0**	224.5
Profit Before Taxation from Continuing Operations	6	**884.2**	784.1
Taxation	7	**(322.9)**	(286.3)
Profit for the Year from Continuing Operations		**561.3**	497.8
Profit for the Year from a discontinued operation	8(B)	**–**	20.0
Profit for the Year		**561.3**	517.8
Attributable to:			
Owners of the Parent	9		
– For profit from continuing operations		**120.9**	95.9
– For profit from a discontinued operation		**–**	7.3
– For Profit for the Year		**120.9**	103.2
Non-controlling Interests			
– For profit from continuing operations		**440.4**	401.9
– For profit from a discontinued operation		**–**	12.7
– For Profit for the Year		**440.4**	414.6
		561.3	517.8
Earnings Per Share Attributable to Owners of the Parent (U.S. cents)	10		
Basic			
– For profit from continuing operations		**2.80**	2.25
– For profit from a discontinued operation		**–**	0.17
– For Profit for the Year		**2.80**	2.42
Diluted			
– For profit from continuing operations		**2.80**	2.24
– For profit from a discontinued operation		**–**	0.17
– For Profit for the Year		**2.80**	2.41

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

The Notes on pages 130 to 245 form an integral part of the Consolidated Financial Statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December US$ millions	**2017**	2016
Profit for the Year	**561.3**	517.8
Other Comprehensive (Loss)/Income		
Items that will be Reclassified Subsequently to Profit or Loss:		
Exchange differences on translating foreign operations	**(11.4)**	(172.0)
Unrealized gains/(losses) on available-for-sale assets	**31.4**	(12.8)
Realized gains on available-for-sale assets	**–**	(2.6)
Unrealized (losses)/gains on cash flow hedges	**(10.4)**	84.6
Realized gains on cash flow hedges	**–**	(0.8)
Income tax related to cash flow hedges	**1.8**	(15.2)
Share of other comprehensive income of associated companies and joint ventures	**7.6**	20.8
Reclassification for a disposal group disposed of	**–**	(26.5)
Items that will not be Reclassified to Profit or Loss:		
Actuarial (losses)/gains on defined benefit pension plans	**(35.3)**	0.3
Share of other comprehensive loss of associated companies and joint ventures	**(3.2)**	(20.0)
Other comprehensive loss for the year, net of tax	**(19.5)**	(144.2)
Total Comprehensive Income for the Year	**541.8**	373.6
Attributable to:		
Owners of the parent	**145.7**	5.6
Non-controlling interests	**396.1**	368.0
	541.8	373.6

Consolidated Statement of Financial Position

US$ millions	Notes	At 31 December 2017	At 31 December 2016
Non-current Assets			
Property, plant and equipment	12	**5,321.1**	3,870.5
Biological assets	13	**23.1**	24.2
Associated companies and joint ventures	14	**5,203.2**	4,741.5
Goodwill	15	**1,095.1**	996.3
Other intangible assets	16	**3,659.4**	3,338.7
Investment properties	17	**10.1**	9.6
Accounts receivable, other receivables and prepayments	18	**7.0**	10.6
Available-for-sale assets	19	**173.6**	311.9
Deferred tax assets	20	**208.9**	178.8
Pledged deposits and restricted cash	21	**–**	17.9
Other non-current assets	22	**456.0**	346.7
		16,157.5	13,846.7
Current Assets			
Cash and cash equivalents and short-term deposits	23	**2,157.2**	1,691.9
Pledged deposits and restricted cash	21	**81.1**	60.6
Available-for-sale assets	19	**60.2**	39.9
Accounts receivable, other receivables and prepayments	18	**1,084.4**	826.3
Inventories	24	**874.3**	715.2
Biological assets	13	**39.8**	34.8
		4,297.0	3,368.7
Current Liabilities			
Accounts payable, other payables and accruals	25	**1,333.9**	1,064.5
Short-term borrowings	26	**1,460.4**	1,280.7
Provision for taxation	27	**65.3**	80.4
Current portion of deferred liabilities, provisions and payables	28	**396.4**	296.2
		3,256.0	2,721.8
Net Current Assets		**1,041.0**	646.9
Total Assets Less Current Liabilities		**17,198.5**	14,493.6
Equity			
Issued share capital	29	**43.4**	42.8
Shares held for share award scheme	30	**(8.9)**	(10.9)
Retained earnings		**1,429.2**	1,305.5
Other components of equity	31	**1,763.4**	1,774.6
Equity attributable to owners of the parent		**3,227.1**	3,112.0
Non-controlling interests	32	**5,515.4**	4,922.3
Total Equity		**8,742.5**	8,034.3
Non-current Liabilities			
Long-term borrowings	26	**6,509.3**	4,827.7
Deferred liabilities, provisions and payables	28	**1,630.8**	1,374.0
Deferred tax liabilities	20	**315.9**	257.6
		8,456.0	6,459.3
		17,198.5	14,493.6

The Notes on pages 130 to 245 form an integral part of the Consolidated Financial Statements.

On behalf of the Board of Directors

MANUEL V. PANGILINAN
Managing Director and Chief Executive Officer

CHRISTOPHER H. YOUNG
Executive Director and Chief Financial Officer

20 March 2018

Consolidated Statement of Changes in Equity

US$ millions	Notes	Equity attributable to owners of the parent												
		Issued share capital	Shares held for share award scheme	Share premium	Employee share-based compensation reserve	Other comprehensive (loss)/income (Note 33)	Differences arising from changes in equities of subsidiary companies	Reserves for assets classified as held for sale	Capital and other reserves	Contributed surplus	Retained earnings	Total	Non-controlling interests	Total equity
Balance at 1 January 2016		42.7	(6.0)	1,779.7	70.5	(623.2)	369.5	25.7	12.4	–	1,398.9	3,070.2	4,264.2	7,334.4
Profit for the year		–	–	–	–	–	–	–	–	–	103.2	103.2	414.6	517.8
Other comprehensive (loss)/income for the year		–	–	–	–	(75.3)	–	(23.6)	–	–	1.3	(97.6)	(46.6)	(144.2)
Total comprehensive (loss)/income for the year		–	–	–	–	(75.3)	–	(23.6)	–	–	104.5	5.6	368.0	373.6
Issue of shares upon the exercise of share options	29(A)	–	–	8.1	(2.5)	–	–	–	–	–	–	5.6	–	5.6
Issue of shares under share award scheme	30	0.1	(2.8)	2.7	–	–	–	–	–	–	–	–	–	–
Purchase of shares for share award scheme	30	–	(4.7)	–	–	–	–	–	–	–	–	(4.7)	–	(4.7)
Shares vested under share award scheme	30	–	2.6	–	(2.4)	–	–	–	–	–	(0.2)	–	–	–
Transfer from share premium to contributed surplus		–	–	(1,785.2)	–	–	–	–	–	1,785.2	–	–	–	–
Reclassification		–	–	–	–	–	–	–	–	173.8	(173.8)	–	–	–
Cancellation of share options		–	–	–	(4.2)	–	–	–	–	–	4.2	–	–	–
Employee share-based compensation benefits		–	–	–	10.9	–	–	–	–	–	–	10.9	–	10.9
Acquisition, divestment and dilution of interests in subsidiary companies		–	–	–	–	8.3	90.1	–	0.2	–	–	98.6	526.1	624.7
Appropriation to statutory reserve funds		–	–	–	–	–	–	0.1	–	–	(0.1)	–	–	–
Disposal of a disposal group classified as held for sale		–	–	–	–	–	–	(2.2)	–	–	2.2	–	(110.2)	(110.2)
2015 final dividend paid		–	–	–	–	–	–	–	–	–	(30.2)	(30.2)	–	(30.2)
2016 interim distribution paid	11	–	–	–	–	–	–	–	–	(44.0)	–	(44.0)	–	(44.0)
Acquisition of subsidiary companies	34(B)	–	–	–	–	–	–	–	–	–	–	–	14.0	14.0
Capital contributions from non-controlling shareholders		–	–	–	–	–	–	–	–	–	–	–	24.8	24.8
Dividends paid to non-controlling shareholders		–	–	–	–	–	–	–	–	–	–	–	(164.6)	(164.6)
Balance at 31 December 2016 and 1 January 2017		42.8	(10.9)	5.3	72.3	(690.2)	459.6	–	12.6	1,915.0	1,305.5	3,112.0	4,922.3	**8,034.3**
Profit for the year		–	–	–	–	–	–	–	–	–	120.9	120.9	440.4	**561.3**
Other comprehensive income/(loss) for the year		–	–	–	–	21.8	–	–	–	–	3.0	24.8	(44.3)	**(19.5)**
Total comprehensive income for the year		–	–	–	–	21.8	–	–	–	–	123.9	145.7	396.1	**541.8**
Issue of shares upon the exercise of share options	29(A)	0.6	–	56.6	(19.0)	–	–	–	–	–	–	38.2	–	**38.2**
Issue of shares under share award scheme	30	–	(0.1)	0.1	–	–	–	–	–	–	–	–	–	**–**
Purchase of shares for share award scheme	30	–	(5.8)	–	–	–	–	–	–	–	–	(5.8)	–	**(5.8)**
Shares vested under share award scheme	30	–	7.9	–	(7.0)	–	–	–	–	–	(0.9)	–	–	**–**
Cancellation of share options		–	–	–	(0.7)	–	–	–	–	–	0.7	–	–	**–**
Employee share-based compensation benefits		–	–	–	15.3	–	–	–	–	–	–	15.3	–	**15.3**
Acquisition, divestment and dilution of interests in subsidiary companies		–	–	–	–	–	(3.5)	–	–	–	–	(3.5)	(15.2)	**(18.7)**
2016 final distribution paid	11	–	–	–	–	–	–	–	–	(30.5)	–	(30.5)	–	**(30.5)**
2017 interim distribution paid	11	–	–	–	–	–	–	–	–	(44.3)	–	(44.3)	–	**(44.3)**
Acquisition of subsidiary companies	34(B)	–	–	–	–	–	–	–	–	–	–	–	351.0	**351.0**
Disposal of subsidiary companies		–	–	–	–	–	–	–	–	–	–	–	(0.7)	**(0.7)**
Capital contributions from non-controlling shareholders		–	–	–	–	–	–	–	–	–	–	–	115.5	**115.5**
Dividends paid and declared to non-controlling shareholders		–	–	–	–	–	–	–	–	–	–	–	(253.6)	**(253.6)**
Balance at 31 December 2017		**43.4**	**(8.9)**	**62.0**	**60.9**	**(668.4)**	**456.1**	**–**	**12.6**	**1,840.2**	**1,429.2**	**3,227.1**	**5,515.4**	**8,742.5**

The Notes on pages 130 to 245 form an integral part of the Consolidated Financial Statements.

Consolidated Statement of Cash Flows

For the year ended 31 December US$ millions	Notes	**2017**	2016
Profit Before Taxation			
From continuing operations		**884.2**	784.1
From a discontinued operation	8(B)	**–**	38.1
Adjustments for:			
Finance costs		**386.5**	385.8
Depreciation	6	**313.7**	267.6
Amortization of intangible assets	6	**107.5**	98.2
Provisions for impairment losses	6	**58.7**	112.3
Loss on remeasurement of previously held interests in joint ventures, net	6	**28.2**	–
Employee share-based compensation benefit expenses	36(A)	**9.6**	12.2
Share of profits less losses of associated companies and joint ventures		**(204.0)**	(224.5)
Interest income		**(55.9)**	(66.6)
Preferred share dividend income from a joint venture	6	**(50.4)**	(25.5)
Foreign exchange and derivative gains, net	9	**(28.7)**	(5.3)
Gain on remeasurement of a previously held interest in an associated company	6	**(27.6)**	–
Gain on divestment of interest in an associated company	6	**(14.5)**	–
(Reversal of provision)/provision for onerous contracts, net	6	**(2.8)**	0.9
Gain on changes in fair value of biological assets	6	**(2.6)**	(16.4)
Gain on sale of property, plant and equipment	6	**(0.6)**	(0.2)
Gain on disposal of available-for-sale assets	6	**–**	(2.6)
Others		**34.3**	(12.5)
		1,435.6	1,345.6
Increase in accounts payable, other payables and accruals		**62.0**	39.3
Decrease/(increase) in accounts receivable, other receivables and prepayments		**41.0**	(28.9)
Increase in other non-current assets		**(15.0)**	(10.7)
Increase in inventories		**(124.1)**	(60.0)
Net cash generated from operations		**1,399.5**	1,285.3
Interest received		**60.8**	60.9
Interest paid		**(349.1)**	(360.4)
Taxes paid		**(335.1)**	(254.4)
Net Cash Flows From Operating Activities		**776.1**	731.4

continued/...

Consolidated Statement of Cash Flows (continued)

For the year ended 31 December US$ millions	Notes	2017	2016
Proceeds from divestment of interests in associated companies		**246.6**	–
Dividends received from associated companies		**226.2**	243.2
Decrease in time deposits with original maturity of more than three months		**123.8**	72.4
Proceeds from disposal of available-for-sale assets		**88.5**	154.7
Proceeds from redemption of preferred shares issued by a joint venture		**69.5**	–
Preferred share dividends received from a joint venture		**50.4**	–
Proceeds from disposal of property, plant and equipment		**6.5**	5.9
Dividends received from available-for-sale assets		**5.9**	5.4
Disposal of subsidiary companies		**0.9**	–
Purchases of property, plant and equipment		**(614.1)**	(319.5)
Investments in intangible assets		**(448.5)**	(374.6)
Investments in associated companies	34(A)	**(208.4)**	–
Acquisitions of subsidiary companies	34(B)	**(116.5)**	(60.1)
Increased investments in joint ventures	34(C)	**(42.2)**	(235.2)
Advances to an associated company		**(37.3)**	–
Acquisitions of available-for-sale assets		**(20.8)**	(183.7)
Advances to a joint venture		**(7.3)**	–
Acquisition of a business	34(B)	**(4.0)**	(46.1)
Increased investments in associated companies	34(D)	**(3.4)**	(111.8)
Increase in pledged deposits and restricted cash		**(2.6)**	(0.4)
Investments in joint ventures		**(0.6)**	–
Investments in biological assets		**(0.4)**	(2.6)
Disposal of a disposal group classified as held for sale	34(E)	**–**	258.7
Increased investments in preferred shares issued by a joint venture	34(F)	**–**	(194.8)
Net Cash Flows Used in Investing Activities		**(687.8)**	(788.5)
Proceeds from new borrowings	34(G)	**2,884.7**	1,994.0
Proceeds from the issue of shares under a long-term incentive plan		**38.2**	8.4
Capital contributions from non-controlling shareholders		**15.8**	24.8
Proceeds from shares issued to non-controlling shareholders by subsidiary companies	34(H)	**1.3**	463.4
Borrowings repaid	34(G)	**(2,343.6)**	(2,148.9)
Dividends paid to non-controlling shareholders by subsidiary companies		**(203.9)**	(164.6)
Distributions/dividends paid to shareholders		**(74.8)**	(74.2)
Payments for concession fees payable		**(20.0)**	(25.4)
Payments for purchase and subscription of shares under a long-term incentive plan		**(5.9)**	(7.5)
Proceeds from divestment of interest in a subsidiary company	34(I)	**–**	168.6
Repurchase of subsidiary companies' shares		**–**	(3.5)
Increased investments in subsidiary companies		**–**	(0.6)
Net Cash Flows From Financing Activities		**291.8**	234.5
Net Increase in Cash and Cash Equivalents		**380.1**	177.4
Cash and cash equivalents at 1 January		**1,611.2**	1,450.0
Exchange translation		**(4.0)**	(16.2)
Cash and Cash Equivalents at 31 December		**1,987.3**	1,611.2
Representing			
Cash and cash equivalents and short-term deposits as stated in the consolidated statement of financial position		**2,157.2**	1,691.9
Less short-term deposits and time deposits with original maturity of more than three months		**(169.9)**	(80.7)
Cash and Cash Equivalents at 31 December		**1,987.3**	1,611.2

The Notes on pages 130 to 245 form an integral part of the Consolidated Financial Statements.

Notes to the Consolidated Financial Statements

1. Corporate and Group Information

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

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

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

The Group comprises the Company and its subsidiary companies. Details of the principal subsidiary companies of the Company which, in the opinion of the Directors, materially affect the results or net assets of the Group, are set out on pages 250 to 251.

2. Basis of Preparation and Summary of Principal Accounting Policies

(A) Basis of Preparation

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

(B) Impact of Revised HKFRSs

During 2017, the Group has adopted the following revised HKFRSs effective for annual periods commencing on or after 1 January 2017 issued by the HKICPA:

HKAS 7 Amendments	"Disclosure Initiative"
HKAS 12 Amendments	"Recognition of Deferred Tax Assets for Unrealised Losses"
Annual Improvements to HKFRSs 2014-2016	HKFRS 12 Amendments "Disclosure of Interests in Other Entities"

The Group's adoption of the above pronouncements has had no effect on both the profit attributable to owners of the parent for the years ended 31 December 2017 and 2016 and the equity attributable to owners of the parent at 31 December 2017 and 31 December 2016. However, additional disclosure has been included in Note 34(G) to the Consolidated Financial Statements to satisfy the new disclosure requirements introduced by HKAS 7 Amendments, which require entities to provide disclosures that enable users of financial statements to evaluate the changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

(C) Issued But Not Yet Effective HKFRSs

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

HKAS 28 Amendments	"Long-term Interests in Associates and Joint Ventures"(iii)
HKAS 40 Amendments	"Transfers of Investment Property"(i)
HKFRS 2 Amendments	"Classification and Measurement of Share-based Payment Transactions"(i)
HKFRS 4 Amendments	"Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts"(i)
HKFRS 9	"Financial Instruments"(i)
HKFRS 9 Amendments	"Prepayment Features with Negative Compensation"(iii)
HKFRS 10 and HKAS 28 (2011) Amendments	"Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"(ii)
HKFRS 15	"Revenue from Contracts with Customers"(i)
HKFRS 15 Amendments	"Clarifications to HKFRS 15 Revenue from Contracts with Customers"(i)
HKFRS 16	"Leases"(iii)
HKFRS 17	"Insurance Contracts"(iv)
HK(IFRIC)-Int 22	"Foreign Currency Transactions and Advance Consideration"(i)
HK(IFRIC)-Int 23	"Uncertainty over Income Tax Treatments"(iii)
Improvement to HKFRSs	Annual Improvements to HKFRSs 2014-2016(i)
Improvement to HKFRSs	Annual Improvements to HKFRSs 2015-2017(iii)

(i) Effective for annual periods commencing on or after 1 January 2018
(ii) No mandatory effective date yet determined but available for adoption
(iii) Effective for annual periods commencing on or after 1 January 2019
(iv) Effective for annual periods commencing on or after 1 January 2021

Further information about these HKFRSs is as follows:

HKAS 28 Amendments clarify that an entity should account for a long-term interest in an associate or joint venture to which the equity method is not applied using HKFRS 9.

HKAS 40 Amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. Entities should apply the amendments prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. An entity should reassess the classification of property held at that date and, if applicable, reclassify property to reflect the conditions that exist at that date.

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

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

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

HKFRS 9 Amendments clarify that prepayable financial assets with negative compensation can be measured at amortized cost or at fair value through other comprehensive income, subjected to the business model of the entity, instead of at fair value through profit or loss.

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

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

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

HKFRS 17 will replace HKFRS 4 "Insurance Contracts" that was issued in 2005. HKFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of HKFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in HKFRS 4, which are largely based on grandfathering previous local accounting policies, HKFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of HKFRS 17 is the general model, supplemented by (i) a specific adaptation for contracts with direct participation features (the variable fee approach), and (ii) a simplified approach (the premium allocation approach) mainly for short-duration contracts.

HK(IFRIC)-Int 22 clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance, then the entity must determine the transaction date for each payment or receipt of advance consideration.

HK(IFRIC)-Int 23 addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of HKAS 12 "Income Taxes" and does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately, (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities, (iii) how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, and (iv) how an entity considers changes in facts and circumstances. An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed.

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

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

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

"Annual Improvements to HKFRSs 2015-2017" set out amendments to a number of HKFRSs and HKASs, which include certain changes that may result in accounting changes for presentation, recognition or measurement purpose.

The key amendments of "Annual Improvements to HKFRSs 2015-2017" are summarized as follows:

The HKAS 12 "Income Taxes" amendments clarify that an entity shall recognize the income tax consequences of dividends when it recognizes a liability to pay a dividend. The income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity shall recognize the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events.

The HKAS 23 "Borrowing Costs" amendments clarify to the extent that an entity borrows funds generally and uses them for the purpose of obtaining a qualifying asset, the entity shall determine the amount of borrowing costs eligible for capitalization by applying a capitalization rate to the expenditures on that asset. The capitalization rate shall be the weighted average of the borrowing costs applicable to all borrowings of the entity that are outstanding during the period. However, an entity shall exclude from this calculation the borrowing costs applicable to borrowings made specifically for the purpose of obtaining a qualifying asset until substantially all the activities necessary to prepare that asset for its intended use or sale are complete. The amount of borrowing costs that an entity capitalizes during a period shall not exceed the amount of borrowing costs it incurred during that period.

The HKFRS 3 "Business Combinations" amendments clarify that when a party to a joint arrangement obtains control of a business that is a joint operation, and had rights to the assets and obligations for the liabilities relating to that joint operation immediately before the acquisition date, the transaction is a business combination achieved in stages. The acquirer shall therefore apply the requirements for a business combination achieved in stages, including remeasuring its previously held interest in the joint operation.

The HKFRS 11 "Joint Arrangements" amendments clarify that a party that participates in, but does not have joint control of a joint operation, might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business. In such cases, previously held interests in the joint operation are not remeasured.

The Group has not early adopted the above new and revised HKFRSs for the year ended 31 December 2017. These new and revised HKFRSs are not expected to have a significant impact on the results of operations and financial position and presentation of the Consolidated Financial Statements, except for the HKFRS 9, HKFRS 15 and HKFRS 16 as described below. Based on the Group's assessment completed to date, the adoption of these new HKFRSs will have the below effects to the Group in the period of initial application, which may have a significant impact on the results of operations and financial position and presentation of the Consolidated Financial Statements.

- The Group's adoption of HKFRS 9 will have an effect on the classification, measurement of and impairment methodology for its financial assets, but will have no impact on the classification and measurement of its financial liabilities. The adoption may also have an effect on its application of hedge accounting. The Group will adopt HKFRS 9 on 1 January 2018 and will not restate comparative information. During 2017, the Group has assessed the following aspects of HKFRS 9 based on currently available information.

(a) Classification and measurement

HKFRS 9 introduces a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. HKFRS 9 contains three principal classification categories for financial assets (i) measured at amortized cost, (ii) fair value through other comprehensive income, and (iii) fair value through profit or loss.

The Group's certain listed equity investments that are currently classified as available-for-sale assets with gains or losses recorded in other comprehensive income will be classified and measured at fair value through profit or loss, which will increase volatility in profit or loss. The Group's certain unlisted equity investments and convertible notes that are currently classified as available-for-sale assets and measured at cost less impairment provisions will be elected to classify and measure at fair value through other comprehensive income. Other than these changes, the Group does not expect other significant changes on the classification and measurement on the financial assets due to (i) debt securities that are currently classified as available-for-sale assets with gains or losses recorded in other comprehensive income will satisfy the conditions for the classification as fair value through other comprehensive income and hence no change to the accounting policy for these assets, (ii) certain unlisted investments and listed equity investments that are currently classified as available-for-sale assets with gains or losses recorded in other comprehensive income will be elected to be classified and measured at fair value through other comprehensive income. However, the accumulated gains of US$59.9 million as at 31 December 2017 in the available-for-sale assets revaluation reserve and future gains or losses will not be reclassified to the consolidated income statement upon the derecognition of these financial assets, and (iii) loans and receivables currently measured at amortized costs will meet the conditions for continuous classification at amortized cost under HKFRS 9.

(b) Impairment

The impairment requirements in HKFRS 9 of applying a new expected credit loss model, which replaces the incurred loss model currently applied. The Group intended to apply the simplified approach and record lifetime expected losses on all trade receivables that do not contain significant financing component. For financial assets that contain significant financing component, such as plasma receivables, the Group expected to apply general approach. Under the general approach, the Group assessed if there are any significant changes in credit risk of these financial assets to determine whether to provide credit losses based on 12-month or lifetime basis. The Group does not expect the impact to be material on the Consolidated Financial Statements.

(c) Hedge accounting

HKFRS 9 does not fundamentally change the requirements relating to measuring and recognizing ineffectiveness under HKAS 39 and the Group assessed that its current hedge relationships will continue to qualify as hedges upon the adoption of HKFRS 9 and therefore expects that the accounting for its hedging relationships will not be significantly impacted.

- The Group's adoption of HKFRS 15 will have an effect on its accounting for revenues arising from contracts with customers, which required revenue to be recognized at an amount that reflects the consideration to which the Group expects to be entitled in exchange for transferring goods or services to a customer. The Group intends to adopt HKFRS 15 using the modified retrospective approach with the cumulative effect arising from the transition recognized as an adjustment to the opening balance of equity. Based on currently available information, the Group does not expect the adoption of HKFRS 15 will have a significant impact to the Group's businesses with the exception of the telecommunications business.

  Currently for revenue recognition which involves bundled sales of non-service component and service component, PLDT will allocate the total consideration to each component based on their relative fair value. Revenues from the sale of non-service component are recognized when the goods are delivered while revenues from service component are recognized when the services are provided. When the fair value is not directly observable, the total consideration is allocated using residual method. Under HKFRS 15, the total consideration in multiple-deliverable arrangements will be allocated to each performance obligation based on their stand-alone selling prices. The stand-alone selling prices will be determined based on the list prices at which PLDT sells the non-service component or rending of the service component in separate transactions. Based on the assessment, PLDT will recognize revenue for the service component over time rather than at a point of time. As a result, the Group's opening balance of retained earnings in 2018 will increase by US$13.2 million with a corresponding increase in the investment in associated companies of US$13.2 million on the consolidated statement of financial position mainly due to PLDT's early recognition of revenue from non-service component.

In addition, the presentation and disclosure requirements in HKFRS 15 are more detailed than under current HKAS 18. The presentation requirements represent a significant change from current practice and significantly increases the volume of disclosures required in the Group's Consolidated Financial Statements. Many of the disclosure requirements in HKFRS 15 are new and the Group has assessed that the impact of some of them will be significant. In particular, the Group expects the notes to the Consolidated Financial Statements will be expanded because of the disclosure of significant judgements made, including (i) when determining the transaction prices of those contracts that include variable consideration, (ii) how the transaction price has been allocated to the performance obligations and (iii) the assumptions made to estimate the stand-alone selling prices of each performance obligation.

- The Group's adoption of HKFRS 16 will have an effect on the accounting for its non-cancellable operating lease commitments. Under HKFRS 16, the leases to which these commitments relate will be required to be recognized as assets, reflecting the Group's right to use the underlying assets and liabilities in respect of its obligations to make lease payments. The Group is currently in the process of assessing the possible impact on the adoption of HKFRS 16 on the required effective date and analyzing the transitional approaches and practical expedients to be elected on adoption.

(D) Summary of Principal Accounting Policies

(a) Basis of consolidation

(I) Basis of consolidation

The Consolidated Financial Statements include the financial statements of the Company and its subsidiary companies for the year up to 31 December 2017.

A subsidiary company is an entity controlled by the Company. Control exists when the Company has exposure, or rights, to variable returns from its involvement with the entity and the ability to use its power over the entity to affect the amount of those returns. When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including: (i) the contractual arrangement with the other vote holders of the investee, (ii) rights arising from other contractual arrangements, (iii) the Group's voting rights and potential voting rights and (iv) other factors which enable the Company to direct the relevant activities of the investee unilaterally, such as the existence of control, through majority representatives appointed, over the board of directors of the investee by the Company. Potential voting rights that are substantive (i.e., practically exercisable by the Company considering all facts and circumstances), where applicable to certain Philippine affiliates of the Company, are taken into account in determining whether an entity should be consolidated. The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes in the elements of control described above.

The results of subsidiary companies are included in the consolidated income statement from the effective date of acquisition, being the date on which the Group obtains control, or up to the effective date of disposal, as appropriate. Adjustments are made to bring into line any dissimilar accounting policies that may exist. All significant intra-group transactions and balances within the Group are eliminated on consolidation. Total comprehensive losses are attributed to the non-controlling interests even if it results in a deficit balance. Non-controlling interests represent the interests of non-controlling shareholders not held by the Group in the results and net position of the Company's subsidiary companies.

A change in the ownership interest of a subsidiary company, without a change of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary company, it (i) derecognizes the assets (including goodwill) and liabilities of the former subsidiary company at their carrying amounts, (ii) derecognizes the carrying amount of any non-controlling interests in the former subsidiary company, (iii) derecognizes the components of other comprehensive income (e.g., cumulative exchange reserve) recorded in equity attributable to the former subsidiary company, (iv) recognizes the fair value of the consideration received, (v) recognizes the fair value of any investment in the former subsidiary company retained, (vi) recognizes any resulting difference as a gain or loss on disposal in profit or loss, (vii) reclassifies the parent's share of components of the former subsidiary company previously recognized in other comprehensive income (except revaluation reserve) to profit or loss, (viii) transfers the parent's share of the former subsidiary company's revaluation reserve previously recognized in other comprehensive income directly to retained earnings and (ix) transfers the related differences arising from changes in shareholdings of subsidiary companies without a change of control previously recognized as other reserves directly to retained earnings.

(II) Business combination and goodwill

Business combinations are accounted for using the acquisition method of accounting. This method involves allocating the consideration transferred to the vendor to the fair value of the identifiable assets acquired, and liabilities and contingent liabilities assumed at the date of acquisition. The consideration transferred is measured at the aggregate of the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Non-controlling interests in the acquirees (that are present ownership interests and entitle their holders to a proportionate share of the net assets in the event of liquidation) are measured either at the non-controlling interests' proportionate share of the acquirees' identifiable net assets or at their fair values. All other components of non-controlling interests are measured at fair values. All acquisition-related costs are recognized as expenses in profit or loss. Contingent consideration is measured at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognized in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognized for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable assets acquired, liabilities and contingent liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the assets acquired, liabilities and contingent liabilities assumed, the difference is, after reassessment, recognized in profit or loss as a gain on bargain purchase. In the case of associated companies and joint ventures, goodwill is included in the carrying amount thereof, rather than as a separately identified asset in the consolidated statement of financial position.

If the initial accounting for business combination can be determined only provisionally by the end of the period in which the combination is effected because the fair values to be assigned to the acquiree's identifiable assets and liabilities can be determined only provisionally, the Group accounts for the combination using provisional amounts. During the measurement period, which is no longer than one year from the acquisition date, the provisional amounts recognized at acquisition date are retrospectively adjusted to reflect new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognized as of that date. Goodwill or any gain recognized shall be adjusted from the acquisition date by an amount equal to the adjustment to the fair value at the acquisition date of the identifiable asset, liability or contingent liability being recognized or adjusted.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortized but reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired and its amount will be written down for impairment when it is considered necessary. Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognized. A previously recognized impairment loss for goodwill is not reversed.

For step acquisitions, the Group's previously held equity interests are remeasured at its acquisition date fair value and any resulting gain or loss is recognized in profit or loss.

For business combinations involving entities or businesses under common control (a business combination in which all of the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory), they are accounted for applying the principles of merger accounting which is consistent with Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the HKICPA. The method requires the combined entity to recognize the assets, liabilities and equity of the combining entities or businesses at the carrying amounts (i.e., existing book values from the controlling parties' perspective) in the Consolidated Financial Statements of the controlling party or parties prior to the common control combination. There is no recognition of any goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identified assets, liabilities and contingent liabilities over the cost at the time of the common control combination to the extent of the controlling party's or parties' interests.

Where goodwill has been allocated to a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

(b) Property, plant and equipment

(I) Freehold land and other property, plant and equipment

Freehold land is stated at cost and is not depreciated. Other property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses, calculated on the straight-line basis at annual rates estimated to write off their book values to residual values over their expected useful lives. Details of depreciation rates are given as follows.

The principal annual rates of depreciation:

Freehold land	Nil
Leasehold land under finance leases	Over the lease terms
Buildings	2.5% to 20.0%
Machinery, equipment and vessels	3.3% to 50.0%
Construction in progress	Nil

When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and measured at the lower of its carrying amount and fair value less costs to sell.

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

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed periodically to ensure that the periods and method of depreciation are consistent with the expected pattern of economic benefits from items of property, plant and equipment.

Construction in progress is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalized finance and other costs incurred in connection with the borrowing of funds, including exchange differences arising from foreign currency borrowings, during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

(II) Bearer plants

Bearer plants are living plants used in the production or supply of agricultural produce. They are expected to bear produce for more than one period and have a remote likelihood of being sold as agricultural produce, except for incidental scrap sales.

The Group's bearer plants comprise oil palm, rubber and sugar cane plantations. The Group elected to account for its bearer plants using the cost model under HKAS 16. Immature bearer plants are accounted for at accumulated cost, which consist mainly of the accumulated cost of land clearing, planting, fertilizing, up-keeping and maintaining the plantations, and allocations of indirect overhead costs up to the time the plants become commercially productive and available for harvest. Costs also include capitalized borrowing costs and other charges incurred in connection with the financing of the development of immature bearer plants. Immature bearer plants are not amortized.

Immature bearer plants are reclassified to mature bearer plants when they are commercially productive and available for harvest. In general, an oil palm plantation takes about three to four years to reach maturity from the time of planting the seedlings, while a rubber plantation takes about five to six years to reach maturity. A sugar cane plantation takes about a year to reach maturity and can be harvested for an average of four times after the initial planting.

Mature bearer plants are stated at cost, and are depreciated using the straight-line method over their estimated useful lives of 25 years for oil palm plantations and rubber plantations, and four years for sugar cane plantations.

The carrying amounts of bearer plants are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be fully recoverable.

The carrying amount of an item of bearer plants is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising from derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is directly included in the profit or loss when the item is derecognized.

The assets useful lives and depreciation method are reviewed at each year end and adjusted prospectively if necessary.

Upkeep and maintenance costs are recognized in the profit or loss when they are incurred. The cost of major renovation and restoration is included in the carrying amount of the related asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Group, and is depreciated over the remaining useful life of the related asset.

(c) Asset retirement obligations

The net present value of legal obligations associated with the retirement of an item of property, plant and equipment that resulted from the acquisition, construction or development of property, plant and equipment is recognized in the period in which the obligations arise. The obligations are reviewed and adjusted, if appropriate, at least at each financial year end.

(d) Biological assets

The Group's biological assets comprise timber plantations and agricultural produce of the bearer plants, which primarily comprise of fresh fruit bunches and sugar cane.

The Group recognized the fair value of biological assets in accordance with HKAS 41. Biological assets are stated at fair value less costs to sell. Gains or losses arising on initial recognition of biological assets and from the change in fair value of biological assets at each reporting date are recognized in the profit or loss for the period in which they arise.

The Group adopted the income approach to measure the fair value of the biological assets. For the valuation of unharvested produce of oil palm and rubber plantations, the Group has applied the actual harvest data subsequent to each reporting date to derive the fair value. For the valuation of sugar cane, the Group has applied discounted cash flow models to derive its fair value.

For timber plantations, the Group appoints an independent valuer to determine the fair value of timber at year end and any resultant gains or losses arising from the changes in fair values is recognized in the profit or loss. The independent appraiser adopts the income approach for the valuation of timber trees using a discounted cash flow model.

(e) Associated companies and joint ventures

An associated company is an entity, not being a subsidiary company or a joint venture, in which the Group over whose management is in a position to exercise significant influence, including participation in the financial and operating policy decisions. Generally, significant influence is assumed to exist when the Group has a long-term interest of not less than 20% of the equity voting rights in the entity.

The Group has interests in joint ventures, whereby the Group and the other venturers have contractual arrangements that give them joint controls and rights to the net assets of the arrangement. Joint control is the contractually agreed sharing of control of an arrangement which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

Investments in associated companies and joint ventures are accounted for by the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The Group's investments in associated companies and joint ventures include goodwill (net of any accumulated impairment losses) identified on acquisition. The Group's share of its associated companies' and joint ventures' post-acquisition profits and losses is recognized in the consolidated income statement as the Group's share of profits less losses of associated companies and joint ventures, and its share of post-acquisition other comprehensive income is recognized in the Group's consolidated other comprehensive income and when applicable in the consolidated statement of changes in equity. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment.

Unrealized gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealized losses provide evidence of an impairment of the assets transferred.

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

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investments in associated companies and joint ventures. At each reporting date, the Group determines whether there is objective evidence that the investment in an associated company or a joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associated company or joint venture and its carrying value, and then recognizes the loss as share of profits less losses of associated companies and joint ventures in the consolidated income statement.

If an investment in an associated company becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, when the Group discontinues the use of the equity method from the date when it ceases to have significant influence over an associated company or joint control over the joint venture, the Group measures at fair value any investment that the Group retains in the former associated company or joint venture. The Group recognizes in the consolidated income statement any difference between (i) the fair value of any retained investment and any proceeds from disposing of part of the interest in the associated company or joint venture and (ii) the carrying amount of the investment at the date when significant influence or joint control is lost.

(f) Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired from business combinations is initially recognized at fair value at the date of acquisition. Additions of service concession assets subsequent to business combinations are initially measured at present value of any additional estimated future concession fee payments pursuant to the concession agreements and/or the costs of rehabilitation works incurred. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment loss. The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the intangible assets are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The Group’s concession assets represent the fair value of concessions of right granted by governments to charge users of public services provided. The Group’s concession assets for the water distribution business are amortized using either the unit of production method or the straight-line method over the term of the concessions. The Group’s concession assets for the toll road business are amortized using the unit of production method over the term of the concessions. The Group’s concession assets for the rail business are amortized using the straight-line basis. The Group’s brands represent the brands for its various milk related products. The brands are amortized using the straight-line method over their estimated useful lives. The Group’s vesting contract is a commitment to produce a specified quantity of electricity at a specified price, limiting the Group’s exposure to volatility in the electricity prices, providing certainty on cost recovery for a portion of the electricity generated. The vesting contract is amortized using the straight-line method. The Group’s software is amortized using the straight-line method over its estimated useful life.

Intangible asset with an indefinite life is not amortized. The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether the useful life assessment continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis. Intangible asset with an indefinite life is tested for impairment annually and when circumstances indicate that the carrying value may be impaired. The Group’s intangible assets with indefinite lives mainly consist of the registered brand name and distribution and customer networks of its packaged drinking water business, for which the Group does not expect to incur significant expenses to maintain the future economic benefits that can be generated from these assets.

Intangible assets not yet available for use are tested for impairment annually or more frequently when events or changes in circumstances indicate that the carrying values may be impaired. The intangible assets not yet available for use mainly relate to concession agreements signed with the relevant government authorities as regards to the building and operation of toll roads and rail extension for which constructions have not been completed.

(g) Investment properties

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in the consolidated income statement in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognized in the consolidated income statement in the year of the retirement or disposal.

(h) Fair value measurement

The Group measures its biological assets, investment properties, certain available-for-sale assets, derivative financial instruments and pension scheme assets at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

(i) Impairment of non-financial assets

An assessment is made at the end of each reporting period as to whether there is an indication of impairment of assets including property, plant and equipment, other intangible assets and other non-current assets, or whether there is any indication that an impairment loss previously recognized for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's fair value less costs of disposal and value in use.

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

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

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

(j) Cash and cash equivalents and short-term deposits

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use, whereas short-term deposits are highly liquid money market placements with maturities of more than three months but less than one year from the dates of acquisition. Cash restricted as to use represent cash which are restricted from being exchanged or used to settle a liability.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short-term highly liquid investments which are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have original maturities of three months or less from the dates of acquisition, less bank overdrafts which are repayable on demand and which form an integral part of the Group's cash management.

(k) Financial assets and financial liabilities

(I) Classification, initial recognition and measurement

The Group recognizes a financial asset or a financial liability in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument. The Group determines the classification of its financial assets and financial liabilities at initial recognition and, where allowed and appropriate, re-evaluates this designation at the end of the reporting period. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable, is done using the trade date accounting, which means the accounting based on the date that the Group commits to purchase or sell the asset.

Financial assets are classified, at initial recognition, as loans and receivables, held-to-maturity investments, financial assets at fair value through profit or loss, and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by HKAS 39. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held to maturity when the Group has the positive intention and ability to hold to maturity. Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity investments and debt securities. Equity investments classified as available-for-sale are those that are neither classified as held-for-trading nor designated at fair value through profit or loss. Debt securities in this category are those that are intended to be held for an indefinite period of time and that may be sold in response to liquidity requirements or in response to changes in the market conditions.

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are acquired for the purpose of repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognized initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee.

A financial asset or financial liability may be designated as a financial asset or financial liability at fair value through profit or loss at initial recognition if any of the following criteria are met:

(i) it eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on a different basis;

(ii) a group of financial assets, financial liabilities or both are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the Group's key management personnel; or

(iii) financial instrument contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows or it is clear, with little or no analysis, that it would not be separately recorded.

Financial assets or financial liabilities are recognized initially at fair value including transaction costs that are attributable to the acquisition of the financial assets or recognition of financial liabilities except for financial instruments at fair value through profit or loss.

(II) Subsequent measurement

After initial recognition, the following financial assets and liabilities are measured at amortized cost using the effective interest method: (i) loans and receivables; (ii) held-to-maturity investments; and (iii) loans and borrowings. Amortized cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs.

Financial assets and liabilities at fair value through profit or loss are carried in the consolidated statement of financial position at fair value with net changes in fair value recognized in the consolidated income statement.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognized in the consolidated income statement. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with changes in fair value recognized in other comprehensive income or loss and accumulated in the unrealized gains/losses on available-for-sale assets revaluation reserve until the investment is derecognized, except for impairment losses and foreign exchange gains and losses, at that time the cumulative unrealized gain or loss is reclassified to the consolidated income statement. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognized in the consolidated income statement as other income in accordance with the policies set out for "Turnover and revenue recognition".

When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortized cost and any previous gain or loss on that asset that has been recognized in equity is amortized to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortized cost and the maturity amount is also amortized over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the consolidated income statement.

(III) Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e. removed from the Group's consolidated statement of financial position) when (i) the rights to receive cash flows from the asset have expired, or (ii) the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either the Group has transferred substantially all the risks and rewards of the asset, or the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognized in the consolidated income statement.

(IV) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

(V) Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

(i) Financial assets carried at amortized cost

For financial assets carried at amortized cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through the use of an allowance account. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Group. The amount of the impairment loss is recognized in the consolidated income statement.

If, in a subsequent period, the amount of the estimated loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance amount. If a write-off is later recovered, the recovery is credited to the consolidated income statement.

(ii) Financial assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

(iii) Available-for-sale financial assets

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortization) and its current fair value, less any impairment loss previously recognized in the consolidated income statement, is removed from other comprehensive income and recognized in the consolidated income statement.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. "Significant" is evaluated against the carrying cost of the investment and "prolonged" against the period in which the fair value has been below its carrying cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in the consolidated income statement – is removed from other comprehensive income and recognized in the consolidated income statement. Impairment losses on equity instruments classified as available for sale are not reversed through the consolidated income statement. Increases in their fair value after impairment are recognized directly in other comprehensive income. The determination of what is "significant" or "prolonged" requires judgment. In making this judgment, the Group evaluates, among other factors, the extent or duration to which the fair value of an investment is less than its cost.

In the case of debt instruments classified as available for sale, impairment is assessed based on the same criteria as financial assets carried at amortized cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the acquisition cost (net of any principal repayment and amortization) and the current fair value, less any impairment loss on that instrument previously recognized in the consolidated income statement. Future interest income continues to be accrued based on the reduced carrying amount of the asset using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. Impairment losses on debt instruments are reversed through the consolidated income statement if the subsequent increase in fair value of the instruments can be objectively related to an event occurring after the impairment loss was recognized in the consolidated income statement.

(l) Derivative instruments and hedge accounting

The Group uses derivative financial instruments such as currency swaps, foreign currency forwards, interest rate swaps, commodity swaps and electricity futures to hedge its risks associated with foreign currency, interest rate and commodity price fluctuations. Such derivative financial instruments are stated at fair value.

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

For the purpose of hedge accounting, hedges are classified as (i) fair value hedges where they hedge the exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment, (ii) cash flow hedges where they hedge exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability, a highly probable forecast transaction, or a foreign currency risk in an unrecognized firm commitment, or (iii) hedges of a net investment in a foreign operation.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

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

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

If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover (as part of the hedging strategy), or if its designation as a hedge is revoked, or when the hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss previously recognized in other comprehensive income remains separately in equity until the forecast transaction occurs or the foreign currency firm commitment is met.

Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a way similar to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognized in other comprehensive income while any gains or losses relating to the ineffective portion are recognized in the consolidated income statement. On disposal of the foreign operation, the cumulative value of any such gains or losses recognized in other comprehensive income is transferred to the consolidated income statement.

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

(m) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is calculated using the first-in, first-out method, the weighted average method or the moving average method, and in the case of work in progress and finished goods, comprises direct materials, direct labor and an appropriate proportion of overheads. The cost of goods purchased for resale includes costs incurred in bringing the goods to their present location. Net realizable value is determined on the basis of current anticipated selling prices less estimated costs to be incurred to completion and selling expenses. The Group provides allowance for obsolescence and/or decline in market values of inventories based on periodic reviews of the physical conditions and net realizable value.

(n) Provisions, contingent liabilities and assets

A provision is recognized when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the consolidated income statement net of any reimbursement. When the effect of discounting is material, the amount recognized for a provision is the present value, at the end of the reporting period, of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount, arising from the passage of time, is included in finance costs in the consolidated income statement.

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

A contingent liability recognized in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of (i) the amount that would be recognized in accordance with the general guidance for provisions above and (ii) the amount initially recognized less, when appropriate, cumulative amortization recognized in accordance with the general guidance for revenue recognition.

Contingent assets represent assets arising from unplanned or unexpected events that give rise to the possibility of an inflow of economic benefits to the Group. Contingent assets are not recognized in the Group's Consolidated Financial Statements, but are disclosed where an inflow of economic benefits is probable.

(o) Income tax

Income tax comprises current and deferred taxes. Income tax relating to items recognized outside profit or loss is recognized outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates (and tax laws) used to compute the amounts are those that are enacted or substantively enacted, by the end of the reporting period, in the countries where the Group operates and generates taxable income.

Deferred tax is provided, using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences (with limited exceptions) while deferred tax assets are recognized for all deductible temporary differences, the carry-forward of unused tax assets and unused tax losses (with limited exceptions). For deferred tax liabilities for the withholding taxes that would be payable on unremitted earnings that are subject to withholding taxes, the Group fully recognizes the amounts for its associated companies and recognizes the amounts to the extent representing the earnings to be distributed as dividends for its subsidiary companies. The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered. Conversely, previously unrecognized deferred tax assets are recognized to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

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

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

(p) Dividends/Distributions

Final dividends/distributions proposed by the Directors are recognized as a liability when they have been declared and approved by the shareholders in an annual general meeting. Proposed final dividends/distributions are disclosed in the notes to the Consolidated Financial Statements.

Interim dividends/distributions (including special dividends/distributions, if any) are simultaneously proposed and declared, because the Company's memorandum and bye-laws grant the Directors the authority to declare interim dividends/distributions. Consequently, interim dividends/distributions are recognized immediately as a liability when they are proposed and declared.

(q) Convertible instruments

Convertible instruments are separated into liability and equity components based on the terms of the contracts. Upon the issuance of the convertible instruments, the fair value of the liability component is determined using a market rate for an equivalent non-convertible instrument. This amount is classified as a financial liability measured at amortized cost (net of transaction costs) until it is extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognized and included in shareholders' equity (net of transaction costs with the associated income tax). The carrying amount of the conversion option is not remeasured in subsequent years. Transaction costs are apportioned between the liability and equity components of the convertible instruments based on the allocation of proceeds to the liability and equity components when the instruments are initially recognized.

(r) Turnover and revenue recognition

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

Dividend income is recognized when the Group's right to receive payment has been established. Interest income is recognized as it accrues, taking into account the principal amount outstanding and the effective interest rate.

(s) Employee benefits

(I) Pension obligations

The Group operates defined contribution and defined benefit retirement schemes.

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

The Group's net obligations in respect of defined benefit schemes is calculated by fair value of the pension scheme assets and estimates of the effects of future events on the actuarial present value of accrued pension obligations, and are determined on the basis of actuarial valuations using the projected unit credit method. Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods. Past service costs are recognized in the consolidated income statement at the earlier of the date of (i) when the plan amendment occurs and (ii) when the related restructuring or termination costs are recognized. Interest on net defined benefit obligation is calculated using the discount rate used to measure the pension benefit obligation and recognized in the consolidated income statement.

(II) Long service payments

Certain of the Group's employees are eligible for long service payments in the event of the termination of their employment. A provision is recognized in respect of the probable future long service payments expected to be made. The provision is the best estimate of the present value of probable future payments, calculated using the projected unit credit method, that have been earned by the employees from their service to the Group at the end of the reporting period.

(III) Equity-settled transactions

The cost of equity-settled transactions with employees is measured by reference to the fair values of the share options and awarded shares at the date at which they are granted.

For grant of share options, the total amount to be expensed is determined by reference to the fair value of the options granted by using option-pricing models, which include the impact of market performance conditions but excludes the impact of service conditions and non-market performance conditions. For grant of awarded shares, the total amount to be expensed is determined by reference to the market performance conditions at the grant date, taking into account all non-vesting conditions associated with the grants.

The cost of equity-settled transactions is recognized in employee benefit expenses, together with a corresponding increase in the employee share-based compensation reserve, over the period in which the performance conditions are fulfilled. The cumulative expense recognized for equity-settled transactions at each reporting period end until the vesting date reflects the extent to which the vesting period has expired and the number of awards that will ultimately vest, based on the best available estimate.

Upon the exercise of share options, the related amount accumulated in the employee share-based compensation reserve is transferred to share premium. Upon the vesting and transfer to the awardees, the related costs of the awarded shares are credited to shares held for the share award scheme, and the related fair value of the shares is debited to the employee share-based compensation reserve. The difference between the cost and the fair value of the vested awarded shares is credited to retained earnings if the fair value is higher than the cost or debited against retained earnings if the fair value is less than the cost.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vested conditions. Non-vesting conditions are reflected into fair value of an award and lead to an immediate expensing of an award unless there are also services and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognized. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, an expense, as a minimum, is recognized as if the terms had not been modified if the original terms of the award are met. An expense is recognized for any increase in the fair value of the transactions as a result of the modification, as measured at the date of modification. If the modification occurs during the vesting period, the incremental fair value granted is included in the measurement of the amount recognized for services received over the period from the modification date until the date when the modified equity instruments vest, in addition to the amount based on the grant date fair value of the original equity instruments, which is recognized over the remainder of the original vesting period. If the modification occurs after vesting date, the incremental fair value granted is recognized immediately, or over the vesting period if the employee is required to complete an additional period of service before becoming unconditionally entitled to those modified equity instruments.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. This includes any award where nonvesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph. All cancellations of equity-settled transaction awards are treated equally.

(IV) Cash long-term employee benefits

The Group's long-term incentive plans ("LTIP") grant cash incentives to eligible key employees, which are contingent upon the achievement of approved targets, such as recurring profit/core income over a performance cycle, usually three years, with payments usually made at the end of the performance cycle. Liability under LTIP is determined using the projected unit credit method. Employee benefit costs include current service costs, interest cost, actuarial gains and losses, and past service costs. Past service costs and actuarial gains and losses are recognized immediately in the consolidated income statement when they occur.

(V) Paid leave carried forward

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

(VI) Termination benefits

Termination benefits are employee benefits provided in exchange for the termination of an employee's employment as a result of either an entity's decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept an offer of benefits in exchange for the termination of employment.

Termination benefits are recognized at the earlier of (i) when the Group can no longer withdraw the offer of those benefits and (ii) when the Group recognizes the related restructuring costs. Initial recognition and subsequent changes to termination benefits are measured in accordance with the nature of the employee benefit, as either post-employment benefits, short term employee benefits, or other long-term employee benefits.

(VIII) Short-term employee benefits

Employee benefits are classified as short-term if the expected timing of settlement is within 12 months after the end of the reporting period.

(t) Leases

Leases, where substantially all of the risks and rewards of ownership of assets remain with the lessor, are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the consolidated income statement on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases are recorded in the consolidated income statement on the straight-line basis over the lease terms.

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalized at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalized finance leases, including prepaid land lease payments under finance leases, are included in property, plant and equipment, and are depreciated over the shorter of the lease terms and the estimated useful lives of the assets. Finance lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. A finance lease gives rise to a depreciation expense for the asset as well as a borrowing cost for each period. Finance charges are charged directly to current operations. The depreciation policy for leased assets is consistent with that for depreciable assets that are owned by the Group.

(u) Finance costs

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

Finance costs are expensed in the consolidated income statement in the year in which they are incurred, except to the extent that they are capitalized as being directly attributable to the acquisition, construction or production of an asset (principally the assets classified as property, plant and equipment and concession assets classified as intangible assets for the Group) which necessarily takes a substantial period of time to prepare for its intended use or sale. The capitalization of such borrowing costs ceases when the assets are substantially ready for their intended use or sale.

(v) Foreign currencies

(I) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (functional currency, principally the rupiah, the peso, A$ and S$). The Consolidated Financial Statements are presented in the currency of the United States dollar, which is the Company's functional currency.

(II) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated income statement (except for those which will be refunded or billed to customers through billings as approved by governments under service concession arrangements). Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item.

(III) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency other than the United States dollar are translated into the United States dollar as follows:

(i) assets and liabilities for each consolidated statement of financial position presented are translated at the closing rate at the end of the reporting period;

(ii) income and expenses for each consolidated income statement and consolidated statement of comprehensive income presented are translated at average exchange rates; and

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

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

(IV) Consolidated statement of cash flows

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiary companies are translated into United States dollars at the average exchange rates of the year.

(w) Operating segmental information

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

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

(x) Related parties

A related party is considered as a person or an entity that is related to the Group if:

(I) A person or a close member of that person's family is related to the Group if that person:
- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group;

or

(II) An entity is related to the Group if any of the following conditions applies:
- (i) the entity and the Group are members of the same group (which means that parent, each subsidiary company and each fellow subsidiary company is related to the others);
- (ii) one entity is an associated company or a joint venture of the other entity (or an associated company or a joint venture of a member of a group of which the other entity is a member);
- (iii) the entity and the Group are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associated company of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- (vi) the entity is controlled or jointly controlled by a person identified in (I);
- (vii) a person identified in (I)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); or
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly.

3. Significant Accounting Judgments and Estimates

The preparation of the Group's Consolidated Financial Statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and their accompanying disclosures, and the disclosure of contingent liabilities. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

(A) Judgments

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

(a) Service concession arrangements

In applying HK(IFRIC)-Int 12 to the service concession arrangements of the Group's water (Maynilad, Philippine Hydro, Inc. ("PHI") and MIBWSC), toll road (NLEX Corporation, CIC, MPCALA and CCLEC) and rail (LRMC) businesses, the Group has made judgments that these arrangements qualify for the application of the intangible asset model. The methods of amortization that the Group use depends on which method best reflect the pattern of consumption of the concession assets. NLEX Corporation, CIC and Maynilad use the unit of production method for amortizing service concession assets. The Group annually reviews the actual billed volume and the estimated billable water volume, in the case of the water concession, and the actual traffic volume and the expected traffic volume, in the case of the toll concession, based on factors that include market conditions such as population growth and consumption of water/usage of the toll facility, and the status of the Group's projects. It is possible that future results of operations could be materially affected by changes in the Group's estimates brought about by changes in the aforementioned factors.

In applying HKAS 23 “Borrowing Costs” to the Group’s service concession arrangements undergoing rehabilitation (in the case of the existing LRT-1) and pre/on-going construction (in the case of the construction of the CALAX, Segment 10 of NLEX, the Connector Road, CCLEX and LRT-1 extension) as qualifying assets, the Group capitalizes borrowing costs that are directly attributable to the acquisition or construction of the qualifying asset as part of the cost of that asset using the specific borrowing approach, as the Group uses specific borrowings to finance its qualifying assets. Capitalization of borrowing costs ceases when substantially all the activities necessary to prepare the components of the service concession asset for its intended use are completed. Details of the Group’s accounting policy in respect of intangible assets (other than goodwill) are set out in Note 2(D)(f) to the Consolidated Financial Statements.

(b) Classification of financial assets and financial liabilities

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

(c) Power to exercise significant influence or control

Where the Group holds less than 20% of interest in an investee but the Group has the power to exercise significant influence, such an investment is treated as an associate. See Note 14(D) to the Consolidated Financial Statements for application of the above judgment.

Where the Group holds more than 50% of interest in the investee but the Group does not have the power to exercise control, such an investment is treated as an associate or a joint venture. In May 2016, MPIC increased its ownership interest in Beacon Electric from 50.0% to 75.0%. Despite a majority ownership interest of 75.0%, MPIC’s investment in Beacon Electric remained to be accounted for as a joint venture as MPIC continued to have rights to the joint arrangement’s net assets based on the structure, legal form, contractual agreement and other facts and circumstances. In December 2016, MPTC increased its ownership interest in TMC from 46.0% to 60.0%. Despite a majority ownership interest of 60.0%, MPTC’s investments in TMC remained to be accounted for as an associate as another significant shareholder held significant veto rights relating to changes to operating and dividend policies that affected investors returns. During 2017, the Group further increased its interests in Beacon Electric and TMC which resulted in both of them became the Group’s subsidiary companies (Note 34 (B)).

(B) Estimation Uncertainty

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

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

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

(b) Measurement of fair value of biological assets

The Group recognizes its timber plantations and agricultural produce of bearer plants at fair value less costs to sell, which requires the use of accounting estimates and assumptions.

The Group adopts the income approach to measure the fair value of unharvested produce of bearer plants and timber plantations. The significant assumptions applied to determine the fair value of biological assets included the projected selling prices, production yields, discount rate, inflation rate and exchange rates. For the valuation of unharvested fruit bunches of oil palm, the Group has applied the actual harvest data subsequent to year end and the market selling prices at year end to derive the fair value of unharvested produce of oil palm at year end. For the valuation of sugar cane and timber, the Group has applied discounted cash flow models to derive their fair values.

The amount of changes in fair values would differ if there are changes to the assumptions used. Any changes in fair values of these agricultural produces would affect the Group's consolidated profit or loss and equity. The key assumptions applied in the determination of fair value of biological assets including a sensitivity analysis are disclosed and further explained in Note 13 to the Consolidated Financial Statements.

(c) Purchase price allocation and impairment of non-financial assets

Acquisition accounting requires extensive use of accounting estimates to allocate the purchase price to the fair market values of the assets and liabilities purchased, including intangible assets and contingent liabilities. Determining the fair value of property, plant and equipment, biological assets, and intangible assets (other than goodwill) at the date of acquisition of business requires the Group to make estimates and assumptions that can materially affect its Consolidated Financial Statements.

Any difference in the purchase price and the fair values of the net assets acquired is recorded as either goodwill in the consolidated statement of financial position or a gain on bargain purchase in profit or loss. The Group's business acquisitions have resulted in goodwill, which is subject to yearly impairment testing and whenever there is an indication that goodwill may be impaired. The Group also assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Indefinite life intangible assets and intangible assets that has not yet been brought into use are tested for impairment annually and at other times when such an indicator exists.

Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

The preparation of estimated future cash flows involves significant estimations. While the Group believes that its assumptions are appropriate and reasonable, significant changes in its assumptions may materially affect its assessment of recoverable values and may lead to future additional impairment charges. Any resulting impairment loss would affect directly the Group's consolidated profit or loss and equity.

(d) Estimating useful lives of brands

The Group estimates the useful lives of the brands for its packaged drinking water and various milk-related products. The estimated useful lives of the brands are reviewed annually and are updated if expectations differ from previous estimates due to changes in market situations or other limits. It is possible, however, that future results of operations could be materially affected by changes in those estimates brought about by changes in the factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of the Group's brands would increase its recorded amortization expenses and decrease its other intangible assets.

(e) Financial assets and liabilities

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

(f) Estimating allowances for loans and receivables

The Group estimates the allowance for receivables based on two methods. The amounts calculated using each of these methods are combined to determine the total amount it provides. Firstly, the Group evaluates specific accounts where it has information that certain customers are unable to meet their financial obligations. In these cases, the Group estimates, based on the best available facts and circumstances, including but not limited to, the length of its relationship with the customer and the customer's current credit status based on third party credit reports and known market factors, to record specific provisions for customers against amounts due to reduce its receivable amounts that the Group expects to collect. These specific provisions are re-evaluated and adjusted as additional information received affects the amounts estimated. Secondly, if the Group determines that no objective evidence of impairment exists for individually assessed trade receivables, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. The characteristics chosen are relevant to the estimation of future cash flows for groups of such trade receivables by being indicative of the customers' ability to pay all amounts due. Future cash flows in a group of trade receivables that are collectively evaluated for impairment are estimated on the basis of historical loss experience for the trade receivables with credit risk characteristics similar to those in the group.

The amounts and timing of recorded expenses for any period would differ if the Group utilized different estimates. An increase in the Group's allowance for receivables would increase its recorded operating expenses and decrease its consolidated profit or loss and equity.

(g) Impairment of available-for-sale assets

The Group treats an available-for-sale equity financial asset as impaired when there had been a significant or prolonged decline in the fair value below its acquisition cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires judgment. In addition, the Group evaluates other factors, including normal volatility in share prices for quoted equities and the future cash flows and the discount factors for unquoted equities.

For debt instruments classified as available-for-sale assets, the Group considers loss events that have an impact on the estimated future cash flows of the financial asset. Evidence of loss events may include indication that the issuer is experiencing significant financial difficulty, default or delinquency in interest or principal payments, and the probability that they will enter bankruptcy or other financial reorganization. Other observable data may indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

(h) Estimating allowances for inventories

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

(i) Taxes

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Given the diversity of the Group's businesses and the long-term nature and complexity of existing contractual agreements or the nature of the business itself, changes in differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded.

The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities in which the Group operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences in interpretation may arise for a wide variety of issues depending on the conditions prevailing in the respective domicile or to the operations of the Group.

The Group reviews the carrying amounts at the end of each reporting period and reduces deferred tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized based on the likely timing and level of future taxable profits together with future tax planning strategies. However, there is no assurance that the Group will generate sufficient taxable profit to allow all or part of its recognized deferred tax assets to be utilized.

(j) Provisions

The Group recognizes provisions based on estimates of whether it is probable that an outflow of resources will be required to settle an obligation. Where the final outcome of these matters is different from the amounts that were initially recognized, such differences will impact the financial performance in the current period in which such determination is made.

(k) Pension and other retirement benefits

The determination of the Group's obligation, fair value of plan assets and cost for defined benefits is performed by independent actuaries engaged by the Group and dependent on the selection of certain assumptions used by them in calculating such amounts. Those assumptions include among others, discount rates, expected returns on plan assets, future annual salary increases and the average remaining working life of employees. In accordance with the Group's accounting policy for pension obligations, actual results that differ from the Group's assumptions are recognized immediately in other comprehensive income as and when they occur. While the Group believes that the actuaries' assumptions are reasonable and appropriate, significant differences in the Group's actual experience or significant changes in the Group's assumptions may materially affect its pension and other retirement obligations.

(l) Employee benefit expenses

HKFRS 2 requires that the Group measures its share options and awarded shares at fair value at the date at which they are granted, which requires the extensive use of accounting estimates. The determination of such fair value is performed by an independent valuer engaged by the Group or management's estimates. Significant components of fair value measurement were determined using assumptions including expected volatility and dividend yield and the average risk-free interest rate for share options, and expected dividend payments during the vesting period for share awards. The amount of fair value determined at the date on which the share options and awarded shares are granted would differ if the Group utilized different assumptions. Any changes in fair value of the share options and awarded shares determined at the date on which they are granted would affect directly the Group's profit or loss in subsequent periods when these fair values are recognized as expenses over the vesting period of the share options and awarded shares.

The cost of cash LTIP is determined using the projected unit credit method based on prevailing discount rates and estimated achievement of profit targets. While management's assumptions are believed to be reasonable and appropriate, significant differences in actual results or changes in assumptions may materially affect the Group's consolidated profit or loss and equity.

4. Turnover and Operating Segmental Information

US$ millions	2017	2016
Turnover		
Sale of goods	**5,456.5**	5,246.7
Sale of electricity	**565.4**	575.3
Rendering of services	**1,274.9**	957.0
Total	**7,296.8**	6,779.0

Operating Segmental Information

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

The Board of Directors considers the business of the Group from both product or service and geographical perspectives. From the product or service perspective, the Group's business interests are divided into four main segments, which are consumer food products, telecommunications, infrastructure and natural resources. Geographically, the Board of Directors considers the businesses of the Group are operating in the Indonesia, Philippines, Australasia and Singapore and the turnover information of continuing operations is based on the locations of the customers. Details of the Group's principal investments are provided on pages 250 and 251.

The Board of Directors assesses the performance of the operating segments based on a measure of recurring profit. This basis measures the profit attributable to owners of the parent excluding the effects of foreign exchange and derivative gains/losses, gain/loss on changes in fair value of biological assets and non-recurring items. Non-recurring items represent certain items, through occurrence or size, which are not considered as usual operating items. The amounts provided to the Board of Directors with respect to total assets and liabilities are measured in a manner consistent with that of the Consolidated Financial Statements. These assets and liabilities are allocated based on the operations of the segment and the physical location of the assets.

The revenue, results and other information for the years ended 31 December 2017 and 2016, and total assets and total liabilities at 31 December 2017 and 2016 regarding the Group's operating segments are as follows:

By Principal Business Activity – 2017

For the year ended/at 31 December US$ millions	Consumer Food Products	Telecom-munications	Infrastructure	Natural Resources	Head Office	2017 Total
Revenue						
Turnover	5,490.6	–	1,806.2	–	–	**7,296.8**
Results						
Recurring profit	175.7	124.8	107.3	12.7	(120.5)	**300.0**
Assets and Liabilities						
Non-current assets (other than financial instruments and deferred tax assets)						
– Associated companies and joint ventures	651.1	1,163.9	2,969.9	418.3	–	**5,203.2**
– Others	4,066.6	–	6,392.7	–	11.1	**10,470.4**
	4,717.7	1,163.9	9,362.6	418.3	11.1	**15,673.6**
Other assets	2,947.2	–	1,738.1	–	95.6	**4,780.9**
Total assets	7,664.9	1,163.9	11,100.7	418.3	106.7	**20,454.5**
Borrowings	2,004.1	–	4,353.1	–	1,612.5	**7,969.7**
Other liabilities	1,395.5	–	2,213.2	–	133.6	**3,742.3**
Total liabilities	3,399.6	–	6,566.3	–	1,746.1	**11,712.0**
Other Information – Continuing Operations						
Depreciation and amortization	(247.8)	–	(174.8)	–	(8.2)	**(430.8)**
Gain on changes in fair value of biological assets	2.6	–	–	–	–	**2.6**
Impairment losses	(38.7)	–	(17.4)	–	(2.6)	**(58.7)**
Interest income	37.5	–	12.4	–	6.0	**55.9**
Finance costs	(113.5)	–	(189.3)	–	(83.7)	**(386.5)**
Share of profits less losses of associated companies and joint ventures	(8.1)	55.7	145.5	10.9	–	**204.0**
Taxation	(211.1)	–	(100.5)	–	(11.3)	**(322.9)**
Additions to non-current assets (other than financial instruments and deferred tax assets)	584.6	–	2,606.9	–	0.8	**3,192.3**

By Geographical Market – 2017

For the year ended/at 31 December US$ millions	Indonesia	The Philippines	Australasia	Singapore	Others	2017 Total
Revenue						
Turnover	4,823.2	1,508.5	12.8	583.3	369.0	**7,296.8**
Assets						
Non-current assets (other than financial instruments and deferred tax assets)	3,431.0	10,459.5	543.5	1,175.5	64.1	**15,673.6**

By Principal Business Activity – 2016

For the year ended/at 31 December US$ millions	Consumer Food Products	Telecom-munications	Infrastructure	Natural Resources	Head Office	2016 Total
Revenue						
Turnover	5,263.5	–	1,515.5	–	–	6,779.0
Results						
Recurring profit	159.0	127.7	103.3	10.2	(135.3)	264.9
Assets and Liabilities						
Non-current assets (other than financial instruments and deferred tax assets)						
– Associated companies and joint ventures	629.2	1,185.0	2,515.5	411.8	–	4,741.5
– Others	3,823.7	–	4,659.3	–	15.1	8,498.1
	4,452.9	1,185.0	7,174.8	411.8	15.1	13,239.6
Other assets	2,821.5	–	895.3	–	259.0	3,975.8
Total assets	7,274.4	1,185.0	8,070.1	411.8	274.1	17,215.4
Borrowings	1,876.0	–	2,472.9	–	1,759.5	6,108.4
Other liabilities	1,312.2	–	1,643.7	–	116.8	3,072.7
Total liabilities	3,188.2	–	4,116.6	–	1,876.3	9,181.1
Other Information – Continuing Operations						
Depreciation and amortization	(229.5)	–	(136.2)	–	(12.3)	(378.0)
Gain on changes in fair value of biological assets	16.4	–	–	–	–	16.4
Impairment losses	(20.2)	–	(92.1)	–	–	(112.3)
Interest income	40.9	–	8.7	–	6.7	56.3
Finance costs	(125.8)	–	(141.5)	–	(98.9)	(366.2)
Share of profits less losses of associated companies and joint ventures	7.6	93.2	152.9	(29.2)	–	224.5
Taxation	(190.0)	–	(84.0)	–	(12.3)	(286.3)
Additions to non-current assets (other than financial instruments and deferred tax assets)	268.7	–	890.5	–	0.1	1,159.3

By Geographical Market – 2016

For the year ended/at 31 December US$ millions	Indonesia	The Philippines	Australasia	Singapore	Others	2016 Total
Revenue						
Turnover	4,623.5	1,209.6	13.5	591.3	341.1	6,779.0
Assets						
Non-current assets (other than financial instruments and deferred tax assets)	3,265.6	8,329.9	514.4	1,053.6	76.1	13,239.6

There was no revenue from transactions with a single customer that accounted for 10% or more of the Group's consolidated revenues during the year (2016: None).

A reconciliation between profit before taxation as shown in the consolidated income statement and recurring profit is as follows:

US$ millions	**2017**	2016
Profit before taxation		
From continuing operations	**884.2**	784.1
From a discontinued operation (Note 8(b))	**–**	38.1
Exclusion of:		
– Foreign exchange and derivative gains, net (Note 9)	**(34.8)**	(5.4)
– Gain on changes in fair value of biological assets	**(2.6)**	(16.4)
– Non-recurring items	**271.6**	206.9
Deduction of attributable taxation and non-controlling interests	**(818.4)**	(742.4)
Recurring Profit	**300.0**	264.9

5. Finance Costs

US$ millions	**2017**	2016
Finance costs on bank loans and other loans	**452.4**	427.5
Less: Finance costs capitalized in		
– Intangible assets	**(57.7)**	(49.2)
– Property, plant and equipment	**(8.2)**	(12.1)
Total	**386.5**	366.2

The capitalization rate of borrowings costs for 2017 was 20.0% (2016: 21.1%).

6. Profit Before Taxation from Continuing Operations

US$ millions	Notes	2017	2016
Profit Before Taxation from Continuing Operations is Stated after (Charging)/Crediting			
Cost of inventories sold		**(2,860.3)**	(2,853.5)
Employees' remuneration		**(808.5)**	(750.0)
Cost of services rendered		**(568.4)**	(333.2)
Depreciation	12	**(313.7)**	(267.6)
Amortization of intangible assets(i)	16	**(107.5)**	(98.2)
Loss on remeasurement of previously held interests in joint ventures, net		**(28.2)**	–
Impairment losses			
– Other intangible assets(ii)	16	**(27.4)**	(12.4)
– Associated companies and joint ventures(ii)		**(11.3)**	(16.2)
– Inventories(iii)		**(7.1)**	(5.4)
– Goodwill(ii)	15	**(7.0)**	(66.1)
– Available-for-sale assets(ii)		**(3.1)**	–
– Accounts receivable(iv)	18(C)	**(2.8)**	(2.3)
– Other non-current assets(ii)		**–**	(9.9)
Operating lease rentals			
– Hire of plant and equipment		**(20.1)**	(10.1)
– Land and buildings		**(18.8)**	(12.2)
– Others		**(10.4)**	(3.5)
Auditor's remuneration			
– Audit services		**(4.1)**	(4.1)
– Non-audit services(v)		**(0.7)**	(0.3)
Preferred share dividend income from a joint venture		**50.4**	25.5
Foreign exchange and derivative gains, net		**28.7**	8.0
Gain on remeasurement of a previously held interest in an associated company		**27.6**	–
Gain on divestment of interest in an associated company		**14.5**	–
Dividends income from available-for-sale assets		**4.7**	5.4
Reversal of provision/(provision) for onerous contracts, net		**2.8**	(0.9)
Gain on changes in fair value of biological assets		**2.6**	16.4
Gain on sale of property, plant and equipment		**0.6**	0.2
Gain on disposal of available-for-sale assets		**–**	2.6

(i) US$80.3 million (2016: US$78.1 million) included in cost of sales, US$23.8 million (2016: US$14.6 million) included in other operating income/(expenses), net and US$3.4 million (2016: US$5.5 million) included in administrative expenses

(ii) Included in other operating income/(expenses), net

(iii) Included in cost of sales

(iv) Included in selling and distribution expenses

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

7. Taxation

No Hong Kong profits tax (2016: Nil) has been provided as the Group had no estimated assessable profits (2016: Nil) arising in Hong Kong for the year. Taxation on assessable profits generated outside Hong Kong has been provided at the rates of taxation prevailing in the countries in which the Company's subsidiary companies operate.

US$ millions	2017	2016
Subsidiary Companies – Overseas		
Current taxation	**305.6**	289.4
Deferred taxation	**17.3**	(3.1)
Total	**322.9**	286.3

Included within the share of profits less losses of associated companies and joint ventures was taxation of US$99.1 million (2016: US$90.5 million) which is analyzed as follows:

US$ millions	2017	2016
Associated Companies and Joint Ventures – Overseas		
Current taxation	**131.2**	138.9
Deferred taxation	**(32.1)**	(48.4)
Total	**99.1**	90.5

A reconciliation between profit before taxation from continuing operations multiplied by the applicable tax rates and the taxation amount as shown in the consolidated income statement is as follows:

	2017		2016	
US$ millions		%		%
Profit Before Taxation from Continuing Operations	**884.2**		784.1	
Notional tax on profit before taxation from continuing operations, calculated at the rates applicable to profits in the tax jurisdictions concerned	**263.3**	**29.8**	230.7	29.4
Tax effect of:				
– Non-deductible expenses	**58.6**	**6.6**	58.2	7.4
– Income not subject to tax	**(15.9)**	**(1.8)**	(19.2)	(2.4)
– Share of profits less losses of associated companies and joint ventures	**(53.4)**	**(6.0)**	(42.8)	(5.5)
– Others	**70.3**	**7.9**	59.4	7.6
Taxation	**322.9**	**36.5**	286.3	36.5

8. A Discontinued Operation

The discontinued operation in 2016 related to Indofood's 82.9% interest in CMZ which has been classified as a disposal group held for sale and a discontinued operation since 31 December 2014 and sold by Indofood on 16 December 2016. Following the completion of the disposal, CMZ ceased to be a subsidiary company of Indofood and the Group. The exchangeable bonds acquired by Indofood in connection with this transaction were accounted for as available-for-sale assets and were exchanged for approximately 29.94% interest in CMZ in February 2017. On 26 April 2017, Indofood disposed of its entire 29.94% interest in CMZ to CMZ BVI for a consideration of S$235.5 million (US$169.9 million).

(A) Details of the Disposal of CMZ in 2016 were Summarized as Follows:

US$ millions	2016
Consideration	
Cash and cash equivalents	263.0
Available-for-sale assets (Non-current)[(i)]	164.6
Accounts payable, other payables and accruals[(ii)]	28.0
Total	455.6
Net Assets Disposed	
Property, plant and equipment	200.9
Biological assets (Non-current)	21.6
Deferred tax assets	3.3
Other non-current assets	32.9
Cash and cash equivalents	4.3
Short-term deposits	645.2
Accounts receivable, other receivables and prepayments (Current)	23.4
Inventories	5.5
Biological assets (Current)	2.3
Accounts payable, other payables and accruals	(66.9)
Short-term borrowings	(146.1)
Provision for taxation	(2.2)
Current portion of deferred liabilities, provisions and payables	(0.4)
Long-term borrowings	(87.8)
Deferred liabilities, provisions and payables	(1.7)
Deferred tax liabilities	(39.0)
Total Net Assets Disposed	595.3
Non-controlling interests in net assets disposed	(110.2)
Total Share of Net Assets Disposed	485.1
Cumulative Reserves Reclassified from Equity on Disposal:	
– Exchange reserve	(45.0)
– Unrealized losses on cash flow hedges	18.5
	458.6
Loss on Disposal of a Discontinued Operation (Note 8(B))	(3.0)
Net Cash Inflow per the Consolidated Statement of Cash Flows	258.7

(i) Represents the exchangeable bonds received in connection with the disposal
(ii) Represents the earnest sum received in December 2015

(B) The Profit from a Discontinued Operation up to the Date of Disposal in 2016 was as Follows:

US$ millions	From 1 January 2016 to 16 December 2016 (the date of disposal)
Turnover	246.9
Cost of sales	(177.4)
Gross Profit	69.5
Selling and distribution expenses	(3.9)
Administrative expenses	(23.5)
Other operating income, net	8.3
Interest income	10.3
Finance costs	(19.6)
Profit from a Discontinued Operation	41.1
Loss on disposal of a discontinued operation (Note 8(A))	(3.0)
Profit Before Taxation from a Discontinued Operation (Note 4)	38.1
Taxation related to profit from a discontinued operation	(3.3)
	34.8
Transaction costs, mainly capital gains tax	(14.8)
Profit for the Year from a Discontinued Operation	20.0

(C) The Net Cash Flows of CMZ Consolidated by the Group in 2016 were as Follows:

US$ millions	2016
Operating activities	11.6
Investing activities	(13.2)
Financing activities	(29.1)
Net Cash Outflows	(30.7)

9. Profit Attributable to Owners of the Parent

The profit attributable to owners of the parent includes US$16.4 million of net foreign exchange and derivative gains (2016: US$9.1 million of losses), which represent the foreign exchange translation differences on the Group's unhedged foreign currency denominated net borrowings and payables and the changes in the fair values of derivatives, US$0.1 million (2016: US$2.6 million) of gain on changes in fair value of biological assets and US$195.6 million (2016: US$155.2 million) of net non-recurring losses.

Analysis of Foreign Exchange and Derivative Gains/(Losses), Net

US$ millions	**2017**	2016
Foreign exchange and derivative gains		
– Subsidiary companies	**28.7**	5.3
– Associated companies and joint ventures	**6.1**	0.1
Subtotal (Note 4)	**34.8**	5.4
Attributable to taxation and non-controlling interests	**(18.4)**	(14.5)
Total	**16.4**	(9.1)

The non-recurring losses represent certain items, through occurrence or size, which are not considered as usual operating items. 2017's non-recurring losses of US$195.6 million mainly represent the Group's impairment provisions for assets, including PLDT's wireless network assets (US$15.9 million) and accelerated depreciation for wireless network assets (US$44.1 million), Goodman Fielder's intangible assets (US$14.2 million), the Group's investments in AFPI (US$6.5 million) and Indofood's intangible assets in the Beverages business (US$6.4 million), Goodman Fielder's manufacturing network optimization costs (US$15.2 million), Head Office's bond tender and debt refinancing costs (US$14.9 million) and MPIC's loss on remeasurement of its previously held 75.0% interest in Beacon Electric (US$13.5 million), partly offset by MPIC's gain on remeasurement of its previously held 60.0% interest in TMC (US$11.9 million) and its divestment of a 4.5% direct interest in Meralco (US$6.1 million). 2016's non-recurring losses of US$155.2 million mainly represent the Group's impairment provisions for assets, including FPM Power's goodwill related to its investment in PLP (US$44.8 million), PLDT's investment in Rocket Internet shares and other intangible assets (US$35.4 million), Philex's deferred exploration costs and other assets (US$31.4 million) and MPIC's investment in Landco (US$6.8 million), PLP's provision for onerous contracts (US$6.0 million) and MPIC's project expenses (US$3.8 million).

10. Earnings Per Share Attributable to Owners of the Parent

The calculation of the basic earnings per share amounts is based on the profit for the year attributable to owners of the parent, and the weighted average number of ordinary shares of 4,320.2 million (2016: 4,275.8 million) in issue less shares held for a share award scheme of 9.6 million (2016: 9.3 million) during the year.

The calculation of the diluted earnings per share amounts is based on the profit for the year attributable to owners of the parent, adjusted to reflect the dilutive impact in respect of the exercise of share options issued by the Group's subsidiary and associated companies and the restricted stock unit plan of a subsidiary company, where applicable. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of all dilutive share options of the Company during the year.

The calculations of basic and diluted earnings per share are based on:

US$ millions	**2017**	2016
Earnings		
Profit attributable to owners of the parent used in the basic earnings per share calculation		
– From continuing operations	**120.9**	95.9
– From a discontinued operation	**–**	7.3
	120.9	103.2
Less: Dilutive impact in respect of the exercise of share options issued by the Group's subsidiary companies and the restricted stock unit plan of a subsidiary company	**(0.1)**	(0.1)
Profit attributable to owners of the parent used in the diluted earnings per share calculation	**120.8**	103.1
Attributable to:		
– Continuing operations	**120.8**	95.8
– A discontinued operation	**–**	7.3
	120.8	103.1

	Number of shares	
Millions	**2017**	2016
Shares		
Weighted average number of ordinary shares issued during the year	**4,320.2**	4,275.8
Less: Weighted average number of ordinary shares held for a share award scheme	**(9.6)**	(9.3)
Weighted average number of ordinary shares used in the basic earnings per share calculation	**4,310.6**	4,266.5
Add: Dilutive impact of share options on the weighted average number of ordinary shares	**0.7**	5.4
Weighted average number of ordinary shares used in the diluted earnings per share calculation	**4,311.3**	4,271.9

11. Ordinary Share Distribution

	U.S. cents per ordinary share		US$ millions	
	2017	2016	**2017**	2016
Interim	**1.03**	1.03	**44.3**	44.0
Proposed final	**0.71**	0.71	**30.8**	30.5
Total	**1.74**	1.74	**75.1**	74.5

The proposed final distribution for the year is subject to the approval of the Company's shareholders at the forthcoming AGM.

12. Property, Plant and Equipment

US$ millions	Land and buildings	Machinery, equipment and vessels	Bearer plants	Construction in progress	**Total**
Cost					
At 1 January 2017	1,326.0	2,984.5	1,039.9	136.4	**5,486.8**
Exchange translation	(1.5)	50.6	(9.2)	(1.8)	**38.1**
Additions	232.3	172.0	54.8	141.0	**600.1**
Acquisition of subsidiary companies and a business (Note 34(B))	37.9	1,102.6	–	–	**1,140.5**
Disposals	(3.3)	(17.4)	(1.2)	–	**(21.9)**
Disposal of subsidiary companies	(0.2)	(1.8)	–	–	**(2.0)**
Reclassification[(i)]	13.9	75.6	(4.0)	(89.7)	**(4.2)**
At 31 December 2017	1,605.1	4,366.1	1,080.3	185.9	**7,237.4**
Accumulated Depreciation and Impairment					
At 1 January 2017	266.7	1,064.8	284.8	–	**1,616.3**
Exchange translation	(0.1)	6.4	(2.7)	–	**3.6**
Depreciation for the year (Note 6)	59.3	220.6	33.8	–	**313.7**
Disposals	(0.7)	(15.1)	(0.2)	–	**(16.0)**
Disposal of subsidiary companies	–	(1.3)	–	–	**(1.3)**
At 31 December 2017	325.2	1,275.4	315.7	–	**1,916.3**
Net Carrying Amount at 31 December 2017	1,279.9	3,090.7	764.6	185.9	**5,321.1**

(i) Reclassification from land and building to investment properties and from bearer plants to other non-current assets

US$ millions	Land and buildings	Machinery, equipment and vessels	Bearer plants	Construction in progress	Total
Cost					
At 1 January 2016	1,266.0	2,635.0	965.9	260.0	5,126.9
Exchange translation	10.0	41.4	25.4	6.5	83.3
Additions	16.8	92.7	55.9	109.7	275.1
Acquisition of subsidiary companies and a business (Note 34(B))	17.1	11.6	–	–	28.7
Disposals	(0.7)	(19.6)	(1.5)	–	(21.8)
Reclassification[i]	16.8	223.4	(5.8)	(239.8)	(5.4)
At 31 December 2016	1,326.0	2,984.5	1,039.9	136.4	5,486.8
Accumulated Depreciation and Impairment					
At 1 January 2016	211.3	888.6	247.8	–	1,347.7
Exchange translation	0.5	10.2	6.4	–	17.1
Depreciation for the year (Note 6)	55.2	181.5	30.9	–	267.6
Disposals	(0.3)	(15.5)	(0.3)	–	(16.1)
At 31 December 2016	266.7	1,064.8	284.8	–	1,616.3
Net Carrying Amount at 31 December 2016	1,059.3	1,919.7	755.1	136.4	3,870.5

(i) Reclassification from investment properties to land and building and from bearer plants to other non-current assets

Property, plant and equipment with a net carrying amount of US$2,023.1 million (2016: US$1,155.2 million) were pledged as security for certain of the Group's banking facilities (Note 26(D)).

13. Biological Assets

	Timber plantations		Agricultural produce of bearer plants		**Total**	
US$ millions	**2017**	2016	**2017**	2016	**2017**	2016
At 1 January	**24.2**	26.2	**34.8**	13.9	**59.0**	40.1
Exchange translation	**(0.2)**	0.6	**(0.4)**	0.3	**(0.6)**	0.9
Additions	**0.3**	0.3	**270.4**	178.2	**270.7**	178.5
Decreases due to harvest	**(0.3)**	–	**(268.5)**	(176.9)	**(268.8)**	(176.9)
(Loss)/gain on changes in fair value of biological assets, net	**(0.9)**	(2.9)	**3.5**	19.3	**2.6**	16.4
At 31 December	**23.1**	24.2	**39.8**	34.8	**62.9**	59.0
Presented as:						
Non-current Portion	**23.1**	24.2	**–**	–	**23.1**	24.2
Current Portion	**–**	–	**39.8**	34.8	**39.8**	34.8
Total	**23.1**	24.2	**39.8**	34.8	**62.9**	59.0

(A) The Group's biological assets primarily comprise timber plantations, and agricultural produce of bearer plants owned by Indofood. For timber plantations, the Group appointed an independent valuer, KJPP Benedictus Darmapuspita dan Rekan, to determine their fair value annually and any resultant gains or losses arising from the changes in fair values is recognized in the profit or loss. The independent valuer adopted the income approach for the fair valuation of timber using a discounted cash flow model. The cash flow models estimate the relevant future cash flows which are expected to be generated in the future, and are discounted to the present value by using a discount rate. For the agricultural produce of bearer plants, which mainly comprise FFB and sugar cane, the Group adopted the income approach to measure their fair value. For the valuation of unharvested FFB, the Group has applied the actual harvest data subsequent to year end to derive their fair value at year end. For the valuation of sugar cane, the Group has applied discounted cash flow model to derive its fair value.

(B) Timber plantations – Key assumptions applied in determining the fair values of the timber plantations are as follows:

(a) Timber trees are available for harvest only once about eight years from initial planting.

(b) Discount rate used represents the asset specific rate for the Group's timber plantation operations which is applied in the discounted future cash flows calculation.

(c) The projected selling price of logs over the projection period are based on the actual domestic price of the produce which is extrapolated based on changes of plywood log price published by World Bank.

(C) FFB – Key assumptions applied determining the fair values of FFB are as follows:

(a) Estimated volume of subsequent harvest as of reporting date.

(b) Selling price of FFB based on the market price at year end.

(D) Sugar cane – Key assumptions applied in determining the fair values of the sugar cane are as follows:

(a) Cane trees are available for annual harvest for 12 months after initial planting.

(b) Discount rate used represents the asset specific rate for the Group's sugar cane produce which is applied in the discounted future cash flows calculation.

(c) The projected selling price of sugar over the projection period is based on the extrapolation of historical selling prices and the forecasted price trend from the World Bank or the minimum sugar price imposed by the Ministry of Trade of Indonesia, whichever is higher.

(E) The Group's timber plantations and sugar cane are measured using fair value categorized within Level 3 of the fair value hierarchy and its FFB are measured using fair value categorized within Level 2 of the fair value hierarchy. During the year, there were no transfers (2016: None) among Level 1, Level 2 and Level 3 fair value measurements. Key unobservable inputs used in determining the fair value of the Group's timber plantations, FFB and sugar cane are as follows:

Inputs	**Range of Quantitative Inputs**	**Relationship between the Inputs and the Fair Value**
Discount rate (Level 2)	Timber: 12.0% (2016: 9.0%) Sugar cane: 13.5% (2016: 12.1%)	An increase/a decrease in the discount rate would result in a decrease/an increase in the fair value of biological assets.
Price of processed agricultural produce (Level 3 for Timber and Sugar Cane, Level 2 for FFB)	Timber: Rupiah 489,486/m^3 – Rupiah 1,429,571/m^3 (US$36.1/$m^3$ – US$105.5/$m^3$) (2016: Rupiah 541,279/$m^3$ – Rupiah 1,470,100/m^3 (US$40.3/$m^3$ – US$109.4/$m^3$)) FFB: Rupiah 1,716/kg (US$0.13/kg) (2016: Rupiah 1,856/kg (US$0.14/kg)) Sugar cane: Rupiah 578,370/tonnes (US$42.7/tonnes) (2016: Rupiah 573,742/tonnes (US$42.7/tonnes))	An increase/a decrease in the commodity prices would result in an increase/ a decrease in fair value of biological assets.
Average production yield of agricultural produce (Level 3 for Timber and Sugar Cane, Level 2 for FFB)	Timber: 112m^3/hectare (2016: 129m^3/hectare) FFB: 14.8 tonnes/hectare (2016: 14.6 tonnes/hectare) Sugar cane: 65 tonnes/hectare (2016: 71 tonnes/hectare)	An increase/a decrease in production yields would result in an increase/a decrease in the fair value of biological assets.
Exchange rate (Level 3)	Rupiah 13,400/US$1 – Rupiah 13,700/US$1 (2016: Rupiah 13,300/US$1 – Rupiah 13,600/US$1)	A depreciation/an appreciation in the exchange rate of the rupiah against the US$ would result in an increase/a decrease in the fair value of biological assets.
Inflation rate (Level 3)	3.5% (2016: 3.5% – 4.0%)	An increase/a decrease in the inflation rate would result in a decrease/an increase in fair value of biological assets.

(F) The unaudited non-financial measure and output of agricultural produce are as follows:

The total area of timber plantations as at 31 December 2017 is 16,357 hectare (2016: 16,191 hectares).

The physical quantities of agricultural produces of FFB and sugar cane harvested from oil palm plantations and cane plantations, respectively, during the year are as follows.

Thousand tonnes	**2017**	2016
FFB	**3,109**	2,981
Sugar cane	**639**	861

14. Associated Companies and Joint Ventures

	Associated companies		Joint ventures		Total	
US$ millions	**2017**	2016	**2017**	2016	**2017**	2016
Shares, at cost						
– Listed	**5,502.2**	3,703.4	**–**	–	**5,502.2**	3,703.4
– Unlisted	**432.8**	410.4	**631.3**	1,448.1	**1,064.1**	1,858.5
Share of post-acquisition reserves (Note 31)	**(1,487.4)**	(1,439.2)	**(30.9)**	80.1	**(1,518.3)**	(1,359.1)
Preferred shares, at cost	**–**	–	**–**	414.8	**–**	414.8
Amounts due from associated companies and joint ventures	**138.6**	101.4	**16.6**	22.5	**155.2**	123.9
Total	**4,586.2**	2,776.0	**617.0**	1,965.5	**5,203.2**	4,741.5

(A) At 31 December 2017, both the listed and unlisted investments were located outside Hong Kong.

(B) At 31 December 2017, the market valuation of listed investments in associated companies was US$5,498.9 million (2016: US$2,851.5 million) based on quoted market prices. The net dividends received from associated companies and joint ventures during 2017 amounted to US$276.6 million (2016: US$306.7 million).

(C) Details of the Group's principal associated companies, PLDT and Philex, and joint venture, FPW, which, in the opinion of the Directors, materially affect the results or net assets of the Group, are set out on pages 250 to 251.

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

In October 2012, PLDT issued 150 million shares of Voting Preferred Stock with a par value of Peso 1 each to BTF Holdings, Inc. ("BTFHI"), a company wholly-owned by the Board of Trustees for the Account of PLDT's Beneficial Trust Fund, which reduced the voting interest of the Group and its Philippine affiliates in PLDT from approximately 25.6% to approximately 15.1%. Nevertheless, the economic interests of the Group and its Philippine affiliates in PLDT remained at approximately 25.6%. Notwithstanding that the Group and its Philippine affiliates have less than a 20% voting interest in PLDT, the Group and its Philippine affiliates have sufficient representatives in PLDT's current 13-member board of directors to exercise significant influence over the operating and financial policy decisions of PLDT. Therefore, the Group continued to account for PLDT as an associated company after the said transaction.

(E) Philex was incorporated under the laws of the Philippines in 1995 to engage in mining activities. Philex is primarily engaged in large-scale exploration, development and utilization of mineral resources. Philex has operated for the past 58 years at the deposit at Padcal (Tuba Benguet Province, Island of Luzons) for producing gold, copper and silver as its main products and owns the deposits at Boyongan and Bayugo (Surigao del Norte, the Northern of Mindanao) (the Silangan Project), which is currently under the exploration stage. In addition, Philex shall increase its interest in Kalayaan Copper Resources, Inc. from 5% to 60%, by solely funding all pre-development expenses of the deposit at Placer, Surigao del Norte (the Kalayaan Project).

(F) Meralco was incorporated under the laws of the Philippines in 1903 and was granted a franchise to provide electric power distribution services in the Philippines. In June 2003, Meralco was granted a new 25-year franchise to construct, operate, and maintain an electric distribution system in the cities and municipalities of Bulacan, Cavite, Metro Manila, and Rizal and certain cities, municipalities, and barangays in Batangas, Laguna, Pampanga, and Quezon. Meralco is subject to the ratemaking regulations and regulatory policies of the Philippine Energy Regulatory Commission.

Beacon Electric, a joint venture formed by MPIC and PLDT Communications and Energy Ventures Inc. (PCEV, a 99.9%-owned subsidiary company of PLDT) with the main purpose to hold the respective shareholdings in Meralco. On 30 May 2016, MPIC acquired from PCEV a 25.0% interest in Beacon Electric, which increased its interest in Beacon Electric to 75.0% from 50.0%. In consideration of the agreement of PCEV to receiving the purchase price on installments, MPIC agreed that for as long as either (a) PCEV owns not less than 20.0% of the outstanding capital stock of Beacon Electric or (b) the purchase price for MPIC's acquisition of these Beacon shares has not been fully paid by MPIC, PCEV shall retain its right to vote for 50.0% of the outstanding capital stock of Beacon Electric. On 27 June 2017, MPIC acquired the remaining 25% interest in Beacon Electric from PCEV. Following the completion of the acquisition, MPIC's economic interest in Beacon Electric increased to 100% from 75% and Beacon Electric become a subsidiary company of MPIC.

In March 2010, MPIC subscribed Pesos 8.0 billion (US$161.1 million) of Beacon Electric's preferred shares. In June 2012, MPIC acquired approximately Pesos 3.6 billion (US$71.7 million) of Beacon Electric's preferred shares. In May 2016, MPIC subscribed Pesos 3.5 billion (US$70.4 million) of Beacon Electric's preferred shares and acquired Pesos 5.8 billion (US$116.7 million) (with a book carrying amount, which reflected the effect of discounting, of Pesos 5.5 billion or US$111.6 million) of Beacon Electric's preferred shares from PCEV (Note 38(I)). The preferred shares of Beacon Electric are non-voting, non-convertible to common shares or any shares of any class of Beacon Electric, have no pre-emptive rights to subscribe to any share or convertible debt securities or warrants issued or sold by Beacon Electric and entitle the preference shareholder to liquidation preference and yearly cumulative dividends.

Meralco is an associated company of the Group in view of the Group's 10.5% (2016: 15.0%) direct interest in Meralco acquired and indirect interests in Meralco held through Beacon Electric as mentioned above, which allows the Group to exercise significant influence over Meralco by virtue of power to participate in its operating and financial policy decisions.

(G) FPW was incorporated under the laws of Singapore on 27 June 2014, which has become a 50%/50% joint venture owned by the Group and Wilmar since 17 February 2015. FPW's principal investment is a 100% interest in Goodman Fielder, following FPW's acquisition of an additional 99.7% interest in Goodman Fielder on 17 March 2015. Goodman Fielder is primarily engaged in the manufacturing, marketing and distribution of food ingredients and consumer branded food, beverage and related products, including packaged bread and other related goods, dairy products, flour, edible oils and meal components in Australasia.

At 31 December 2017, the loan to FPW of US$413.7 million (2016: US$381.6 million) is unsecured, interest-free and have no fixed terms of repayment.

(H) Amounts due from associated companies and joint ventures represent the Group's investment in SMECI's convertible notes of US$100.9 million (2016: US$101.4 million) and advances to associated companies and joint ventures of US$54.3 million (2016: US$22.5 million). The convertible notes were stated at cost as there are no reliable sources and bases for subsequent fair value determination and the terms of the convertible notes have been disclosed in Note 38(G). The advances to associated companies and joint ventures are unsecured, interest-free and have no fixed terms of repayment.

(I) At 31 December 2017, the Group's share of its major joint venture's own contracted capital commitments amounted to US$13.1 million (2016: US$2.2 million), which principally related to purchase of property, plant and equipment by Goodman Fielder.

(J) The Group's associated companies and joint ventures are involved in certain legal, contractual and regulatory matters arising from the ordinary course of business. The management of the associated companies and joint ventures, together with their legal counsels, reassess these matters regularly to consider any new relevant information and estimates.

(K) Additional financial information under HKFRS in respect of the Group's major associated companies, PLDT, Philex and Meralco is set out below.

	PLDT		Philex		Meralco	
For the year ended/at 31 December US$ millions	**2017**	2016	**2017**	2016	**2017**	2016
Statements of Comprehensive Income						
Turnover	**3,174.4**	3,297.9	**212.8**	203.8	**5,608.5**	5,395.0
Profit for the year	**267.3**	423.0	**35.6**	32.9	**406.9**	405.7
Other comprehensive income/(loss)	**39.8**	(51.5)	**1.4**	(1.5)	**(16.8)**	67.8
Total Comprehensive Income	**307.1**	371.5	**37.0**	31.4	**390.1**	473.5
Dividends Received	**83.1**	118.4	**3.6**	25.3[i]	**122.2**	89.1
Statements of Financial Position						
Current assets	**1,816.6**	1,732.3	**125.5**	138.7	**1,971.4**	1,770.1
Non-current assets	**7,381.5**	7,823.6	**669.2**	638.9	**4,104.2**	4,184.0
Current liabilities	**(3,366.5)**	(3,660.8)	**(97.3)**	(112.2)	**(2,119.7)**	(2,103.8)
Non-current liabilities	**(3,608.5)**	(3,712.1)	**(202.1)**	(194.8)	**(2,565.3)**	(2,338.9)
Non-controlling interests	**(3.5)**	(7.3)	**–**	–	**(16.5)**	(14.7)
Net Assets	**2,219.6**	2,175.7	**495.3**	470.6	**1,374.1**	1,496.7

(i) Includes property dividend of PXP Energy Corporation's shares of US$24.0 million and cash dividends of US$1.3 million

Reconciliation to Carrying Amounts of the Group's Interests in the Major Associated Companies

	PLDT		Philex		Meralco	
At 31 December US$ millions	**2017**	2016	**2017**	2016	**2017**	2016
Net assets	**2,219.6**	2,175.7	**495.3**	470.6	**1,374.1**	1,496.7
Economic interest	**25.6%**	25.6%	**46.2%**	46.2%	**45.5%**	15.0%
Group's share of net assets	**568.2**	557.0	**228.8**	217.4	**625.2**	224.5
Purchase price allocation and other adjustments	**595.7**	628.0	**49.5**	93.0	**1,827.0**	560.6
Carrying Amount of the Investment	**1,163.9**	1,185.0	**278.3**	310.4	**2,452.2**	785.1
Quoted Fair Value of the Investment	**1,637.5**	1,516.7	**276.9**	394.6	**3,375.0**	903.2

(L) Additional financial information under HKFRS in respect of the Group's major joint ventures, FPW and Beacon Electric, is set out below.

	FPW		Beacon Electric
US$ millions	**2017**	2016	2016
Statements of Comprehensive Income			
Turnover	**1,623.7**	1,488.5	–
Share of profits of a joint venture/an associated company	**1.5**	1.8	147.2
(Loss)/profit for the year	**(7.4)**	36.4	132.6
Other comprehensive (loss)/income	**(9.8)**	0.2	23.9
Total Comprehensive (Loss)/Income	**(17.2)**	36.6	156.5
Statements of Financial Position			
Current assets	**389.0**	305.4	62.7
Non-current assets	**1,538.8**	1,452.7	1,957.1
Current liabilities	**(1,485.7)**	(1,379.8)	(26.0)
Non-current liabilities	**(264.6)**	(189.2)	(214.4)
Non-controlling interests	**(7.8)**	–	–
Net Assets	**169.7**	189.1	1,779.4
Additional information for Amounts Included in the Above Line Items			
Interest income	**0.2**	0.4	4.7
Depreciation and amortization	**(46.0)**	(46.1)	–
Finance costs	**(25.3)**	(25.6)	(19.2)
Taxation	**(19.2)**	(22.4)	–
Cash and cash equivalents and short-term deposits	**110.2**	81.4	62.5
Current financial liabilities, excluding trade and other payables and provisions	**(1,240.6)**	(1,151.4)	(24.0)
Non-current financial liabilities, excluding trade and other payables and provisions	**(222.9)**	(143.3)	(200.7)

Reconciliation to Carrying Amounts of the Group's Interests in the Major Joint Ventures

	FPW		Beacon Electric
At 31 December US$ millions	**2017**	2016	2016
Net assets	**169.7**	189.1	1,779.4
Equity attributable to preferred shareholders (including dividend in arrears)	**–**	–	(606.6)
Net assets attributable to common shareholders	**169.7**	189.1	1,172.8
Economic interest	**50.0%**	50.0%	75.0%
Group's share of net assets	**84.9**	94.6	879.6
Purchase price allocation and other adjustments	**44.9**	38.2	80.1
Carrying amount of the investments	**129.8**	132.8	959.7
Carrying amount of investments in Beacon Electric's preferred shares	**–**	–	414.8
Advances to Beacon Electric	**–**	–	12.3
Loan to FPW	**413.7**	381.6	–
Total	**543.5**	514.4	1,386.8

(M) Aggregate financial information of the Group's share of the amounts of its associated companies and joint ventures that are not individually material is set out below.

For the year ended 31 December US$ millions	Associated companies **2017**	 2016	Joint ventures **2017**	 2016
Share of profit/(loss) for the year	**17.0**	14.0	**9.5**	(0.1)
Share of other comprehensive income/(loss)	**3.7**	4.8	**(9.9)**	6.8
Share of Total Comprehensive Income	**20.7**	18.8	**(0.4)**	6.7
Aggregate carrying amount of the Group's investments	**553.2**	394.1	**56.9**	54.1
Amounts due from associated companies and joint ventures	**138.6**	101.4	**16.6**	10.2
Aggregate Carrying Amount of the Group's Investments	**691.8**	495.5	**73.5**	64.3

15. Goodwill

US$ millions	**2017**	2016
Cost		
At 1 January	**1,071.9**	1,033.1
Exchange translation	**17.5**	(14.8)
Acquisition of subsidiary companies and a business (Note 34(B))	**76.2**	57.1
Other movements	**17.6**	(3.5)
At 31 December	**1,183.2**	1,071.9
Accumulated Impairment		
At 1 January	**75.6**	9.3
Exchange translation	**5.5**	0.2
Impairment during the year (Note 6)	**7.0**	66.1
At 31 December	**88.1**	75.6
Net Book Amount at 31 December	**1,095.1**	996.3
Attributable to the Businesses of:		
Indofood – Plantations	**240.1**	242.7
– Dairy	**118.3**	119.3
MPIC – Water distribution	**101.2**	101.8
– Toll roads	**276.9**	215.5
FPM Power – Power	**216.2**	199.6
Others	**142.4**	117.4
Total	**1,095.1**	996.3

(A) Goodwill is allocated to the Group's cash-generating units identified according to the reportable segments. The goodwill amounts at 31 December 2017 and 31 December 2016 mainly related to (a) Indofood's businesses (principally plantations and dairy) which contributed to the Group's consumer food products business segment located in Indonesia, (b) MPIC's businesses (principally water distribution, power, wastewater and sewage treatment and toll roads) which contributed to the Group's infrastructure business segment located in the Philippines and (c) FPM Power's power business, through the electricity generation and sales business conducted by its subsidiary company, PLP, which contributed to the Group's infrastructure business segment located in Singapore.

(B) In assessing the impairment for goodwill, the Group compares the carrying amounts of the underlying assets against their recoverable amounts (the higher of the assets' fair value less costs of disposal and their value in use). The recoverable amounts of Indofood's, MPIC's and PLP's businesses have been determined based on value in use calculations, using cash flow projections covering periods from 5 years (for established plantations and the dairy companies) up to 10 years (for the plantation estates in early development stage) (2016: 5 years (for established plantations and the dairy companies) to 10 years (for the plantation estates in early development stage)) for Indofood's businesses, 18 to 20 years (2016: 19 to 21 years) of concession lives for MPIC's water distribution business, 20 to 36 years (2016: 17 to 29 years) of concession lives for MPIC's toll road business and 8 years (2016: 5 years) for PLP's power business. The discount rates applied to cash flow projections range from 7.5% to 17.8% (2016: 7.9% to 15.4%) for Indofood's businesses, 9.1% to 10.0% (2016: 9.4% to 10.3%) for MPIC's water distribution business, 8.6% (2016: 8.8%) for MPIC's toll road business and 8.0% (2016: 8.3%) for PLP's power business, which reflect the weighted average cost of capital of the relevant businesses.

In the assessment of the recoverable amount of Indofood's plantation businesses, the projected prices of CPO are based on the World Bank forecast for the projection period; the projected selling prices of RSS1 and other rubber products of the Group over the projection period are based on the extrapolation of historical selling prices and the forecasted price trend from the World Bank; the sugar prices used in the projection are based on the extrapolation of historical selling prices and the forecasted price trend from the World Bank or the minimum sugar price imposed by the Ministry of Trade of Indonesia, whichever is higher; and, the projected selling price of logs over the projection period are based on actual domestic price of produce which is extrapolated based on changes of plywood log price published by World Bank. The forecasted periods for Indofood's plantation businesses in early development stage are more than five years as the plantations mainly comprising of oil palm plantations are either in immature stage or early state of maturity and will only reach maturity in the fourth year. The cash flows beyond the projection periods are extrapolated using an estimated terminal growth rate of 5.4% (2016: 5.2%) which does not exceed the long-term average growth rate of the industry in Indonesia where the businesses operate.

In the assessment of the recoverable amount of Indofood's dairy businesses, their values in use were calculated based on their cash flow projections as per the most recent financial budgets and forecasts, which management believes are reasonable and are management's best estimates of the ranges of economic conditions that will exist over the forecast period. The cash flows beyond the projection periods are extrapolated using an estimated terminal growth rate of 5.0% (2016: 5.0%) which does not exceed the long-term average growth rate of the industry in Indonesia where the businesses operate.

In the assessment of the recoverable amount of MPIC's water distribution and toll road businesses, their values in use were calculated based on their cash flow projections as per the most recent financial budgets and forecasts, which management believes are reasonable and are management's best estimates of the ranges of economic conditions that will exist over the forecast period. The forecasted periods for MPIC's water distribution and toll road businesses are more than five years as management can reliably estimate the cash flows for their entire concession periods. The cash flows during the projection periods are derived using estimated average growth rates ranging from 1.4% to 2.7% (2016: 1.1% to 3.3%) for the water distribution business and from 2.6% to 4.1% (2016: 2.5% to 5.0%) for the toll road business, which do not exceed the long-term average growth rates of the industries in the Philippines where the businesses operate.

In the assessment of the recoverable amount of PLP's power business, its value in use was calculated based on its cash flow projections as per the most recent financial budget and forecast, which management believes are reasonable and are management's best estimates of the ranges of economic conditions that will exist over the forecast period. The forecasted period is more than five years to reflect the impacts upon the expiry of a vesting contract and a long-term gas supply agreement. The cash flows beyond the projection periods are extrapolated using an estimated growth rate of 2.3% (2016: 1.8%) which does not exceed the long-term average growth rate of the industry in Singapore where the business operates.

Changes to the assumptions used by management to determine the recoverable amounts, in particular the discount and growth rates, can have a significant impact on the results of the assessment. Management is of the opinion that no reasonably possible change in any of the key assumptions stated above would cause the carrying amounts of the goodwill for each of the cash-generating units to materially exceed the recoverable amounts.

During the year ended 31 December 2017, the Group recognized an impairment loss of US$7.0 million principally relating to the goodwill arising from the logistics business acquired in 2016 as the recoverable amount was lower than the carrying amount.

During the year ended 31 December 2016, the Group recognized an impairment loss of US$66.1 million in relation to the cash-generating unit of PLP's power business. The recoverable amount of the cash-generating unit was estimated to be US$550 million. The impairment loss arose mainly due to (a) continuous intense competition due to over-supply of electricity in the Singapore electricity market, and (b) the low crude oil prices affecting the price competitiveness of PLP (which is only fueled by liquefied natural gas) owing to the different pricing mechanisms between piped natural gas and liquefied natural gas.

16. Other Intangible Assets

US$ millions	Concession assets – Water distribution	Concession assets – Toll roads	Concession assets – Rail	Brands – Dairy	Brands and networks – Packaged drinking water	Customer list and licences – Wastewater and sewage treatment	Vesting and bilateral contracts – Power	Software and others	**Total**
Cost									
At 1 January 2017	2,059.0	1,390.2	129.2	290.2	68.4	22.5	15.0	15.2	**3,989.7**
Acquisition of a subsidiary company and a business (Note 34(B))	–	–	–	–	–	–	67.5	0.8	**68.3**
Additions	252.2	88.1	56.1	11.0	–	–	–	1.2	**408.6**
Other movement	–	–	–	–	–	(11.1)	–	–	**(11.1)**
Exchange translation	(6.4)	(5.0)	–	(2.5)	(0.6)	(0.2)	2.0	0.2	**(12.5)**
At 31 December 2017	2,304.8	1,473.3	185.3	298.7	67.8	11.2	84.5	17.4	**4,443.0**
Accumulated Amortization and Impairment									
At 1 January 2017	392.5	114.3	–	119.0	12.4	0.6	4.4	7.8	**651.0**
Charge for the year (Note 6)	57.4	20.2	–	23.8	–	0.6	3.2	2.3	**107.5**
Impairment during the year	–	–	–	–	27.4	–	–	–	**27.4**
Exchange translation	(1.1)	(0.3)	–	(1.3)	(0.5)	–	0.5	0.4	**(2.3)**
At 31 December 2017	448.8	134.2	–	141.5	39.3	1.2	8.1	10.5	**783.6**
Net Carrying Amount at 31 December 2017	1,856.0	1,339.1	185.3	157.2	28.5	10.0	76.4	6.9	**3,659.4**

US$ millions	Concession assets – Water distribution	Concession assets – Toll roads	Concession assets – Rail	Brands – Dairy	Brands and networks – Packaged drinking water	Customer list and licences – Wastewater and sewage treatment	Vesting contract – Power	Software and others	Total
Cost									
At 1 January 2016	1,965.2	1,257.3	119.6	282.6	66.5	–	15.3	10.5	3,717.0
Acquisition of subsidiary companies and a business (Note 34(B))	–	–	–	–	–	23.9	–	2.0	25.9
Additions	207.5	208.9	16.7	–	–	–	–	3.5	436.6
Exchange translation	(113.7)	(76.0)	(7.1)	7.6	1.9	(1.4)	(0.3)	(0.8)	(189.8)
At 31 December 2016	2,059.0	1,390.2	129.2	290.2	68.4	22.5	15.0	15.2	3,989.7
Accumulated Amortization and Impairment									
At 1 January 2016	354.2	103.1	–	100.3	–	–	2.9	5.3	565.8
Charge for the year (Note 6)	60.7	17.4	–	14.6	–	0.6	1.6	3.3	98.2
Impairment during the year	–	–	–	–	12.4	–	–	–	12.4
Exchange translation	(22.4)	(6.2)	–	4.1	–	–	(0.1)	(0.8)	(25.4)
At 31 December 2016	392.5	114.3	–	119.0	12.4	0.6	4.4	7.8	651.0
Net Carrying Amount at 31 December 2016	1,666.5	1,275.9	129.2	171.2	56.0	21.9	10.6	7.4	3,338.7

(A) Concession assets – Water distribution represents the exclusive right granted to Maynilad, PHI and MIBWSC to provide water distribution, sewerage services and water production and charge users for these services during its concession period.

Additions to the concession assets for water distribution include costs of rehabilitation, construction costs and concession fees paid and payable for expansion projects.

(a) Maynilad

In February 1997, Maynilad entered into a concession agreement with MWSS, with respect to the MWSS West Service Area. Under the concession agreement, MWSS grants Maynilad, the sole right to manage, operate, repair, decommission and refurbish all fixed and movable assets required to provide water and sewerage services in the West Service Area for 25 years ending in 2022. In September 2009, MWSS approved an extension of its concession agreement with Maynilad for another 15 years to 2037. The legal titles to all property, plant and equipment contributed to the existing MWSS system by Maynilad during the concession period remain with Maynilad until the expiration date at which time, all rights, titles and interests in such assets will automatically vest to MWSS.

Under the concession agreement, Maynilad is entitled to (a) an annual standard rate adjustment to compensate for increases in the consumer price index subject to a rate adjustment limit; (b) an extraordinary price adjustment to account for the financial consequences of the occurrence of certain unforeseen events subject to grounds stipulated in the concession agreement; and (c) a rate rebasing mechanism which allows rates to be adjusted every five years to enable Maynilad to efficiently and prudently recover expenditures incurred, Philippine business taxes and payments corresponding to debt service on concession fees and Maynilad loans incurred to finance such expenditure.

In October 2013, Maynilad disagreed with the rate rebasing adjustments proposed by MWSS for the rate rebasing period from 2013 to 2017 and exercised its right under the concession agreement to file a notice of dispute with the Secretariat of the International Court of Arbitration in the Philippines for an arbitration. In December 2013, MWSS released a resolution regarding the implementation of a status quo for Maynilad's tariff rates until a final resolution of this issue is reached. On 29 December 2014, the Appeals Panel of the International Court of Arbitration in the Philippines upheld the alternative rebasing adjustment of Maynilad regarding its tariff dispute with MWSS. This would, if implemented immediately, result in a 9.8% increase in the 2013 average basic water charge of Pesos 31.28/cubic meter. However, MWSS refused to implement the final award notwithstanding Maynilad's repeated written demands for implementation.

Following the inaction of the Philippine Government represented by the Department of Finance ("DOF") in response to Maynilad's request to compel MWSS to implement the final award, Maynilad, on 27 March 2015 served a notice of arbitration and statement of claim upon the Philippine Government and demanded the Philippine government's failure or refusal to pay it the demanded revenue losses that it had sustained as a direct result of MWSS's refusal to implement its current rebasing adjustment to be referred to arbitration before a three-member panel appointed and conducting proceedings in Singapore. The Arbitral Tribunal ("Tribunal") panel was constituted in 2015. Evidentiary hearings were completed in December 2016. Maynilad and MWSS filed their respective memorials and counter-memorials on 31 January 2017 and 20 February 2017, respectively. On 24 July 2017, the Tribunal in Singapore unanimously upheld Maynilad's claim for compensation for the delayed implementation of its tariff increases. The Tribunal ordered the Philippine Government to reimburse Maynilad the amount of Pesos 3.4 billion (US$68.1 million) (subsequently adjusted to Pesos 3.2 billion (US$64.1 million)) for losses from 11 March 2015 to 31 August 2016, without prejudice to any rights that Maynilad may have to seek recourse against the MWSS for losses incurred from 1 January 2013 to 10 March 2015. Further, the Tribunal ruled that Maynilad is entitled to recover from the Philippine Government its losses from 1 September 2016 onwards. In case a disagreement on the amount of such losses arises, Maynilad may revert to the Tribunal for further determination. On 9 February 2018, the Philippine Government filed an application with The High Court of Singapore to set aside the arbitration award issued on 24 July 2017. Maynilad has already engaged its Singapore counsel to ensure the Philippine Government's application is disposed of expeditiously. The financial effect of Maynilad's win in this arbitration will be subject to the outcome of Maynilad's discussion with the Philippine Government with respect to the implementation of the arbitration award and hence cannot be determined yet. As at the date of these financial statements, the result of this case was still pending.

(b) PHI
In August 2012, Maynilad acquired a 100% interest in PHI, which engages in the water distribution business in central and southern Luzon. PHI is granted the sole right to distribute water in these areas under certain concession agreements granted by the Philippine Government for 25 years to 2035.

(c) MIBWSC
On 4 July 2016, pursuant to a joint venture agreement between MetroPac Oloilo Holdings Corporation, a wholly-owned subsidiary of MPW, and the Metro Iloilo Water District ("MIWD") of the Philippines, created and established MIBWSC, to implement a 170 million liters per day (MLD) Bulk Water Supply Project ("BWS Project"). The BWS Project covers (i) the rehabilitation and upgrading of MIWD's existing 55 MLD water facilities, (ii) the expansion and construction of new water facilities to increase production to up to 115 MLD and (iii) delivery of contracted water demand to MIWD in accordance with the bulk water supply agreement. The BWS Project covers an initial 25-year period and shall be extended for an additional 25 years counted from the date of completion of the agreed upon expansion obligation, but in no event shall exceed an aggregate of 50 years. MIWD retains ownership of the existing facilities subject to the right of MIBWSC to access and use. MIBWSC in turn retains ownership of the new facilities but is required to handback the BWS Project, including transfer of the full ownership of the new facilities, at the end of the concession period. On 5 July 2016, MIBWSC officially took over operations from the MIWD.

(B) Concession assets – Toll roads represent the concession comprising the rights, interests and privileges to finance, design, construct, operate and maintain toll roads, toll facilities and other facilities generating toll-related and non-toll related income held by (a) NLEX Corporation in respect of the North Luzon Expressway (also known as NLEX), Subic Clark Tarlac Expressway (SCTEX) and Connector Road, (b) CIC in respect of CAVITEX, (c) MPCALA in respect of CALAX and (d) CCLEC in respect of CCLEX during their concession periods.

Additions to the concession assets for toll roads include payments for both ongoing construction costs, preconstruction costs for various toll road projects and concession fees paid and payable for new projects.

(a) NLEX Corporation's NLEX
In August 1995, First Philippine Infrastructure Development Corporation ("FPIDC"), the parent company of NLEX Corporation, entered into a joint venture agreement with Philippine National Construction Corporation ("PNCC"), in which PNCC assigned its rights, interests and privileges under its franchise to construct, operate and maintain toll facilities in the NLEX and its extensions, stretches, linkages and diversions in favour of NLEX Corporation, including the design, funding, construction, rehabilitation, refurbishing and modernization and selection and installation of an appropriate toll collection system therein during the concession period subject to prior approval by the President of the Philippines. In April 1998, the Philippine Government, acting through the Toll Regulatory Board as the grantor, PNCC as the franchisee and NLEX Corporation as the concessionaire, executed a Supplemental Toll Operation Agreement (STOA) whereby the Philippine Government recognized and accepted the assignment by PNCC of its usufructuary rights, interests and privileges under its franchise in favor of NLEX Corporation as approved by the President of the Philippines and granted NLEX Corporation concession rights, obligations and privileges including the authority to finance, design, construct, operate and maintain the NLEX project roads as toll roads commencing upon the date on which the STOA comes into effect until 31 December 2030 or 30 years after the issuance of the Toll Operation Permit for the last completed phase, whichever is earlier. In October 2008, the concession agreement was extended for another seven years to 2037. Pursuant to the STOA, NLEX Corporation is required to pay franchise fees to PNCC and to pay for the government's project overhead expenses based on certain percentages of construction costs and maintenance works on the project roads. Upon expiry of the concession period, NLEX Corporation shall handover the project roads to the Philippine Government without cost, free from any and all liens and encumbrances and fully operational and in good working condition, including any and all existing land required, works, toll road facilities and equipment found therein directly related to and in connection with the operation of the toll road facilities.

(b) NLEX Corporation's SCTEX

On 9 February 2015, NLEX Corporation received a notice of award from the Philippine Bases Conversion and Development Authority ("BCDA") for the management, operation and maintenance of the 94-kilometer SCTEX subject to compliance with specific conditions. The notice of award was issued by the BCDA following the results of the price challenge held on 30 January 2015. On 26 February 2015, NLEX Corporation and the BCDA entered into a business agreement involving the assignment of the BCDA's rights and obligations relating to the management, operation and maintenance of SCTEX as provided in the SCTEX concession (Toll Operation Agreement or TOA). The assignment includes the exclusive right to use the SCTEX toll road facilities and the right to collect toll until 30 October 2043. On 22 May 2015, the Supplementary Toll Operation Agreement was executed by and among the Philippine Government and the BCDA and NLEX Corporation. At the end of the contract term, the SCTEX, as well as the as-built plans, specification and operation/repair/maintenance manuals relating to the same shall be turned over to the BCDA or its successor-in-interest. At a consideration of Pesos 3.5 billion (US$76.7 million) upfront cash payment, the operation and management of the SCTEX was officially turned over to NLEX Corporation on 27 October 2015. MNTC shall also pay the BCDA monthly concession fees amounting to 50% of the audited gross toll revenues of SCTEX for the relevant month from effective date of 27 October 2015 to 30 October 2043.

(c) NLEX Corporation's Connector Road

On 23 November 2016, NLEX Corporation and the Philippine Government acting through the Department of Public Works and Highways ("DPWH") signed a concession agreement for the design, financing, construction, operation and maintenance of the Connector Road. The Connector Road is a four lane toll expressway structure with a length of eight kilometers all passing through and above the right of way of the Philippine National Railways starting NLEX Segment 10 in C3 Road Caloocan City and seamlessly connecting to SLEX through Metro Manila Skyway Stage 3 Project. The concession period shall commence on the commencement date of its construction, and shall end on its thirty-seventh anniversary, unless otherwise extended or terminated in accordance with the concession agreement. Connector Road Project, with an estimated project cost of Pesos 23.3 billion (US$466.7 million), is expected to commence construction in 2018 and to complete by 2020.

Under the concession agreement, NLEX Corporation will pay the DPWH periodic payments as consideration for the grant of the right of way for the project.

(d) CIC's CAVITEX

Pursuant to a toll operation agreement and an operations and maintenance agreement which CIC signed in November 1996 with the Philippine Reclamation Authority and the Toll Regulatory Board ("TRB") of the Philippines, CIC was responsible for the design, financing, construction and supervision of the operation and maintenance of CAVITEX. The concession for CAVITEX extends to 2033 for the originally built road and to 2046 for a subsequent extension. Upon expiry of the concession period, CIC shall hand over the project roads to the Philippine Government.

(e) MPCALA's CALAX

On 10 July 2015, MPCALA signed a concession agreement for the CALAX Project with the Department Public Works and Highways ("DPWH") of the Philippines. Under the concession agreement, MPCALA is granted the concession to design, finance, construct, operate and maintain the CALAX, including the right to collect toll fees, over a 35-year concession period. The CALAX is a closed-system tolled expressway connecting the CAVITEX and the SLEX. The CALAX Project was awarded to MPCALA following a competitive public bidding process where MPCALA was declared as the highest complying bidder with its offer to pay the Philippine Government concession fees amounting Pesos 27.3 billion (US$546.8 million) over nine years. On 3 July 2017, MPCALA commenced the construction works for the project which are expected to be completed in 2020 and CALAX is expected to be fully operational by 2021.

(f) CCLEC's CCLEX
On 3 October 2016, CCLEC, the Cebu City and Municipality of Cordova (as the grantors) signed the concession agreement for the CCLEX. CCLEX, consists of the main alignment starting from the Cebu South Coastal Road and ending at the Mactan Circumferential Road, inclusive of interchange ramps aligning the Guadalupe River, the main span bridge, approaches, viaducts, causeways, low-height bridges, at-grade road, toll plazas and toll operations center.

Under the concession agreement, CCLEC is granted the concession to design, finance, construct, operate and maintain the CCLEX, including the right to collect toll fees over a 35-year concession period (including construction period). CCLEX is estimated to cost Pesos 26.3 billion (US$526.7 million) with the construction of the project to be completed by 2021. No upfront payments or concession fees are to be paid but the grantors shall share 2% of the project's revenue.

NLEX Corporation and CIC derive substantially all of their revenues from toll collections from the users of the toll roads. The concession agreements establish toll rate formulas and adjustment procedures for setting the appropriate toll rates. Subject to the TRB of the Philippines validating the calculation of the toll rate adjustments in accordance with the formulas, toll rate adjustments are scheduled every two calendar years for the NLEX, every year for SCTEX and every three calendar years for the CAVITEX. As at the date of these financial statements, the Philippine Government has not yet implemented the toll rate adjustments for NLEX Corporation and CIC in respect of CAVITEX, NLEX and SCTEX, which should have been effective from 1 January 2012 and 1 January 2015 for CAVITEX's originally built road, 1 January 2014 and 1 January 2017 for CAVITEX's extension, 1 January 2013, and 1 January 2015 and 1 January 2017 for NLEX and 1 January 2017 for SCTEX.

In April 2016, NLEX Corporation and CIC each issued a notice of arbitration and statement of claim to the Philippine Government, through the TRB, to obtain compensation for TRB's inaction on lawful toll rate adjustments which were overdue. On 18 October 2017, the TRB provisionally approved a Peso 0.25/km petition for add-on toll rate adjustment for NLEX closed system in relation with NLEX Corporation's investment on the NLEX lane widening project. CIC, however, has yet to receive regulatory approval for the claims and is in constructive discussions with the Philippine Government to resolve this.

(C) Concession assets – Rail represents concession comprising of the exclusive right during the concession period to operate and maintain the current LRT1 system, collect farebox revenue and construct the LRT1 Extension.

Additions to the concession assets for rail include cost of station and rehabilitation works, engineering, procurement, construction and other consultancy cost for various rail projects.

The DOTC and LRTA formally awarded the project to LRMC on 15 September 2014. On 2 October 2014, LRMC signed together with the Department of Transportation and Communications ("DOTC") and the Light Rail Transit Authority ("LRTA") (the grantors) a concession agreement for the Light Rail Transit Line 1 Cavite Extension and Operations & Maintenance Project ("LRT1 Project"). Under the concession agreement, LRMC will operate and maintain the existing 20.7-kilometer LRT1 (Existing System) and construct an 11.7-kilometer extension from the present end-point at Baclaran to the Niog area in Bacoor, Cavite. A total of eight new stations will be built along the extension, which traverses the cities of Parañaque and Las Piñas up to Bacoor, Cavite. The concession agreement is for a period of 32 years commencing from the effective date of 12 September 2015 when LRMC took over of the LRT1 operations.

In accordance with the LRT1 Project concession agreement, LRMC is entitled to the reimbursement of the unavoidable increment costs that it will incur to restore the Existing System to the level necessary to meet all of the baseline Existing System Requirements ("ESR") as certified by an independent consultant. LRMC is also entitled to receive compensation from the grantors if the grantors do not make available a minimum of 100 light rail vehicles (LRV) on the effective date of the turnover of the system. On the turnover date of the system on 12 September 2015, LRMC only received 72 LRVs.

On various dates in 2015 through 2017, LRMC submitted letters to the DOTC representing its claim for ESR costs and LRV shortfall on the premise of the grantor's obligation in relation to the condition of the Existing System prior or as of the effective date of the turnover of the system by the grantors to LRMC. In addition, LRMC requested the grantors compensation for the revenue loss arising from the grantors' implementation of fare increases below the concession agreement fares. The above claims were still undergoing discussion as at the date of these financial statements.

(D) Brands – Dairy represent the brands, with useful life of 20 years, held by Indolakto for its various milk-related products, which include Indomilk, Cap Enaak, Tiga Sapi, Crima, Kremer and Indoeskrim.

(E) Brands and networks – Packaged drinking water represent the registered brand name, CLUB, and distribution and customer networks of Indofood's packaged drinking water business.

The brands and networks are determined to have indefinite useful lives as (i) the brands can be renewed indefinitely at no significant costs; (ii) Indofood has the intention to renew the brands and maintain the network indefinitely; and (iii) no significant expenses are expected to be incurred to maintain the future economic benefits that can be generated from these assets.

In assessing the impairment for brands and networks with indefinite useful life, the Group compares the carrying amounts of the intangible assets against their recoverable amounts (the higher of the assets' fair value less costs of disposal and their value in use). The recoverable amounts of brands and networks have been determined based on value in use calculations using cash flow projections as per the most recent financial budgets and forecasts, which management believes are reasonable and are management's best estimates of the ranges of economic conditions that will exist over the forecast period of 10 years (2016: 10 years). The discount rate applied to cash flow projections was ranged from 11.2% to 13.0% (2016: 13.4% to 14.0%), which reflects the weighted average cost of capital. The cash flows beyond the projection periods are extrapolated using an estimated terminal growth rate of 3.3% (2016: 3.8%) which does not exceed the long-term average growth rate of the industry in Indonesia where the businesses operate.

During the year ended 31 December 2017, the Group recognized an impairment loss of US$27.4 million (2016: US$12.4 million) in relation to the brands and networks. The recoverable amount of the brands and networks determined based on value in use calculation is estimated to be US$28.5 million (2016: US$56.0 million). The impairment loss was driven by lower projected future cash flows in light of current market condition which may be inadequate to cover the said intangible assets.

(F) Customer list and licences – Wastewater and sewage treatment represents ESTII's customer relationship, contracts and licences for intellectual property rights over patents and utility models.

(G) Vesting and bilateral contracts – Power represents the electricity supply agreement entered by PLP and GBPC.

(a) PLP's vesting contract
It represents an agreement entered into between PLP and a Singapore government agency, which requires PLP to sell electricity at a specified volume and a specified price to the agency over a period of 10 years from November 2013 to November 2023.

(b) GBPC's bilateral contracts
GBPC, through its operating generation subsidiary companies, entered into bilateral off-take arrangements with power off-takers, such as distribution utilities, electric cooperatives, retail electricity suppliers and directly connected industrial customers, for the supply of electricity over a period of 10 to 25 years.

(H) The useful lives for amortization:

Concession assets – Water distribution	– Maynilad	Remaining concession life of 31 years since acquisition in 2007
	– PHI	Remaining concession life of 23 years since acquisition in 2012
Concession assets – Toll roads	– NLEX	Remaining concession life of 29 years since acquisition in 2008
	– SCTEX	Concession life of 28 years since acquisition in 2015
	– Connector Road	Remaining concession life of 36 years subsequent to the completion of its construction expected in 2020
	– CAVITEX	Remaining concession life of 21 years (for the originally built road) and 33 years (for the extension) since acquisition in 2013
	– CALAX	Remaining concession life of 30 years subsequent to the completion of its construction expected in 2020
	– CCLEX	Remaining concession life of 31 years subsequent to the completion of its construction expected in 2021
Concession assets – Rail		Remaining concession life of 29 years subsequent to the completion of the rehabilitation works of its existing LRT 1 system expected in 2018 and 26 years subsequent to the completion of its construction of the LRT1 Extension expected in 2021
Brands – Dairy		20 years
Brands and networks – Packaged drinking water		Indefinite
Customer list and licences – Wastewater and sewage treatment		20 years
Bilateral contracts – Power		10 to 25 years
Vesting contract – Power		10 years
Software		3 to 5 years

(I) The carrying amounts and the respective key assumptions used to determine the recoverable amounts for the other intangible assets not yet available for use are summarized below.

	Toll roads						Rail	
	CALAX		NLEX Corporation		CCLEX		LRMC	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016
Carrying value (US$ millions)	**478.0**	449.8	**208.6**	176.4	**7.3**	2.7	**94.1**	64.3
Net carrying amount (US$ millions)	**128.0**	106.6	**116.8**	115.0	**0.8**	1.9	**54.9**	31.5
Average growth rate	**9.9%**	9.5%	**10.1% to 10.2%**	6.0% to 12.4%	**9.3%**	8.4%	**8.5%**	8.9%
Average forecast period	**32.5 years**	34 years	**20 to 39 years**	21 to 38 years	**35 years**	35 years	**30 years**	30 years
Discount rate	**8.6%**	8.6%	**8.6%**	8.6%	**8.6%**	8.6%	**8.5%**	7.7%

The aggregate carrying amount of these intangible assets of US$788.0 million at 31 December 2017 (2016: US$693.2 million) is included in the carrying amounts of concession assets of toll roads and rail. For purpose of impairment testing in 2017 and 2016, the carrying amounts that were compared to their recoverable amounts were the net carrying amounts, which were net of the present value of the related future concession fees payment that formed part of the initial costs of these concession assets.

Average growth rate represents expected growth in traffic for the toll roads business and ridership for the rail business. The average forecast period is consistent with the period covered by the concession agreements.

17. Investment Properties

US$ millions	2017	2016
At 1 January	**9.6**	9.7
Exchange translation	**–**	(0.3)
Gain on changes in fair value of investment properties	**0.3**	0.6
Reclassification[(i)]	**0.2**	(0.4)
At 31 December	**10.1**	9.6

(i) Reclassification from/(to) property, plant and equipment

The Group's investment properties comprise lands held under operating leases to earn rental income and vacant land held for the purpose of capital appreciation.

The fair values of the investment properties are measured annually using the market approach based on gathered available market evidences, as determined by professionally qualified independent appraisers. The fair value measurement for land has been categorized as Level 2. There was no transfer between the fair value hierarchy during the year.

The lands are being leased for terms of seven years. Rental income from the said investment properties amounted to US$0.2 million (2016: US$0.2 million). Direct operating expenses amounted to US$14 thousand (2016: US$40 thousand), which mainly pertain to real property taxes.

18. Accounts Receivable, Other Receivables and Prepayments

US$ millions	2017	2016
Accounts receivable	**656.2**	523.4
Other receivables	**387.2**	276.5
Prepayments	**48.0**	37.0
Total	**1,091.4**	836.9
Presented as:		
Non-current Portion	**7.0**	10.6
Current Portion	**1,084.4**	826.3
Total	**1,091.4**	836.9

(A) The carrying amount of the current portion of accounts receivable, other receivables and prepayments approximates to their fair value. The fair value of the non-current portion of accounts receivable, other receivables and prepayments is US$7.0 million (2016: US$10.6 million) which is determined based on cash flows discounted using a weighted average prevailing interest rate of 6.0% (2016: 6.0%).

(B) Ageing profiles based on the invoice dates and due dates of accounts receivable, net of provisions, are analyzed below:

US$ millions	2017	2016
0 to 30 days	**559.5**	466.4
31 to 60 days	**44.5**	19.3
61 to 90 days	**15.2**	9.3
Over 90 days	**37.0**	28.4
Total	**656.2**	523.4

US$ millions	2017	2016
Neither past due nor impaired	**532.1**	465.4
Past due but not impaired		
– 0 to 30 days past due	**72.9**	20.0
– 31 to 60 days past due	**17.8**	9.5
– 61 to 90 days past due	**21.3**	25.0
– Over 90 days past due	**12.1**	3.5
Total	**656.2**	523.4

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

(C) At 31 December 2017, accounts receivable of US$20.5 million (2016: US$19.1 million) were collectively impaired and fully provided for. Movements in the provision for impairment of accounts receivable were as follows:

US$ millions	2017	2016
At 1 January	**19.1**	17.3
Exchange translation	**(0.1)**	(0.5)
Amount written off as uncollectible	**(1.3)**	–
Charge for the year (Note 6)	**2.8**	2.3
At 31 December	**20.5**	19.1

(D) As the Group's accounts receivable relate to a large number of diversified customers, there is no concentration of credit risk.

(E) Indofood generally allows customers 30 to 60 days of credit. MPIC generally allows 15 to 30 days of credit for its power generation customers, 14 to 60 days of credit for its water and sewerage service customers, 45 to 60 days of credit for its bulk water supply customers and collects charges when services are rendered to its hospital customers, except for certain corporate customers which are allowed an average of 30 days of credit. PLP generally allows customers 30 days of credit.

(F) Accounts receivable with a net carrying amount of US$61.2 million (2016: US$88.6 million) were pledged as security for certain of the Group's banking facilities (Note 26(D)).

(G) At 31 December 2017, due to the planned disposal of GBPC's transmission facilities to the National Grid Corporation of the Philippines, the transmission facilities of US$5.0 million are qualified as assets held for sale, which are measured at the lower of their carrying amounts and fair value less costs to sell. However, these are not presented separately in the consolidated statement of financial position as the carrying amounts are not material and are included in other receivables instead.

19. Available-for-sale Assets

US$ millions	2017	2016
Listed investments, at fair value:		
– Equity investments – Overseas	**132.3**	102.6
– Debentures with a fixed interest rate of 2.1% to 5.8% (2016: 2.1% to 5.8%) and a maturity date of between 25 April 2018 and 15 August 2023 (2016: between 25 April 2017 and 15 August 2023) – Overseas	**25.1**	27.3
Unlisted investments, at fair value:		
– Exchangeable bonds	**–**	163.1
– Investment funds – Overseas	**59.1**	39.7
– Equity investments – Overseas	**1.4**	4.5
– Club debentures – Hong Kong	**2.5**	2.3
Unlisted investments, at cost less impairment provisions:		
– Equity investments – Overseas	**13.4**	12.3
Total	**233.8**	351.8
Presented as:		
Non-Current Portion	**173.6**	311.9
Current Portion	**60.2**	39.9
Total	**233.8**	351.8

The fair values of the listed equity investments and debentures are based on quoted market prices. The fair values of the unlisted investments in exchangeable bonds are based on the fair values of the underlying shares exchangeable upon conversion. The fair values of unlisted investment funds are based on estimated fair value of its underlying assets supplied by independent sources. The fair values of the unlisted investments in equity investments and club debentures have been estimated by a discounted cash flow model and by reference to recent market transaction prices, respectively. The Directors believe that the estimated fair values by reference to the above bases, which are recorded in the carrying amounts of the available-for-sale assets, and the related changes in fair values, which are recorded directly in the Group's other comprehensive income, are reasonable, and that they are the most appropriate values at the end of the reporting period.

Certain unlisted equity investments as shown in the above table were stated at cost less impairment as there are no reliable sources and bases for subsequent fair value determination. The Group does not intend to dispose of the unlisted equity investments in the near future.

20. Deferred Tax

The movements in deferred tax assets and deferred tax liabilities during the year are as follows.

US$ millions	Tax losses carry-forward	Allowance for doubtful accounts	Liabilities for employee retirement benefits	Others	Total
Deferred Tax Assets					
At 1 January 2016	78.4	4.0	81.8	34.4	198.6
Exchange translation	2.4	0.1	2.0	0.3	4.8
(Charged)/credited to the consolidated income statement (Note 7)	(1.8)	0.1	(6.4)	(1.3)	(9.4)
Charged to the other comprehensive loss	–	–	–	(15.2)	(15.2)
At 31 December 2016	79.0	4.2	77.4	18.2	178.8
At 1 January 2017	79.0	4.2	77.4	18.2	**178.8**
Exchange translation	(0.5)	(0.1)	(0.8)	2.1	**0.7**
Acquisition of subsidiary companies (Note 34 (B))	–	–	–	8.0	**8.0**
Disposal of subsidiary companies	–	–	(0.1)	–	**(0.1)**
(Charged)/credited to the consolidated income statement (Note 7)	(16.3)	0.2	10.5	14.8	**9.2**
Credited to the other comprehensive income	–	–	10.5	1.8	**12.3**
At 31 December 2017	**62.2**	**4.3**	**97.5**	**44.9**	**208.9**

US$ millions	Allowance in excess of related depreciation of property, plant and equipment	Changes in fair value of biological assets	Brands	Withholding taxes on undistributed earnings of subsidiary and associated companies	Others	Total
Deferred Tax Liabilities						
At 1 January 2016	(151.8)	(3.8)	(54.5)	(31.7)	(62.0)	(303.8)
Exchange translation	(2.3)	(0.1)	(1.4)	0.3	6.0	2.5
Credited/(charged) to the consolidated income statement (Note 7)	40.3	(8.4)	2.0	(10.1)	(11.3)	12.5
Other movements	–	–	–	–	31.2	31.2
At 31 December 2016	(113.8)	(12.3)	(53.9)	(41.5)	(36.1)	(257.6)
At 1 January 2017	(113.8)	(12.3)	(53.9)	(41.5)	(36.1)	**(257.6)**
Exchange translation	3.0	1.0	1.1	1.6	1.3	**8.0**
Acquisition of subsidiary companies (Note 34(B))	(39.8)	–	–	–	–	**(39.8)**
Credited/(charged) to the consolidated income statement (Note 7)	13.8	(1.9)	9.1	(2.8)	(44.7)	**(26.5)**
At 31 December 2017	**(136.8)**	**(13.2)**	**(43.7)**	**(42.7)**	**(79.5)**	**(315.9)**

Pursuant to the income tax laws of the Philippines and Indonesia, withholding taxes of 10% to 15% are levied on dividends declared to foreign investors. Dividends paid by Australian resident companies are franked with an imputation credit to the extent that Australian corporate income tax has been paid by the company on the income being distributed. Such franked dividends are not subject to any further withholding tax for foreign shareholders. Further, Australian unfranked dividends paid from foreign sourced profits can be declared as conduit foreign income which is not subject to any further withholding tax for foreign shareholders. Dividends paid by New Zealand resident companies are franked with an imputation credit to the extent that New Zealand corporate income tax has been paid by the company on the income being distributed. New Zealand dividends paid to non-residents are generally subject to withholding tax. However, fully imputed dividends, or as allowed under tax treaties, are exempt from withholding tax where the foreign shareholder owns more than ten percent of the company. Singapore has a one-tier corporate tax system whereby tax charged at the corporate level is the final tax. Dividends paid by Singapore resident companies under the one-tier corporate tax system are exempted from further Singapore tax in the hands of shareholders.

The Group had fully recognized the deferred tax liabilities for the withholding taxes that would be payable on unremitted earnings that are subject to withholding taxes of its associated companies established in the Philippines. However, except for those earnings to be distributed as dividends, no deferred tax liabilities had been recognized for withholding taxes that would be payable on the unremitted earnings of the Group's subsidiary companies established in the Philippines, Indonesia and Singapore. In the opinion of the Directors, it is not probable that these subsidiary companies will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiary companies in the Philippines and Indonesia for which deferred tax liabilities have not been recognized totaled approximately US$71.9 million at 31 December 2017 (2016: US$63.6 million).

Deferred tax assets are recognized in respect of tax losses carried forward to the extent that realization of the related tax benefits through future taxable profit is probable. The Group has tax losses arising from Singapore of US$335.1 million (2016: US$266.1 million), the Philippines of US$209.4 million (2016: US$151.9 million) and Indonesia of US$74.8 million (2016: US$69.4 million) that may be carried forward indefinitely for Singapore, three years for the Philippines and five years for Indonesia, respectively, for offsetting against future taxable profits of the companies in which the losses arose.

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

21. Pledged Deposits and Restricted Cash

At 31 December 2017, the Group had no pledged bank deposits as security for bonds issued by the Group (Note 26(D)) (2016: US$10.6 million), cash of US$63.3 million (2016: US$50.0 million) which was set aside to cover principal and interest payments of certain borrowings in compliance with loan agreements and cash of US$17.8 million (2016: US$17.9 million) held in an escrow account in relation to a construction contract which is restricted as to use.

22. Other Non-current Assets

US$ millions	**2017**	2016
Prepayments	**138.7**	73.0
Plasma receivables	**85.5**	79.2
Deferred project costs	**31.5**	19.5
Long-term deposits	**28.9**	19.2
Claims for tax refund	**15.9**	20.2
Deposits for acquisition of assets	**6.9**	6.2
Others	**148.6**	129.4
Total	**456.0**	346.7

(A) The prepayments mainly represent Indofood's prepaid rentals for port facilities and MPIC's advances to contractors for construction projects.

(B) The plasma receivables represent the accumulated costs to develop FFB which are currently being financed by banks and self-financed by Indofood and advances made by Indofood to certain farmers in relation to arrangements for those farmers' production of FFB.

(C) The deferred project costs comprise costs directly attributable to the acquisition of service concessions prior to the commencement of concession terms.

(D) The long-term deposits mainly represent MPIC's deposits for repair and maintenance of its toll roads.

(E) The claims for tax refund relate to the tax payment in advance made by Indofood in respect of importation of raw materials which is creditable against Indofood's corporate income tax payable.

(F) The deposits for acquisition of assets mainly represent Indofood's deposits for the acquisition of certain land rights.

23. Cash and Cash Equivalents and Short-term Deposits

US$ millions	2017	2016
Cash at banks and on hand	**509.6**	571.1
Short-term time deposits	**1,647.6**	1,120.8
Total	**2,157.2**	1,691.9

(A) Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term time deposits are made for varying periods depending on the immediate cash requirements of the Group, and earn interest at the respective short-term time deposit rates. The bank balances and time deposits are deposited with creditworthy banks with no history of default. The carrying amounts of the cash and cash equivalents approximate to their fair values.

(B) Cash and cash equivalents of US$70.7 million (2016: US$70.4 million) were charged to banks in accordance with the terms of certain of the Group's banking facilities (Note 26(D)).

24. Inventories

US$ millions	2017	2016
Raw materials	**469.8**	385.8
Finished goods	**389.6**	319.2
Work in progress	**14.9**	10.2
Total	**874.3**	715.2

(A) At 31 December 2017, inventories with a carrying amount of US$139.5 million (2016: US$115.3 million) were carried at net realizable value.

(B) At 31 December 2017, inventories with a carrying amount of US$17.9 million (2016: US$11.4 million) were pledged as security for certain of the Group's banking facilities (Note 26(D)).

25. Accounts Payable, Other Payables and Accruals

US$ millions	2017	2016
Accounts payable	**462.5**	370.0
Accrued expenses	**417.8**	327.1
Other payables	**453.6**	367.4
Total	**1,333.9**	1,064.5

The ageing profile based on the invoice dates of accounts payable is analyzed as follows:

US$ millions	2017	2016
0 to 30 days	**410.9**	330.5
31 to 60 days	**12.3**	10.0
61 to 90 days	**7.4**	8.1
Over 90 days	**31.9**	21.4
Total	**462.5**	370.0

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

26. Borrowings

US$ millions	Effective interest rate (%)	Maturity	Notes	2017	2016
Short-term					
Bank loans	1.1–9.3 (2016: 0.8–10.8)	2018 (2016: 2017)		**1,460.3**	844.2
Other loans	8.9–18.0 (2016: 7.3–18.0)	2018 (2016: 2017)	(A)	**0.1**	436.5
Subtotal				**1,460.4**	1,280.7
Long-term					
Bank loans	1.1–9.3 (2016: 1.6–10.8)	2019-2037 (2016: 2018–2037)	(B)	**5,035.2**	3,383.9
Other loans	4.7–18.0 (2016: 4.7–18.0)	2019-2024 (2016: 2018–2024)	(C)	**1,474.1**	1,443.8
Subtotal				**6,509.3**	4,827.7
Total				**7,969.7**	6,108.4

The balance of short-term borrowings includes US$536.4 million (2016: US$643.4 million) of the current portion of long-term borrowings. The maturity profile of the Group's borrowings is as follows:

	Bank loans		Other loans		**Total**	
US$ millions	**2017**	2016	**2017**	2016	**2017**	2016
Not exceeding one year	**1,460.3**	844.2	**0.1**	436.5	**1,460.4**	1,280.7
More than one year but not exceeding two years	**565.7**	953.6	**520.8**	0.2	**1,086.5**	953.8
More than two years but not exceeding five years	**2,387.5**	1,101.0	**457.7**	939.6	**2,845.2**	2,040.6
More than five years	**2,082.0**	1,329.3	**495.6**	504.0	**2,577.6**	1,833.3
Total	**6,495.5**	4,228.1	**1,474.2**	1,880.3	**7,969.7**	6,108.4

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

US$ millions	**2017**	2016
U.S. dollar	**2,213.0**	2,417.9
Peso	**3,858.1**	2,035.3
Rupiah	**1,245.8**	1,049.1
Singapore dollar	**566.8**	521.7
Others	**86.0**	84.4
Total	**7,969.7**	6,108.4

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

US$ millions	**2017**	2016
Fixed interest rate	**5,312.3**	4,193.9
Variable interest rate	**2,657.4**	1,914.5
Total	**7,969.7**	6,108.4

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

	Carrying amounts		**Fair values**	
US$ millions	**2017**	2016	**2017**	2016
Bank loans	**5,035.2**	3,383.9	**5,022.3**	3,411.3
Other loans	**1,474.1**	1,443.8	**1,546.6**	1,496.3
Total	**6,509.3**	4,827.7	**6,568.9**	4,907.6

The fair values are based on published price quotations for listed bonds issued by the Group and projected cash flows discounted using the borrowing rates ranging from 1.6% to 18.0% (2016: 1.6% to 18.0%) for the other fixed interest rate borrowings. The carrying amounts of the Group's variable interest rate borrowings approximate to their fair values due to frequent repricing.

The carrying amounts of the short-term borrowings approximate to their fair values. Details of the borrowings are set out below:

(A) Short-term Other Loans

The balance as at 31 December 2016 included:

(a) Guaranteed secured bonds of US$286.9 million (with a face value of US$287.5 million) issued by FPMH Finance Limited, in July 2010, with a coupon rate of 7.375% per annum. The bonds were repurchased and fully redeemed in 2017.

(b) Unsecured Rupiah bonds of Rupiah 2.0 trillion (US$148.8 million) (2016: US$148.8 million) issued by Indofood in May 2012, with a coupon rate of 7.25% per annum and payable quarterly. The bonds were matured in May 2017.

(B) Long-term Bank Loans

The balance includes unsecured bank loans of US$572.2 million (with a face value of US$580.0 million) drawn in 2017 (2016: US$317.4 million (with a face value of US$320.0 million)) for refinancing purpose by wholly-owned subsidiary companies of the Company, guaranteed by the Company, subject to a variable LIBOR-based interest rate, which are repayable between March 2021 and June 2024.

(C) Long-term Other Loans

The balance includes bonds issued by wholly-owned subsidiary companies of the Company, Indofood and MPIC. Details are summarized as follows:

(a) Guaranteed secured bonds of US$310.9 million (with a face value of US$312.2 million) (2016: US$393.2 million (with a face value of US$395.4 million)) issued by FPT Finance Limited, in September 2010, with a coupon rate of 6.375% per annum, payable semi-annually, and mature in September 2020. The bonds are guaranteed by the Company and secured by a 12% (2016: 12.0%) interest in PLDT.

During the year, the Company repurchased US$83.2 million (2016: US$4.6 million) of the above-mentioned bonds at an aggregate consideration of US$92.3 million (2016: US$5.1 million). These bonds were subsequently cancelled.

(b) Unsecured bonds of US$373.2 million (with a face value of US$374.5 million) (2016: US$397.9 million (with a face value of US$400.0 million)) issued by FPC Finance Limited, in June 2012, with a coupon rate of 6.0% per annum, payable semi-annually, and mature in June 2019. The bonds are guaranteed by the Company.

During the year, the Company repurchased US$25.5 million (2016: Nil) of the above-mentioned bonds at an aggregate consideration of US$27.7 million (2016: Nil). These bonds were subsequently cancelled.

(c) Unsecured bonds of US$356.2 million (with a face value of US$358.8 million) (2016: US$364.1 million (with a face value of US$367.3 million)) issued by FPC Treasury Limited, in April 2013, with a coupon rate of 4.5% per annum, payable semi-annually, and mature in April 2023. The bonds are guaranteed by the Company.

During the year, the Company repurchased US$8.5 million (2016: US$17.0 million) of the above-mentioned bonds at an aggregate consideration of US$8.8 million (2016: US$17.6 million). These bonds were subsequently cancelled.

(d) Unsecured Rupiah bonds of Rupiah 2.0 trillion (US$147.4 million) (2016: US$148.4 million) issued by Indofood in June 2014, with a coupon rate of 10.125% per annum, payable quarterly, and mature in June 2019.

(e) Unsecured Rupiah bonds of Rupiah 2.0 trillion (US$146.9 million) (2016: Nil) issued by Indofood in May 2017, with a coupon rate of 8.7% per annum, payable quarterly, and mature in May 2022.

(f) Unsecured Peso bonds of Pesos 4.4 billion (US$87.6 million) (2016: US$88.0 million) issued by NLEX Corporation in June 2014, with a coupon rate of 5.07% per annum, payable quarterly, and mature in June 2021.

(g) Unsecured Peso bonds of Pesos 2.6 billion (US$51.7 million) (2016: US$51.9 million) issued by NLEX Corporation in June 2014, with a coupon rate of 5.50% per annum, payable quarterly, and mature in June 2024.

(D) Charges on Group Assets

At 31 December 2017, certain bank and other borrowings were secured by the Group's property, plant and equipment, accounts receivable, pledged deposits, cash and cash equivalents and inventories amounting to a net book value of US$2,172.9 million (2016: US$1,336.2 million), receipts from future toll collections and funds in the related accounts of CIC and the following interests of the Group's 12.0% (2016: 12.0%) in PLDT, none (2016: 35.6%) in MPIC, 56.0% in GBPC (2016: None), 13.1% in Meralco (2016: None), 100% (2016: 100%) in CIC, 100% (2016: 100%) in AIF Toll Road Holdings (Thailand) Limited, 25.9% (2016: 25.9%) in DMT, 70.0% (2016: 70.0%) in PLP, 93.7% (2016: 93.7%) in SCBI and 45.1% (2016: 45.1%) in Hawaiian-Philippine Company, Inc.

27. Provision for Taxation

US$ millions	**2017**	2016
At 1 January	**80.4**	44.7
Exchange translation	**0.2**	0.1
Provision for taxation on estimated assessable profits for the year	**305.6**	289.4
Acquisition of subsidiary companies (Note 34(B))	**6.6**	–
Other movements	**7.6**	–
Taxes paid	**(335.1)**	(253.8)
At 31 December	**65.3**	80.4

28. Deferred Liabilities, Provisions and Payables

US$ millions	Long-term liabilities	Pension	Loans from non-controlling shareholders	Others	**2017**	2016
At 1 January	767.6	403.3	277.4	221.9	**1,670.2**	1,477.0
Exchange translation	(1.4)	(5.8)	3.4	1.6	**(2.2)**	(41.5)
Additions	221.0	136.8	–	97.8	**455.6**	381.8
Payment and utilization	(59.7)	(30.3)	(88.3)	(37.2)	**(215.5)**	(147.3)
Acquisition of subsidiary companies (Note 34(B))	–	16.4	–	102.7	**119.1**	0.2
At 31 December	927.5	520.4	192.5	386.8	**2,027.2**	1,670.2
Presented as:						
Non-current Portion	822.5	520.4	79.0	208.9	**1,630.8**	1,374.0
Current Portion	105.0	–	113.5	177.9	**396.4**	296.2
Total	927.5	520.4	192.5	386.8	**2,027.2**	1,670.2

The long-term liabilities mainly relate to (a) Maynilad's concession fees payable to MWSS, including a provision for certain additional concession fees payable and related interest amounts in dispute between Maynilad and MWSS, recognized by the Group upon its acquisition of Maynilad, (b) MPCALA's concession fees payable to the Philippine Government in respect of CALAX, (c) LRMC's concession fees payable to the Philippine Government in respect of LRT1, (d) NLEX Corporation's concession fees payable to the Philippine Government in respect of Connector Road and (e) MPIC's outstanding payable for its acquisition of 50% interest in Beacon Electric from PCEV. In respect of the disputed amounts between Maynilad and MWSS, no final resolution has been reached at 31 December 2017.

The pension relates to accrued liabilities in relation to defined benefit retirement schemes and long service payments.

The loans from non-controlling shareholders represent unsecured loans provided by non-controlling shareholders of FPM Power, PLP and IndoAgri, a subsidiary company of Indofood. In December 2017, the non-controlling shareholder of PLP has converted its S$ denominated loans of S$105.3 million (US$76.6 million) into equity of PLP.

The others mainly represent (a) Maynilad's real property tax payables on certain common purpose facilities, (b) contractual obligations of NLEX Corporation and CIC to restore their service concession assets to a specified level of serviceability during their service concession periods and to maintain these assets in good condition prior to the handover of these assets to the Philippine Government at the end of their concession periods, (c) provision for certain business tax payables, (d) provisions for various claims and potential claims against the Group, (e) derivative liabilities arising from foreign exchange forward contracts, interest rate swaps, fuel swaps and electricity futures, (f) provision for heavy maintenance and (g) the Group's payables on LTIP.

At the end of the reporting period, certain Group's subsidiary companies are parties to other cases and claims arising from the ordinary course of business filed by third parties, which are either pending decisions by the courts or are subjected to settlement agreements. The outcome of these claims cannot be presently determined. In the opinion of the Directors and/or legal counsels, the eventual liability from these lawsuits or claims, if any, will not have a material adverse effect on the Consolidated Financial Statements. Other disclosures required by HKAS 37 were not provided as it may prejudice the subsidiary companies' position in on–going claims, litigations and assessments.

29. Share Capital

US$ millions	2017	2016
Authorized		
6,000,000,000 (2016: 6,000,000,000) ordinary shares of U.S. 1 cent each	**60.0**	60.0
Issued and fully paid		
At 1 January	**42.8**	42.7
Issue of shares upon the exercise of share options	**0.6**	–
Issue of shares under share award scheme	**–**	0.1
At 31 December		
4,341,986,968 (2016: 4,281,679,008) ordinary shares of U.S. 1 cent each	**43.4**	42.8

(A) During the year, 60,173,618 (2016: 8,928,916) share options were exercised at the exercise price at HK$4.9457 per share (2016: between HK$4.9457 per share and HK$5.1932 per share), resulting in the issue of 60,173,618 (2016: 8,928,916) new ordinary shares of U.S. 1 cent each for a total cash consideration of HK$297.6 million (US$38.2 million) (2016: HK$44.2 million or US$5.6 million). Details of the Company's share option scheme are set out in Note 37(D)(a) to the Consolidated Financial Statements.

(B) During the year, the Company has not repurchased any of its ordinary shares on SEHK (2016: None).

30. Shares Held for Share Award Scheme

	Number of allocated shares held for Purchase Awards	Number of allocated shares held for Subscription Awards	Number of unallocated shares held for Subscription Awards	Shares held for Share Award Scheme US$m
At 1 January 2016	4,060,666	1,173,571	132,000	(6.0)
Granted and issued	–	4,416,489	(132,000)	(2.8)
Granted and purchased	6,764,000	–	–	(4.7)
Vested and transferred	(1,801,176)	(500,781)	–	2.6
At 31 December 2016	9,023,490	5,089,279	–	**(10.9)**
Granted and issued	–	134,342	–	**(0.1)**
Granted and purchased	7,452,000	–	–	**(5.8)**
Vested and transferred	(8,325,612)	(1,800,953)	–	**7.9**
At 31 December 2017	**8,149,878**	**3,422,668**	**–**	**(8.9)**

For the Purchase Awards, during 2017, the independent trustee managing the Company's share award scheme purchased 7,452,000 shares (2016: 6,764,000) of the Company at an aggregate consideration of HK$45.6 million (US$5.8 million) (2016: HK$37.1 million (US$4.7 million)) from the open market at the cost of the Company.

For the Subscription Awards, during 2017, the independent trustee managing the Company's share award scheme subscribed 134,342 new shares (2016: 4,284,489) issued by the Company at an aggregate consideration of HK$0.8 million (US$0.1 million) (2016: HK$21.3 million (US$2.8 million)).

Particulars of the share awards of the Company granted to the Directors and senior executives of the Company at 31 December 2017 are set out below.

(a) Particulars of the Company's Purchase Awards

	Shares granted and unvested shares held at 1 January 2017	Shares vested and transferred during the year	Reclassification[i]	**Shares granted and unvested shares held at 31 December 2017**	Grant date	Vesting period[ii]
Executive Directors						
Manuel V. Pangilinan,	681,668	(681,668)	–	**–**	–	–
Managing Director and Chief Executive Officer	4,465,380	(1,488,460)	–	**2,976,920**	15 April 2016	April 2017 to April 2019
Robert C. Nicholson	443,083	(443,083)	–	**–**	–	–
	2,639,820	(879,940)	–	**1,759,880**	15 April 2016	April 2017 to April 2019
Christopher H. Young	–	–	2,369,560	**2,369,560**	15 April 2016	April 2017 to April 2019
Non-executive Directors						
Benny S. Santoso	446,535	(148,845)	–	**297,690**	15 April 2016	April 2017 to April 2019
Ambassador Albert F. del Rosario	893,070	(297,690)	–	**595,380**	30 June 2016	June 2017 to June 2019
Independent Non-executive Directors						
Prof. Edward K.Y. Chen, *GBS, CBE, JP*	95,434	(95,434)	–	**–**	–	–
	893,070	(297,690)	–	**595,380**	15 April 2016	April 2017 to April 2019
Margaret Leung Ko May Yee, *SBS, JP*	95,434	(47,716)	–	**47,718**	12 July 2013	March 2015 to March 2018
	893,070	(297,690)	–	**595,380**	15 April 2016	April 2017 to April 2019
Philip Fan Yan Hok	95,434	(47,716)	–	**47,718**	12 July 2013	March 2015 to March 2018
	893,070	(297,690)	–	**595,380**	15 April 2016	April 2017 to April 2019
Madeleine Lee Suh Shin	893,070	–	–	**893,070**	15 April 2016	April 2018 to April 2019
Senior Executives	313,570	(313,570)	–	**–**	–	–
	344,000	(172,000)	–	**172,000**	12 July 2013	July 2015 to July 2018
	8,449,260	(2,816,420)	(2,369,560)	**3,263,280**	15 April 2016	April 2017 to April 2019
Total	22,534,968	(8,325,612)	–	**14,209,356**		

(i) Mr. Christopher H. Young was appointed as Executive Director of the Company with effect from 30 August 2017 and his outstanding awarded shares were reclassified under "Executive Directors".

(ii) The vesting periods of the awarded shares are as follows:

(a) For the 2013 grant, the shares would be vested in five equal tranches in September 2013, September 2014, September 2015, September 2016 and September 2017, except for new recruits (Independent Non-executive Directors: 40% in March 2015 and 20% each in March 2016, March 2017 and March 2018; Senior executives: 40% in the second year and 20% each for the third to the fifth years after the grant).

(b) For the 2016 grants, the shares would be vested in three equal tranches from the first to the third years after the shares are granted, except for new recruit (Independent Non-executive Director (INED): 60% in the second year and 40% in the third year after the grant).

	Shares granted and unvested shares at 1 January 2016	Shares granted during the year	Shares vested and transferred during the year	Reclassification[i]	Shares forfeited during the year	Shares granted and unvested shares at 31 December 2016	Grant date	Vesting period[iii]
Executive Directors								
Manuel V. Pangilinan, *Managing Director and Chief Executive Officer*	1,363,332	–	(681,664)	–	–	681,668	12 July 2013	September 2013 to September 2017
	–	4,465,380	–	–	–	4,465,380	15 April 2016	April 2017 to April 2019
Robert C. Nicholson	886,165	–	(443,082)	–	–	443,083	12 July 2013	September 2013 to September 2017
	–	2,639,820	–	–	–	2,639,820	15 April 2016	April 2017 to April 2019
Non-executive Directors								
Napoleon L. Nazareno[i]	190,867	–	–	(190,867)	–	–	–	–
Benny S. Santoso	–	446,535	–	–	–	446,535	15 April 2016	April 2017 to April 2019
Ambassador Albert F. del Rosario[ii]	–	893,070	–	–	–	893,070	30 June 2016	June 2017 to June 2019
Independent Non-executive Directors								
Prof. Edward K.Y. Chen, *GBS, CBE, JP*	190,867	–	(95,433)	–	–	95,434	12 July 2013	September 2013 to September 2017
	–	893,070	–	–	–	893,070	15 April 2016	April 2017 to April 2019
Margaret Leung Ko May Yee, *SBS, JP*	143,150	–	(47,716)	–	–	95,434	12 July 2013	March 2015 to March 2018
	–	893,070	–	–	–	893,070	15 April 2016	April 2017 to April 2019
Philip Fan Yan Hok	143,150	–	(47,716)	–	–	95,434	12 July 2013	March 2015 to March 2018
	–	893,070	–	–	–	893,070	15 April 2016	April 2017 to April 2019
Madeleine Lee Suh Shin	–	893,070	–	–	–	893,070	15 April 2016	April 2018 to April 2019
Senior Executives	627,135	–	(313,565)	190,867	(190,867)	313,570	12 July 2013	September 2013 to September 2017
	516,000	–	(172,000)	–	–	344,000	12 July 2013	July 2015 to July 2018
	–	8,449,260	–	–	–	8,449,260	15 April 2016	April 2017 to April 2019
Total	4,060,666	20,466,345	(1,801,176)	–	(190,867)	22,534,968		

(i) Mr. Napoleon L. Nazareno resigned from the Board of Directors with effect from 30 June 2016 and his outstanding share awards were reclassified under "Senior Executives" and were subsequently forfeited.
(ii) Ambassador Albert F. del Rosario was re-appointed to the Board of Directors with effect from 30 June 2016.
(iii) The vesting periods of the awarded shares are as follows:
  (a) For the 2013 grant, the shares would be vested in five equal tranches in September 2013, September 2014, September 2015, September 2016 and September 2017, except for new recruits (Independent Non-executive Directors: 40% in March 2015 and 20% each in March 2016, March 2017 and March 2018; Senior executives: 40% in the second year and 20% each for the third to the fifth year after grant).
  (b) For the 2016 grants, the shares would be vested in three equal tranches from the first to the third year after the shares are granted, except for new recruit (INED: 60% in the second year and 40% in the third year after grant).

(b) Particulars of the Company's Subscription Awards

	Shares granted and unvested shares held at 1 January 2017	Shares granted during the year	Shares vested and transferred during the year	**Shares granted and unvested shares held at 31 December 2017**	Grant date	Vesting period[i]
Senior Executives	156,790	–	(156,790)	**–**	–	–
	516,000	–	(172,000)	**344,000**	15 July 2014	February 2016 to February 2019
	4,416,489	–	(1,472,163)	**2,944,326**	15 April 2016	April 2017 to April 2019
	–	134,342	–	**134,342**	7 June 2017	June 2018 to June 2019
Total	5,089,279	134,342	(1,800,953)	**3,422,668**		

(i) The vesting periods of the awarded shares are as follows:
- (a) For the 2014 grant, the shares would be vested in four tranches (40% in February 2016 and 20% each in February 2017, February 2018 and February 2019).
- (b) For the 2016 grant, the shares would be vested in three equal tranches from the first to the third years after the shares are granted.
- (c) For the 2017 grant, the shares would be vested in two equal tranches in the first and the second years after the shares are granted.

	Shares granted and unvested shares held at 1 January 2016	Shares granted during the year	Shares vested and transferred during the year	Shares granted and unvested shares held at 31 December 2016	Grant date	Vesting period[ii]
Senior Executives	313,571	–	(156,781)	156,790	29 August 2013	September 2013 to September 2017
	860,000	–	(344,000)	516,000	15 July 2014	February 2016 to February 2019
	–	4,416,489[i]	–	4,416,489	15 April 2016	April 2017 to April 2019
Total	1,173,571	4,416,489	(500,781)	5,089,279		

(i) Includes 132,000 shares awarded by re-granting the forfeited and unallocated shares

(ii) The vesting periods of the awarded shares are as follows:
- (a) For the 2013 grant, the shares would be vested in five equal tranches in September 2013, September 2014, September 2015, September 2016 and September 2017.
- (b) For the 2014 grant, the shares would be vested in four tranches (40% in February 2016 and 20% each in February 2017, February 2018 and February 2019).
- (c) For the 2016 grant, the shares would be vested in three equal tranches from the first to the third years after the shares are granted.

On 19 March 2013, the Board resolved to adopt a share award scheme (the Share Award Scheme), which has a validity period of 15 years. Employees and Directors of the Group are eligible to participate. Under the Share Award Scheme, the Board can select grantees of awards and determine the number of the Company's shares (Shares) to be awarded. An independent trustee (the Trustee) has been appointed to administer the Share Award Scheme. The Trustee will, depending on the form of the award made, either subscribe for new Shares to be issued by the Company at the relevant benchmarked price as stipulated in the Listing Rules or purchase existing Shares on the SEHK, in each case, at the cost of the Company. Those Shares purchased and held by the Trustee were not cancelled. The Trustee will hold the Shares on trust for the grantees of awards, until the Shares become vested. The awards vest progressively over the vesting period, provided that the relevant grantee remains employed by the Group. Vested Shares will be transferred to the grantees at no cost. Directors of the Group are not eligible to be granted awards of new Shares to be subscribed by the Trustee and issued by the Company, but are eligible to be granted awards of existing shares to be purchased by the Trustee. The Share Award Scheme also limits the aggregate number of shares that may be awarded to no more than three percent of the outstanding shares of the Company.

On 12 July 2013, 9,483,061 share awards under the Company's Share Award Scheme were granted as Purchase Awards. The average fair value of shares granted as calculated by Towers Watson Hong Kong Limited, by adjusting the closing share price at the grant date by the present value of expected dividend payments during the vesting period, was HK$8.18 per share or an aggregate value of US$9.9 million for all shares granted. The assumptions used were as follows:

Share price at the date of grant	HK$8.70 per share
Expected dividend yield	2.7% per annum
Average risk-free interest rate (based on the Hong Kong Exchange Fund Notes)	0.5% per annum

On 29 August 2013, 1,003,914 share awards under the Company's Share Award Scheme were granted as Subscription Awards. The average fair value of shares granted as calculated by Towers Watson Hong Kong Limited, by adjusting the closing share price at the grant date by the present value of expected dividend payments during the vesting period, was HK$7.63 per share or an aggregate value of US$1.0 million for all shares granted. The assumptions used were as follows:

Share price at the date of grant	HK$8.11 per share
Expected dividend yield	2.7% per annum
Average risk-free interest rate (based on the Hong Kong Exchange Fund Notes)	0.5% per annum

On 15 July 2014, 860,000 share awards under the Company's Share Award Scheme were granted as Subscription Awards. The average fair value of shares granted as calculated by Towers Watson Hong Kong Limited, by adjusting the closing share price at the grant date by the present value of expected dividend payments during the vesting period, was HK$8.55 per share or an aggregate value of US$0.9 million for all shares granted. The assumptions used were as follows:

Share price at the date of grant	HK$9.23 per share
Expected dividend yield	2.7% per annum
Average risk-free interest rate (based on the Hong Kong Exchange Fund Notes)	0.7% per annum

On 15 April 2016, 19,573,275 share awards under the Company's Share Award Scheme were granted as Purchase Awards and 4,416,489 share awards were granted as Subscription Awards under the Company's Share Award Scheme. The average fair value of shares granted as calculated by Towers Watson Hong Kong Limited, by adjusting the closing share price at the grant date by the present value of expected dividend payments during the vesting period, was HK$4.71 per share or an aggregate value of US$14.5 million for all shares granted. The assumptions used were as follows:

Share price at the date of grant	HK$4.95 per share
Expected dividend yield	2.4% per annum
Average risk-free interest rate (based on the Hong Kong Exchange Fund Notes)	0.6% per annum

On 30 June 2016, 893,070 share awards under the Company's Share Award Scheme were granted as Purchase Awards. The average fair value of shares granted as calculated by Towers Watson Hong Kong Limited, by adjusting the closing share price at the grant date by the present value of expected dividend payments during the vesting period, was HK$5.35 per share or an aggregate value of US$0.6 million for all shares granted. The assumptions used were as follows:

Share price at the date of grant	HK$5.62 per share
Expected dividend yield	2.4% per annum
Average risk-free interest rate (based on the Hong Kong Exchange Fund Notes)	0.4% per annum

On 7 June 2017, 134,342 share awards under the Company's Share Award Scheme were granted as Subscription Awards. The average fair value of shares granted as calculated by Towers Watson Hong Kong Limited, by adjusting the closing share price at the grant date by the present value of expected dividend payments during the vesting period, was HK$5.77 per share or an aggregate value of US$0.1 million for all shares granted. The assumptions used were as follows:

Share price at the date of grant	HK$5.98 per share
Expected dividend yield	2.4% per annum
Average risk-free interest rate (based on the Hong Kong Exchange Fund Notes)	0.5% per annum

31. Other Components of Equity

The Group's other components of equity comprise share premium, employee share-based compensation reserve, exchange reserve, unrealized gains/losses on available-for-sale assets, unrealized gains/losses on cash flow hedges, income tax related to cash flow hedges, actuarial gains/losses on defined benefit pension plans, share of other comprehensive income/loss of associated companies and joint ventures, differences arising from changes in equities of subsidiary companies, reserves for assets classified as held for sale, capital and other reserves and contributed surplus.

The share premium relates to the amount of fund received by the Company in excess of the par value of its shares issued. It may be used for repurchase of the Company's shares, distribution in the form of fully paid bonus shares and write-off of expenses related to issue of shares by the Company.

The employee share-based compensation reserve arises from the amortization of costs of share options and awarded shares granted under the share option schemes and the share award scheme adopted by the Company and the Group's entities (which include the Group's subsidiary and associated companies) over the vesting period. Upon the exercise of share options, the related amount accumulated in the employee share-based compensation reserve is transferred to share premium. Upon the vesting and transfer of the awarded shares to the awardees, the related costs are credited to shares held for the share award scheme, and the related fair value of the shares is debited to the employee share-based compensation reserve. The difference between the cost and the fair value of the vested awarded shares is credited to retained earnings if the fair value is higher than the cost or debited against retained earnings if the fair value is less than the cost.

The exchange reserve represents the resulting exchange differences arising from the translation of results and financial position of the Group's entities that have functional currencies different from the Company's presentation currency.

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

US$ millions	**2017**	2016
Indofood	**(361.3)**	(353.6)
PLDT	**(89.5)**	(81.3)
MPIC	**(129.0)**	(123.0)
Philex	**(9.5)**	(8.7)
Others	**0.7**	(37.1)
Total	**(588.6)**	(603.7)

The unrealized gains/losses on available-for-sale assets relate to changes in the fair value of available-for-sale assets of the Group's entities.

The unrealized gains/losses on cash flow hedges and income tax related to cash flow hedges relate to the effective portion of changes in fair value of cash flow hedges of the Group's entities.

The actuarial gains/losses on defined benefit pension plans relate to changes in the present value of defined benefit pension obligations resulting from experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions.

Share of other comprehensive income/losses of associated companies and joint ventures relates to the Group's share of its associated companies and joint ventures' exchange reserve, unrealized gains/losses on available-for-sale assets, unrealized gains/losses on cash flow hedges, income tax related to cash flow hedges, actuarial gains/losses on defined benefit pension plans and revaluation reserve. The differences arising from changes in equities of subsidiary companies relate to a change in the Group entities' ownership interest in their subsidiary companies without a change of control.

The reserves for assets classified as held for sale pertain to exchange reserve arising from the translation of net assets of disposal groups and the Group's share of disposal groups' reserves.

The capital and other reserves include capital reserves arising from reorganization activities in some of the Group's entities and equity conversion option. The equity conversion option represents the Group's share of equity component of convertible notes issued by an associated company.

The contributed surplus of the Group arose from (a) the Company's reallocation of its entire amount of share premium balance of US$1,785.2 million on 28 June 2016 to distributable reserve, following the approval obtained from the Company's shareholders during the adjourned annual general meeting, by way of a share premium reduction to nil and a subsequent transfer of the credit amount arising therefrom to the contributed surplus account and (b) a reorganization of the Group in 1988 and represents the difference between the nominal value of the share capital issued by the Company and the aggregate net asset value of the subsidiary companies acquired at the date of acquisition. Under the Companies Act 1981 of Bermuda (as amended), the Company may make distributions to its shareholders out of the contributed surplus provided certain conditions are met.

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

	Associated Companies		Joint Ventures		**Total**	
US$ millions	**2017**	2016	**2017**	2016	**2017**	2016
Associated Companies and Joint Ventures						
Revenue reserve	**(1,270.3)**	(1,218.9)	**(3.0)**	109.9	**(1,273.3)**	(1,109.0)
Exchange reserve	**(100.1)**	(91.1)	**(18.5)**	(20.2)	**(118.6)**	(111.3)
Unrealized gains/(losses) on available-for-sale assets	**21.0**	3.6	**–**	–	**21.0**	3.6
Unrealized gains on cash flow hedges	**1.2**	3.1	**0.9**	1.3	**2.1**	4.4
Actuarial losses on defined benefit pension plans	**(147.1)**	(143.9)	**–**	–	**(147.1)**	(143.9)
Differences arising from changes in equities of subsidiary companies	**(7.1)**	(7.1)	**(10.3)**	(10.9)	**(17.4)**	(18.0)
Capital and other reserves	**15.0**	15.1	**–**	–	**15.0**	15.1
Total (Note 14)	**(1,487.4)**	(1,439.2)	**(30.9)**	80.1	**(1,518.3)**	(1,359.1)

32. Non-controlling Interests

Details of the Group's subsidiary companies that have material non-controlling interests are set out below.

	2017	2016
Percentage of equity interest held by non-controlling interests		
– Indofood	**49.9%**	49.9%
– MPIC	**58.0%**	58.0%
– FPM Power	**32.4%**	32.2%
– FP Natural Resources	**20.6%**	20.6%

US$ millions	**2017**	2016
Profit/(loss) for the year allocated to non-controlling interests		
– Indofood	**200.4**	231.1
– MPIC	**257.7**	235.1
– FPM Power	**(18.8)**	(52.5)
– FP Natural Resources	**1.1**	0.9
Dividends paid to non-controlling interests		
– Indofood	**127.0**	92.1
– MPIC	**76.9**	72.5
Accumulated balances of non-controlling interests at 31 December		
– Indofood	**2,354.9**	2,275.7
– MPIC	**2,959.9**	2,500.7
– FPM Power	**84.2**	28.6
– FP Natural Resources	**116.4**	117.3

The following table illustrates the summarized financial information under HKFRS of the above subsidiary companies. The amounts disclosed are before any inter-company eliminations.

	Indofood		MPIC		FPM Power		FP Natural Resources	
For the year ended/at 31 December US$ millions	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
Statements of Comprehensive Income								
Turnover	**5,237.4**	5,010.5	**1,240.8**	940.2	**565.4**	575.3	**253.1**	253.0
Profit/(loss) for the year	**341.2**	360.5	**377.7**	352.0	**(23.5)**	(128.8)	**(3.3)**	0.1
Other comprehensive (loss)/income	**(7.9)**	(54.0)	**(9.2)**	30.8	**1.4**	75.7	**(1.0)**	(9.1)
Total Comprehensive Income/(Loss)	**333.3**	306.5	**368.5**	382.8	**(22.1)**	(53.1)	**(4.3)**	(9.0)
Statements of Financial Position								
Non-current assets	**4,172.6**	4,066.8	**8,275.2**	6,263.9	**947.1**	898.2	**379.0**	376.5
Current assets	**2,408.0**	2,163.6	**1,500.9**	638.2	**155.7**	177.0	**139.1**	131.7
Non-current liabilities	**(1,484.2)**	(1,451.4)	**(4,434.8)**	(2,609.6)	**(530.4)**	(596.1)	**(122.2)**	(149.8)
Current liabilities	**(1,611.3)**	(1,429.9)	**(1,021.7)**	(509.7)	**(458.1)**	(418.1)	**(198.7)**	(157.2)
Net Assets	**3,485.1**	3,349.1	**4,319.6**	3,782.8	**114.3**	61.0	**197.2**	201.2
Statements of Cash Flows								
Net cash from/(used in) operating activities	**494.2**	554.8	**411.7**	309.3	**5.2**	(11.9)	**(0.9)**	(32.4)
Net cash (used in)/from investing activities	**(461.8)**	(63.9)	**(270.4)**	(778.1)	**(3.1)**	(1.0)	**(19.2)**	31.5
Net cash (used in)/from financing activities	**(9.1)**	(468.9)	**362.5**	447.5	**–**	23.9	**12.8**	9.3
Net Increase/(Decrease) in Cash and Cash Equivalents	**23.3**	22.0	**503.8**	(21.3)	**2.1**	11.0	**(7.3)**	8.4

Effects of Transactions with Non-controlling Interests

In May 2016, MPHI, a Philippine affiliate of the Company, sold MPIC common shares of 1.3 billion to GT Capital for a total consideration of Pesos 7.9 billion (US$168.6 million). In addition, MPIC issued new MPIC common shares of 3.6 billion to GT Capital through a share placement for a total consideration of Pesos 22.0 billion (US$460.7 million). As a result of these transactions, the interest of MPHI in MPIC was reduced from 52.0% to 42.0%. The Group recorded a net credit amount of US$96.2 million in differences arising from changes in equities of subsidiary companies within the Group's equity in respect of this transaction.

In May 2016, RHI conducted a rights issue of Pesos 1.12 billion (US$23.5 million), FP Natural Resources and its Philippine affiliate underwrote and subscribed RHI's rights shares of Pesos 1.10 billion (US$23.1 million). The Group recorded a credit balance of US$5.8 million in differences arising from changes in equities of subsidiary companies within the Group's equity in respect of this transaction.

In September 2016, MPIC repurchased its own shares of 24.0 million at a total cost of Pesos 167 million (US$3.5 million). The Group recorded a debit balance of US$0.5 million in differences arising from changes in equities of subsidiary companies within the Group's equity in respect of this transaction.

In June 2017, Indofood and its subsidiary companies, ICBP and Lonsum, injected capital totaling S$125.7 million (US$91.5 million) into Asian Assets Management Pte. Ltd ("AAM"). As a result of these transactions, the effective interest of Indofood in AAM was increased to 73.2% from 56.1%.

In July 2017, FP Natural Resources Holdings B.V., a wholly-owned subsidiary company of FP Natural Resources, converted the convertible notes of Pesos 524.0 million (US$10.4 million) issued by RHI in February 2017 into 125 million common shares of RHI at a price of Pesos 4.19 (U.S. 8 cents) per share. As a result of this transaction, the interest of FP Natural Resources and its Philippine affiliate, First Agri Holdings Corporation, in RHI increased to 62.9% from 59.7%. The Group recorded a credit balance of US$2.4 million in differences arising from changes in equities of subsidiary companies within the Group's equity in respect of this transaction.

In December 2017, FPM Power (Mauritius) Limited, a wholly-owned subsidiary company of FPM Power, and the 30% non-controlling shareholder of PLP converted their S$ denominated shareholders' loans of S$245.7 million (US$178.8 million) and S$105.3 million (US$76.6 million), respectively, into equity of PLP. Following the conversion, the interest of FPM Power in PLP remains unchanged at 70.0%.

33. Other Comprehensive (Loss)/Income Attributable to Owners of the Parent

US$ millions	Exchange reserve	Unrealized gains/(losses) on available-for-sale assets	Unrealized (losses)/gains on cash flow hedges	Income tax related to cash flow hedges	Actuarial losses on defined benefit pension plans	Share of other comprehensive (loss)/income of associated companies and joint ventures	**Total**
At 1 January 2016	(511.7)	52.3	(32.6)	5.0	(17.5)	(118.7)	(623.2)
Other comprehensive (loss)/income for the year	(101.9)	(7.2)	41.6	(7.2)	–	0.7	(74.0)
Recycled to retained earnings	–	–	–	–	–	(1.3)	(1.3)
Acquisition, divestment and dilution of interests in subsidiary companies	9.9	–	–	–	–	(1.6)	8.3
At 31 December 2016	(603.7)	45.1	9.0	(2.2)	(17.5)	(120.9)	(690.2)
At 1 January 2017	(603.7)	45.1	9.0	(2.2)	(17.5)	(120.9)	**(690.2)**
Other comprehensive income/(loss) for the year	15.1	14.8	(5.2)	0.9	(9.8)	9.0	**24.8**
Recycled to retained earnings	–	–	–	–	–	(3.0)	**(3.0)**
At 31 December 2017	**(588.6)**	**59.9**	**3.8**	**(1.3)**	**(27.3)**	**(114.9)**	**(668.4)**

34. Notes to the Consolidated Statement of Cash Flows

(A) Investments in Associated Companies

2017's cash outflow of US$208.4 million mainly related to MPIC's acquisition of a 48.3% interest in PT Nusantara Infrastructure Tbk (US$151.3 million), a publicly listed company in Indonesia with interests in tollroads, port operations, water, energy and telecommunications and a 50.0% interest in Alsons Thermal Energy Corporation (US$47.7 million) with interests in the 201-megawatt baseload coal-fired power plant in Maasim, Sarangani Province.

(B) Acquisition of Subsidiary Companies and a Business

	Fair value recognized on acquisition							
US$ millions	MPIC's acquisition of Beacon Electric	MPIC's acquisition of TMC	MPIC's acquisition of a logistic business(i)	MPIC's acquisition of SEHI(i)	MPIC's acquisition of ESC	Others(i)	**2017 Total**	2016 Total
Consideration								
Cash and cash equivalents	239.8	8.8	4.0	3.5	1.7	2.7	**260.5**	112.5
Associated companies and joint ventures(ii)	1,321.9	55.1	–	–	6.5	–	**1,383.5**	–
Current portion of deferred liabilities, provisions and payables(iii)	46.5	–	–	–	–	–	**46.5**	–
Deferred liabilities, provisions and payables(iv)	124.4	–	1.6	–	–	–	**126.0**	–
Total	1,732.6	63.9	5.6	3.5	8.2	2.7	**1,816.5**	112.5
Net Assets								
Property, plant and equipment (Note 12)	1,128.4	1.4	0.3	7.2	0.6	2.6	**1,140.5**	28.7
Associated companies and joint ventures	1,920.9	–	–	–	–	–	**1,920.9**	–
Other intangible assets (Note 16)	68.3	–	–	–	–	–	**68.3**	25.9
Deferred tax assets (Note 20)	6.4	–	–	–	0.4	1.2	**8.0**	–
Other non-current assets	3.7	0.6	–	0.2	–	–	**4.5**	0.3
Cash and cash equivalents	127.8	3.1	–	1.2	5.1	2.8	**140.0**	6.3
Bank deposits with maturity of more than three months	212.1	–	–	–	–	–	**212.1**	–
Accounts receivable, other receivables and prepayments	130.2	11.7	–	2.2	2.8	0.1	**147.0**	11.8
Inventories	38.9	0.2	–	0.7	0.2	0.1	**40.1**	1.0
Accounts payable, other payables and accruals	(107.1)	(9.2)	–	(4.4)	(7.2)	(0.8)	**(128.7)**	(4.4)
Short-term borrowings	(97.1)	–	–	(0.8)	–	–	**(97.9)**	–
Provision for taxation (Note 27)	(3.3)	(1.5)	–	–	–	(1.8)	**(6.6)**	–
Current portion of deferred liabilities, provisions and payables (Note 28)	–	(3.5)	–	–	–	–	**(3.5)**	–
Long-term borrowings	(1,198.0)	–	–	–	–	–	**(1,198.0)**	–
Deferred liabilities, provisions and payables (Note 28)	(113.5)	(0.1)	–	(0.7)	(1.1)	(0.2)	**(115.6)**	(0.2)
Deferred tax liabilities (Note 20)	(38.6)	–	–	(1.2)	–	–	**(39.8)**	–
Total Net Identifiable Assets Acquired	2,079.1	2.7	0.3	4.4	0.8	4.0	**2,091.3**	69.4
Non-controlling interests(v)	(346.5)	(0.9)	–	(2.0)	(0.2)	(1.4)	**(351.0)**	(14.0)
Total Share of Net Identifiable Assets Acquired	1,732.6	1.8	0.3	2.4	0.6	2.6	**1,740.3**	55.4
Goodwill (Note 15)	–	62.1	5.3	1.1	7.6	0.1	**76.2**	57.1
Net Cash (Outflow)/Inflow per the Consolidated Statement of Cash Flows								
– Acquisition of subsidiary companies	(112.0)	(5.7)	–	(2.3)	3.4	0.1	**(116.5)**	(60.1)
– Acquisition of a business	–	–	(4.0)	–	–	–	**(4.0)**	(46.1)
Total	(112.0)	(5.7)	(4.0)	(2.3)	3.4	0.1	**(120.5)**	(106.2)

(i) Provisional amounts determined based on management's estimates of the fair values of the identifiable assets acquired, liabilities and contingent liabilities assumed, and subject to revision upon their further assessment

(ii) Represents the fair values of a 75.0% interest in Beacon Electric, a 60.0% interest in TMC and a 50.0% interest in ESC previously held by MPIC

(iii) Represents the present value of MPIC's installment payable due in June 2018 for its acquisition of the remaining 25% interest in Beacon Electric

(iv) Represents the present values of MPIC's installment payables due from June 2019 till June 2021 for its acquisition of the remaining 25% interest in Beacon Electric and its installment payables due from December 2018 till December 2020 for its acquisition of a logistics business, respectively

(v) The non-controlling interests were measured at the proportionate share of their interests in the acquiree's identifiable net assets

On 4 April 2017, Metro Pacific Tollways Development Corporation (MPTDC), a subsidiary company of MPIC, acquired an additional 7.0% interest in TMC at a consideration of Pesos 442 million (US$8.8 million). The veto rights of another significant shareholder of TMC fell away following the completion of this transaction. As a result, TMC became a subsidiary of MPTDC and MPIC following the increase in MPTDC's interest in TMC to 67.0% from 60.0% . The fair value and gross amount of TMC's trade receivables were US$6.0 million. The transaction costs of US$0.1 million incurred by MPTDC for this business combination have been recognized as administrative expenses in the consolidated income statement.

On 4 April 2017, PremierLogistics, Inc. (PLI), a subsidiary company of MMI and MPIC, acquired a logistic business and certain assets at a consideration of Pesos 280 million (US$5.6 million). The transaction costs of US$0.3 million incurred by PLI for this business combination have been recognized as administrative expenses in the consolidated income statement.

On 27 June 2017, MPIC acquired the remaining 25% interest in Beacon Electric from PCEV at a consideration of Pesos 21.8 billion (US$435.6 million). Following the completion of the acquisition, MPIC's interest in Beacon Electric increased to 100% from 75% and Beacon Electric became a subsidiary company of MPIC. Prior to the completion of this transaction, MPIC accounted for its investment in Beacon Electric as a joint venture. The fair value and gross amount of Beacon Electric's trade receivables were US$82.7 million and US$88.6 million, respectively. The transaction costs of US$0.1 million incurred by MPIC for this business combination have been recognized as administrative expenses in the consolidated income statement.

On 5 October 2017, Metro Pacific Hospital Holdings, Inc. ("MPHHI"), a subsidiary company of MPIC, acquired a 54.0% interest in St. Elizabeth Hospital, Inc. ("SEHI") at a consideration of Peso 178 million (US$3.5 million). The fair value and gross amount of SEHI's trade receivables were US$2.1 million and US$3.2 million, respectively. The transaction costs of US$0.1 million incurred by MPHHI for this business combination have been recognized as administrative expenses in the consolidated income statement.

On 10 October 2017, MPTC, a subsidiary of MPIC, acquired an additional 16% interest in Easytrip Services Corporation ("ESC") from Egis Easytrip Services SA for a consideration of Pesos 85 million (US$1.7 million). Following the completion of the acquisition, MPTC's interest in ESC increased to 66% from 50% and ESC became a subsidiary of MPIC. Prior to the completion of this transaction, MPIC accounted for its investment in ESC as a joint venture. The fair value and gross amount of ESC's trade receivables were US$2.3 million. The transaction costs of US$0.1 million incurred by MPIC for this business combination have been recognized as administrative expenses in the consolidated income statement.

The net assets of the logistics business and SEHI recognized in the Group's 2017 Consolidated Financial Statements were based on provisional assessments of their fair values while the Group is still evaluating the fair values of their assets acquired and liabilities and contingent liabilities assumed. The valuation and assessment had not been completed by the date the Group's 2017 Consolidated Financial Statements were approved for issue by the Board of Directors. If new information obtained within one year of the acquisition dates about facts and circumstances that existed at the acquisition dates identifies adjustments to the above provisional amounts, or any provisions that existed at the acquisition dates, then the accounting for the acquisition will be revised.

The goodwill arising from MPIC's acquisition of the Beacon Electric, TMC, logistics business, SEHI and ESC pertains to, but is not limited to, the expected synergies in the Group arising from the acquisition. None of the goodwill recognized is expected to be deductible for income tax purposes.

Since the dates of acquisition, the above acquired subsidiary companies recorded in aggregate a turnover of US$264.0 million and profit for the period of US$15.7 million which are included in the consolidated income statement of the Group. If the acquisitions had taken place on 1 January 2017, the turnover and profit for the year ended 31 December 2017 of the Group would have been US$7,520.9 million and US$575.2 million, respectively.

2016's net cash outflow of US$106.2 million mainly related to MPIC's subsidiary companies, MMI, MPW and MPHHI, acquisition of a logistics business and certain assets, a 65.0% interest in ESTII and a 93.1% interest in MVMC. ESTII principally engages in the business of designing, supplying, constructing, installing and operating and maintaining wastewater and sewage treatment plant facilities in the Philippines. MVMC is a prominent tertiary hospital along Sumulong Highway in Marikina.

(C) Increased Investments in Joint Ventures

2017's cash outflow of US$42.2 million and 2016's cash outflow of US$235.2 million mainly related to MPIC's partial payments to PCEV for its acquisition of an additional 25% interest in Beacon Electric in May 2016.

(D) Increased Investments in Associated Companies

2016's cash outflow of US$111.8 million mainly related to MPIC's final payment made in July 2016 for its acquisition of a 10% direct interest in Meralco in April 2015 (US$89.0 million) and payment for its acquisition of an additional 14% interest in TMC in December 2016 (US$18.6 million).

(E) Disposal of a Disposal Group Classified as Held for Sale

2016's cash inflow of US$258.7 million related to Indofood's disposal of CMZ in December 2016. Further details of which are set out in Note 8 to the Consolidated Financial Statements.

(F) Increase Investments in Preferred Shares issued by a Joint Venture

2016's cash outflow of US$194.8 million related to MPIC's payments to (a) PCEV for its acquisition of preferred shares issued by Beacon Electric (US$121.4 million) and (b) Beacon Electric for subscription of additional preferred shares (US$73.4 million) in May 2016.

(G) Reconciliation of Liabilities Arising from Financing Activities

US$ millions	Short-term borrowings	Long-term borrowings	**Total**
At 1 January 2017	1,280.7	4,827.7	**6,108.4**
Changes in financing cash flows	(591.9)	1,133.0	**541.1**
Exchange translation	(13.8)	18.2	**4.4**
Reclassification[(i)]	673.6	(673.6)	**–**
Acquisition of subsidiary companies (Note 34(B))	97.9	1,198.0	**1,295.9**
Amortization of deferred charges	13.9	6.0	**19.9**
At 31 December 2017	**1,460.4**	**6,509.3**	**7,969.7**

(i) Reclassification of non-current portion of long-term borrowings to short-term borrowings due to passage of time

(H) Proceeds from Issue of Shares to Non-controlling Shareholders by Subsidiary Companies

2016's cash inflow of US$463.4 million mainly represented MPIC's net proceeds from share placement (US$460.7 million).

(I) Proceeds from Divestment of Interest in a Subsidiary Company

2016's cash inflow of US$168.6 million represented the Group's net proceeds from sale of MPIC shares.

(J) Major Non-cash Transaction

In December 2017, the non-controlling shareholder of PLP converted its S$ denominated shareholder's loan of S$105.3 million (US$76.6 million) into equity of PLP.

35. Commitments and Contingent Liabilities

(A) Capital Expenditure

US$ millions	2017	2016
Commitments in respect of subsidiary companies:		
Authorized, but not contracted for	**1,873.5**	1,492.5
Contracted, but not provided for	**681.1**	369.6
Total	**2,554.6**	1,862.1

The Group's capital expenditure commitments principally relate to Indofood's and RHI's purchase of property, plant and equipment, and construction of infrastructures for GBPC's power business, Maynilad's water business, MPTC's toll road business and LRMC's rail business.

(B) Leasing Commitments

At 31 December 2017, the Group had total future minimum lease payments under non-cancelable operating leases falling due as follows:

US$ millions	2017	2016
Land and Buildings		
– Within one year	**8.7**	8.0
– Between two and five years, inclusive	**27.5**	29.1
– After five years	**32.5**	42.7
Subtotal	**68.7**	79.8
Plant and Equipment		
– Within one year	**2.0**	1.7
– Between two and five years, inclusive	**4.3**	5.2
Subtotal	**6.3**	6.9
Total	**75.0**	86.7

(C) Contingent Liabilities

(a) At 31 December 2017, except for US$53.1 million (2016: US$59.9 million) of guarantees given by Indofood for loan facilities obtained by certain plantation farmers in relation to arrangements for those farmers' production and sale of fresh fruit bunches to Indofood, the Group had no significant contingent liabilities (2016: Nil).

(b) In Wilson P. Gamboa vs. Finance Secretary Margarito B. Teves, et. al. (G.R. No. 176579) (the "Gamboa Case"), the Supreme Court of the Philippines (the "Court") held the term "capital" in Section 11, Article XII of the 1987 Constitution refers only to "shares of stock entitled to vote in the election of directors" and thus only to voting common shares, and not to the "total outstanding capital stock (common and non-voting preferred shares)". It directed the Philippine Securities and Exchange Commission ("SEC") "to apply this definition of the term 'capital' in determining the extent of allowable foreign ownership in PLDT, and if there is a violation of Section 11, Article XII of the Constitution, to impose the appropriate sanctions under the law." On 9 October 2012, the Court issued a Resolution denying with finality all Motions for Reconsideration of the respondents. The Court decision became final and executory on 18 October 2012.

On 20 May 2013, the Philippine SEC issued SEC Memorandum Circular No. 8, Series of 2013 – Guidelines on Compliance with the Filipino-Foreign Ownership Requirements Prescribed in the Constitution and/or Existing Laws by Corporations Engaged in Nationalized and Partly-Nationalized Activities, or MC No. 8, which provides that the required percentage of Filipino ownership shall be applied to BOTH (a) the total number of outstanding shares of stock entitled to vote in the election of directors; AND (b) the total number of outstanding shares of stock, whether or not entitled to vote in the election of directors.

On 10 June, 2013, Jose M. Roy III filed before the Court a Petition for Certiorari against the Philippine SEC, Philippine SEC Chairman and PLDT, or the Petition, claiming: (1) that MC No. 8 violates the decision of the Court in the Gamboa Case, which according to the Petitioner required that (a) the 60-40 ownership requirement be imposed on "each class of shares" and (b) Filipinos must have full beneficial ownership of 60% of the outstanding capital stock of those corporations subject to that 60-40 Filipino-foreign ownership requirement; and (2) that the PLDT Beneficial Trust Fund is not a Filipino-owned entity and consequently, the corporations owned by PLDT Beneficial Trust Fund, including BTF Holdings, Inc. ("BTFHI"), which owns 150 million voting preferred shares in PLDT, cannot be considered a Filipino-owned corporation. PLDT and Philippine SEC sought the dismissal of the Petition.

In 16 July, 2013, Wilson C. Gamboa, Jr. et. al. filed a Motion for Leave to file a Petition-in-Intervention dated 16 July, 2013, which the Court granted on 6 August, 2013. The Petition-in-Intervention raised identical arguments and issues as those in the Petition.

The Court, in its 22 November 2016 decision, dismissed the Petition and upheld the validity of SEC Memorandum Circular No. 8, Series of 2013, dated 20 May 2013, or MC No. 8. In the course of discussing the Petition, the Court expressly rejected petitioners' argument that the 60% Filipino ownership requirement for public utilities must be applied to each class of shares. According to the Court, the position is "simply beyond the literal text and contemplation of Section 11, Article XII of the 1987 Constitution" and that the petitioners' suggestion would "effectively and unwarrantedly amend or change" the Court's ruling in Gamboa. In categorically rejecting the petitioners' claim, the Court declared and stressed that its Gamboa ruling "did NOT make any definitive ruling that the 60% Filipino ownership requirement was intended to apply to each class of shares." On the contrary, according to the Court, "nowhere in the discussion of the term 'capital' in Section 11, Article XII of the 1987 Constitution in the Gamboa Decision did the Court mention the 60% Filipino equity requirement to be applied to each class of shares."

In respect of ensuring Filipino ownership and control of public utilities, the Court noted that this is already achieved by the requirements under MC No. 8. According to the Court, "since Filipinos own at least 60% of the outstanding shares of stock entitled to vote directors, which is what the Constitution precisely requires, then the Filipino stockholders control the corporation – i.e., they dictate corporate actions and decisions…"

The Court further noted that the application of the Filipino ownership requirement as proposed by petitioners "fails to understand and appreciate the nature and features of stocks and financial instruments" and would "greatly erode" a corporation's "access to capital – which a stock corporation may need for expansion, debt relief/repayment, working capital requirement and other corporate pursuits." The Court reaffirmed that "stock corporations are allowed to create shares of different classes with varying features" and that this "is a flexibility that is granted, among others, for the corporation to attract and generate capital (funds) from both local and foreign capital markets" and that "this access to capital – which a stock corporation may need for expansion, debt relief/repayment, working capital requirement and other corporate pursuits – will be greatly eroded with further unwarranted limitations that are not articulated in the Constitution." The Court added that "the intricacies and delicate balance between debt instruments (liabilities) and equity (capital) that stock corporations need to calibrate to fund their business requirements and achieve their financial targets are better left to the judgment of their boards and officers, whose bounden duty is to steer their companies to financial stability and profitability and who are ultimately answerable to their shareholders."

The Court went on to say that "a too restrictive definition of 'capital', one that was never contemplated in the Gamboa Decision, will surely have a dampening effect on the business milieu by eroding the flexibility inherent in the issuance of preferred shares with varying terms and conditions. Consequently, the rights and prerogatives of the owners of the corporation will be unwarrantedly stymied." Accordingly, the Court said that the petitioners' "restrictive interpretation of the term 'capital' would have a tremendous adverse impact on the country as a whole – and to all Filipinos."

Petitioner Jose M. Roy III filed a Motion for Reconsideration of the Court Decision dated 22 November 2016. On 18 April 2017, the Court denied with finality Petitioner's Motion for Reconsideration.

36. Employees' Benefits

(A) Remuneration

US$ millions	2017	2016
Basic salaries	**458.6**	464.9
Bonuses	**184.3**	147.1
Benefits in kind	**100.0**	96.9
Pension contributions	**48.5**	45.0
Retirement and severance allowances	**7.6**	12.0
Employee share-based compensation benefit expenses/LTIP	**9.5**	12.2
Total	**808.5**	778.1
Average Number of Employees	**99,879**	93,952

The above includes the remuneration of the Directors. Detailed disclosures in respect of the Directors' remuneration are set out in Note 37(A) to the Consolidated Financial Statements.

(B) Retirement Benefits

The Group operates both defined contribution and defined benefit schemes. In addition, the Group has made provisions for estimated liabilities for employee benefits for meeting the minimum benefits required to be paid to the qualified employees as required under the Philippines Republic Act (R.A.) No. 7641 (R.A. 7641) and the Indonesian Labor Law. Under R.A. 7641, companies are required to pay a minimum benefit of equivalent to one-half month's salary for every year of service, with six months or more of service considered as one year, to employee with at least five years of services. As some of the entities of the Group operate in the Philippines, they provide for either a defined contribution retirement plan or a defined benefit plan that consider the minimum benefit guarantee mandated under R.A. 7641.

Under the Indonesian Labor Law, companies are required to pay separation, appreciation and compensation benefits to their employees if the conditions specified in the Indonesian Labor Law are met. Some of the Group's Indonesian subsidiary companies maintain and operate formal pension plans for the benefit of their employees, additional provisions for the estimated liabilities for employee service entitlement benefits are made on top of the benefits provided under their respective pension plans, if necessary, in order to meet and cover the minimum benefits required to be paid to employees under the Indonesian Labor Law.

Under the Central Provident Fund Act in Singapore, the Singapore companies in the Group are required to make contributions to the Central Provident Fund scheme in Singapore, which is a defined contribution pension scheme. Contributions to defined contribution pension schemes are made based on a percentage of the employees' basic salaries and charged to the income statement as they become payable in accordance with the rules of the respective schemes.

Under the Mandatory Provident Fund Schemes Ordinance and the Occupational Retirement Schemes Ordinance in Hong Kong, the Hong Kong companies in the Group are required to make contributions to the Mandatory Provident Fund retirement scheme and the occupational retirement scheme, respectively, in Hong Kong, which are defined contribution pension schemes. Contributions are made based on a percentage of the employees' basic salaries and charged to the consolidated income statement as they become payable in accordance with the rules of the respective schemes.

(a) Defined contribution schemes

The Group operates nine (2016: seven) defined contribution schemes covering approximately 15,536 (2016: 17,028) employees. The assets of these schemes are held separately from the Group and are administered by independent trustees. Contributions to the schemes, either by the Group or by the employees, are determined by reference to the employees' salaries and length of service and range from 0% to 40% (2016: 0% to 20%). Under the terms of the schemes, the Group cannot be requested to make additional payments over and above these levels of contributions. In five (2016: three) of the schemes, forfeited contributions may be used to reduce the existing levels of employer contributions and, in 2017, no amount (2016: Nil) was used for this purpose. At 31 December 2017, the forfeited contributions had been fully utilized.

The Group's Indonesian and Singapore subsidiary companies have defined contribution retirement plans covering substantially all of their qualified permanent employees. The related liability arising from the difference between the cumulative funding since the establishment of the program and the cumulative pension costs charged to the consolidated income statement during the same period is recognized as employee benefit liabilities in the consolidated statement of financial position.

Although the Group's Philippine operating companies operate defined contribution schemes, they are covered under R.A. 7641 which provides for its qualified employees under a defined benefit minimum guarantee. The defined minimum guarantee is equivalent to a certain percentage of the monthly salary payment to an employee at the normal retirement age with the required credited years of service based on the provisions of R.A. 7641. The Philippine operating companies account for the retirement obligation under the higher of defined benefit obligation relating to the minimum guarantee and the obligation arising from the defined contribution plan.

(b) Defined benefit schemes and estimated liabilities for employee benefits

The Group operates 27 (2016: 22) defined benefit schemes covering approximately 13,676 (2016: 8,957) employees. 11 (2016: Six) of the plans are unfunded where the Group meets the benefit payment obligations as they fall due while 16 (2016: 16) of defined benefit payments are from trustee-administered funds. For unfunded schemes, the Group engages the services of actuaries to conduct valuation studies to determine the retirement obligations to ensure that these maturing obligations and expected benefit payments are covered and budgeted for. For the funded schemes, the assets are held separately from the Group and are administered by independent trustees. Benefits are determined by reference to employees' final salaries and length of service, and the schemes have undergone independent valuations on an annual basis. These actuarial valuations, performed by the actuaries of PT Kappa Konsultan Utama (a member of the Actuarial Consultant Association of Indonesia), Actuarial Advisers, Inc., Institutional Synergy, Inc., ActuarialExponents, Inc. and E.M. Zalamea Actuarial Services, Inc. (members of the Actuary Society of the Philippines), were based on the projected unit credit method. The plan assets do not include any financial instruments of the Group or property occupied by, or other assets used by, the Group. At 31 December 2017, the Group's level of funding in respect of its defined benefit schemes was 65.3% (2016: 69.5%).

The Group's plan assets mainly comprise equities, debt securities, properties, receivables, cash in banks, time deposits and unit trust funds. Thus, the cash flow from the assets alters in accordance with the change of equity prices and interest rates, and the assets are subject to various risks including credit, investment and liquidity risks. While the Group does not perform any asset-liability matching study, the risks arising from the nature of the assets comprising the fund, are mitigated by limiting the investments in financial assets only to the good quality instruments as recommended by the trust managers, investing in reputable equity shares with good fair values and contributing to the respective fund from time to time, based on the recommendations of their actuaries with the objective of maintaining their respective funds in a sound condition.

The Group has also made provisions for estimated liabilities for employee benefits covering the employees of its Indonesian subsidiary companies. The amounts of such provisions were determined by reference to employees' final salaries and length of service and based on actuarial computations prepared by the actuaries of PT Kappa Konsultan Utama (a member of the Actuarial Consultant Association of Indonesia) using the projected unit credit method.

(I) The amounts of liability under defined benefit schemes and estimated liabilities for employee benefits included in the consolidated statement of financial position are as follows:

US$ millions	Defined benefit schemes	Estimated liabilities for employee benefits	Total 2017	2016
Present value of defined benefit obligations	(80.4)	(477.3)	**(557.7)**	(443.0)
Fair value of plan assets	37.3	–	**37.3**	39.7
Liability in the Statement of Financial Position	(43.1)	(477.3)	**(520.4)**	(403.3)

(II) The changes in the present value of the obligations under defined benefit schemes and estimated liabilities for employee benefits during the year are as follows:

US$ millions	Defined benefit schemes	Estimated liabilities for employee benefits	Total 2017	2016
At 1 January	(57.1)	(385.9)	**(443.0)**	(396.5)
Exchange translation	2.3	5.5	**7.8**	(6.9)
Current service cost	(7.6)	(42.0)	**(49.6)**	(30.1)
Interest cost on obligation	(3.7)	(40.1)	**(43.8)**	(29.6)
Actuarial (losses)/gains arising from changes in financial assumptions	(4.7)	(42.2)	**(46.9)**	0.4
Experience adjustments	(1.8)	4.0	**2.2**	1.6
Acquisition of subsidiary companies	(20.0)	–	**(20.0)**	(0.1)
Benefit paid	12.2	23.4	**35.6**	18.2
At 31 December	(80.4)	(477.3)	**(557.7)**	(443.0)

(III) The changes in the fair value of plan assets under the defined benefit schemes during the year are as follows:

US$ millions	2017	2016
At 1 January	**39.7**	32.8
Exchange translation	**(2.0)**	(1.2)
Interest income included in net interest cost	**2.4**	1.5
Return on plan assets (excluding amount included in net interest cost)	**(1.1)**	(1.4)
Contributions by employers	**5.4**	9.0
Acquisition of subsidiary companies	**3.6**	–
Benefit paid	**(10.7)**	(1.0)
At 31 December	**37.3**	39.7

(IV) The major categories of plan assets as a percentage of the fair value of the total plan assets under the defined benefit schemes are as follows:

US$ millions	2017	2016
Philippine debt equities	**42%**	33%
Philippine equities	**18%**	24%
Indonesian debt securities	**2%**	3%
Indonesian equities	**3%**	3%
Properties	**0%**	5%
Cash in banks	**22%**	16%
Time deposits	**1%**	3%
Unit trust funds and others	**12%**	13%

(V) The amounts recognized in the consolidated income statement and consolidated statement of comprehensive income are analyzed as follows:

US$ millions	Defined benefit schemes	Estimated liabilities for employee benefits	Total 2017	Total 2016
Current service cost(i)	7.6	42.0	**49.6**	30.1
Interest cost on obligation(i)	3.7	40.1	**43.8**	29.6
Interest income on plan assets(i)	(2.4)	–	**(2.4)**	(1.5)
Actuarial losses/(gains) arising from changes in financial assumptions(ii)	4.7	42.2	**46.9**	(0.4)
Experience adjustments(ii)	1.8	(4.0)	**(2.2)**	(1.6)
Return on plan assets (excluding amount included in net interest cost)(ii)	1.1	–	**1.1**	1.4
Total	16.5	120.3	**136.8**	57.6
Actual Return on Plan Assets			**5%**	3%

(i) Included in cost of sales, selling and distribution expenses and administrative expenses
(ii) Included in other comprehensive income

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

	2017	2016
Discount rate	**7%**	8%
Future annual salary increases	**8%**	8%
Retirement age (years)	**55**	55

(VII) The calculation of the defined benefit obligation is sensitive to the assumptions set above. The following table summarizes how the present value of the defined benefit obligation at the end of the reporting period would have increased or decreased as a result of changes in the respective assumptions:

US$ millions	Increase/ (decrease)	**(Decrease)/ increase At 31 December 2017**	Increase/ (decrease)	(Decrease)/ increase At 31 December 2016
Annual discount rate (%)	1.0	**(45.3)**	1.0	(32.9)
	(1.0)	**52.2**	(1.0)	38.2
Future annual salary increases (%)	1.0	**49.9**	1.0	39.1
	(1.0)	**(43.5)**	(1.0)	(34.1)

(VIII) The following table provides the maturity analysis of the undiscounted benefit payments as at 31 December 2017.

US$ millions	**2017**	2016
Less than one year	**35.8**	23.6
One year to five years	**128.7**	119.7
More than five years	**3,786.0**	3,678.0
Total expected benefit payments	**3,950.5**	3,821.3

The weighted average duration of the defined benefit obligation is 12 years (2016: 14 years).

(IX) The Group expects to contribute US$7.9 million (2016: US$8.7 million) to its defined benefit pension plans in the next year.

(C) Loans to Officers

During 2017 and 2016, there were no loans made by the Group to officers which required disclosure pursuant to section 383(1)(d) of the Hong Kong Companies Ordinance and Part 3 of the Companies (Disclosure of Information about Benefits of Directors) Regulation.

37. Directors' and Senior Executives' Remuneration

(A) Directors' Remuneration

The remuneration of Directors and chief executive of the Company for the year, disclosed on an individual basis and pursuant to the Appendix 16 paragraph 24 of the Listing Rules, section 383 (1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

Directors' Remuneration – 2017

	Non-performance based						
US$'000	Salaries	Other benefits	Pension contributions	Performance based payments[i]	Employee share-based compensation benefit expenses/LTIP	Fees[ii]	**2017 Total**
Chairman							
Anthoni Salim	3,098	–	–	–	–	41	**3,139**
Executive Directors						–	
Manuel V. Pangilinan, *Managing Director and Chief Executive Officer*	3,687	517	189	886	1,017	–	**6,296**
Edward A. Tortorici[iii]	613	59	550	–	1,206	–	**2,428**
Robert C. Nicholson	1,007	289	2	379	1,524	–	**3,201**
Christopher H. Young[iv]	508	106	43	525	517	–	**1,699**
Non-executive Directors							
Tedy Djuhar	–	–	–	–	–	36	**36**
Benny S. Santoso	–	–	–	–	201	121	**322**
Ambassador Albert F. del Rosario	–	–	–	–	301	139	**440**
Independent Non-executive Directors							
Prof. Edward K.Y. Chen, *GBS, CBE, JP*	–	–	–	–	233	103	**336**
Margaret Leung Ko May Yee, *SBS, JP*	–	–	–	–	263	98	**361**
Philip Fan Yan Hok	–	–	–	–	263	108	**371**
Madeleine Lee Suh Shin	–	–	–	–	232	82	**314**
Total	8,913	971	784	1,790	5,757	728	**18,943**

(i) Performance based payments comprise performance bonuses and long-term monetary incentive awards.
(ii) For meetings attended
(iii) Mr. Edward A. Tortorici resigned from the Board of Directors with effect from 30 August 2017.
(iv) Mr. Christopher H. Young was appointed to the Board of Directors with effect from 30 August 2017.

Directors' Remuneration – 2016

US$'000	Salaries (Non-performance based)	Other benefits (Non-performance based)	Pension contributions (Non-performance based)	Performance based payments[i]	Employee share-based compensation benefit expenses/LTIP	Fees[ii]	Retirement benefits payment	2016 Total
Chairman								
Anthoni Salim	2,993	–	–	–	–	30	–	3,023
Executive Directors								
Manuel V. Pangilinan, *Managing Director and Chief Executive Officer*	4,816	506	184	860	3,466	–	–	9,832
Edward A. Tortorici	880	96	473	–	2,144	–	–	3,593
Robert C. Nicholson	1,030	230	2	383	2,144	–	–	3,789
Non-executive Directors								
Tedy Djuhar	–	–	–	–	–	30	–	30
Benny S. Santoso	–	–	–	–	280	138	–	418
Ambassador Albert F. del Rosario[iii]	–	–	–	–	203	67	–	270
Napoleon L. Nazareno[iv]	–	–	–	2,739	42	20	1,416	4,217
Independent Non-executive Directors								
Prof. Edward K.Y. Chen, *GBS, CBE, JP*	–	–	–	–	320	109	–	429
Margaret Leung Ko May Yee, *SBS, JP*	–	–	–	–	342	89	–	431
Philip Fan Yan Hok	–	–	–	–	342	109	–	451
Madeleine Lee Suh Shin	–	–	–	–	164	85	–	249
Total	9,719	832	659	3,982	9,447	677	1,416	26,732

(i) Performance based payments comprise performance bonuses and long-term monetary incentive awards.
(ii) For meetings attended
(iii) Ambassador Albert F. del Rosario was re-appointed to the Board of Directors with effect from 30 June 2016.
(iv) Mr. Napoleon L. Nazareno resigned from the Board of Directors with effect from 30 June 2016.

Included within the total Directors' remuneration is an amount of US$0.8 million (2016: US$1.0 million) paid by PLDT, an associated company, in respect of the services of the Managing Director and Chief Executive Officer of the Company.

(B) Senior Executives' Remuneration

As similar remuneration schemes operate for the senior executives of the Group, their remuneration may exceed those of the Company's Directors. Two (2016: one) senior executives were among the Group's five highest earning employee during the year. The remaining three (2016: four) of the five highest earning employees are the Company's Directors.

US$'000	**2017**	2016
Non-performance based		
– Salaries and benefits	**3,163**	1,611
– Pension contributions	**85**	129
Performance based		
– Bonuses and long-term monetary incentive awards	**527**	640
Employee share-based compensation benefit expenses/LTIP	**1,249**	1,900
Total	**5,024**	4,280

The table below shows the remuneration of two (2016: one) senior executives who were among the Group's five highest earning employees in 2017.

Remuneration band	**2017 Number**	2016 Number
US$2,436,000 – US$2,500,000	**1**	–
US$2,564,000 – US$2,628,000	**1**	–
US$4,221,000 – US$4,285,000	**–**	1

(C) Key Management Personnel Compensation

US$ millions	**2017**	2016
Non-performance based		
– Salaries and benefits	**69.6**	67.4
– Pension contributions	**7.4**	5.4
Performance based		
– Bonuses and long-term monetary incentive awards	**58.1**	58.6
Employee share-based compensation benefit expenses/LTIP	**9.5**	12.2
Fees	**0.7**	0.6
Total	**145.3**	144.2

(D) Share Options

The Company and its subsidiary companies operate share option schemes for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Particulars of the share options of the Company and its subsidiary companies granted to the Directors and senior executives of the Company and its subsidiary companies at 31 December 2017 are set out below:

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

	Share options held at 1 January 2017	Share options granted during the year	Reclassification(ii)	Share options exercised during the year	Share options cancelled during the year	**Share options held at 31 December 2017**	Share options exercise price per share(i) (HK$)	Market price per share immediately before the date of grant(i) (HK$)	Grant date	Vesting period(v)	Exercisable period
Executive Directors											
Manuel V. Pangilinan	15,000,000	–	–	(15,000,000)	–	**–**	4.9457	4.9363	–	–	–
	10,224,972	–	–	–	–	**10,224,972**	10.2299	10.4450	22 March 2013	September 2013 to September 2017	September 2013 to March 2023
Edward A. Tortorici(ii)	5,112,486	–	(5,112,486)	–	–	**–**	10.2299	10.4450	–	–	–
	10,348,694	–	(10,348,694)	–	–	**–**	10.2729	9.7213	–	–	–
	5,112,486	–	(5,112,486)	–	–	**–**	10.2299	7.72	–	–	–
Robert C. Nicholson	13,704,933	–	–	(13,704,933)	–	**–**	4.9457	4.9363	–	–	–
	6,646,232	–	–	–	–	**6,646,232**	10.2299	10.4450	22 March 2013	September 2013 to September 2017	September 2013 to March 2023
	7,281,203	–	–	–	–	**7,281,203**	10.2729	9.7213	4 June 2013	September 2013 to September 2017	September 2013 to June 2023
Non-Executive Director											
Benny S. Santoso	1,066,177	–	–	(1,066,177)	–	**–**	4.9457	4.9363	–	–	–
	715,748	–	–	–	–	**715,748**	10.2299	10.4450	22 March 2013	September 2013 to September 2017	September 2013 to March 2023
	1,097,139	–	–	–	–	**1,097,139**	10.2729	9.7213	4 June 2013	September 2013 to September 2017	September 2013 to June 2023
	715,748	–	–	–	–	**715,748**	10.2299	7.72	29 August 2013	September 2013 to September 2017	September 2013 to August 2023
	1,339,600	–	–			**1,339,600**	4.972	4.950	15 April 2016	April 2017 to April 2019	April 2017 to April 2022
Independent Non-Executive Directors											
Prof. Edward K.Y. Chen, *GBS, CBE, JP*	3,405,651	–	–	(3,405,651)	–	**–**	4.9457	4.9363	–	–	–
	1,097,139	–	–	–	–	**1,097,139**	10.2729	9.7213	4 June 2013	September 2013 to September 2017	September 2013 to June 2023
Margaret Leung Ko May Yee, *SBS, JP*	715,748	–	–	–	–	**715,748**	10.2299	10.4450	22 March 2013	March 2015 to March 2018	March 2015 to March 2023
	1,097,139	–	–	–	–	**1,097,139**	10.2729	9.7213	4 June 2013	March 2015 to March 2018	March 2015 to June 2023
Philip Fan Yan Hok	715,748	–	–	–	–	**715,748**	10.2299	10.4450	22 March 2013	March 2015 to March 2018	March 2015 to March 2023
	1,097,139	–	–	–	–	**1,097,139**	10.2729	9.7213	4 June 2013	March 2015 to March 2018	March 2015 to June 2023
Senior Executives	26,996,857	–		(26,996,857)	–	**–**	4.9457	4.9363	–	–	–
	3,242,137	–		–	–	**3,242,137**	5.1932	5.2127	18 June 2010	June 2012 to June 2015	June 2012 to June 2020
	14,212,710	–	5,112,486	–	(1,431,496)	**17,893,700**	10.2299	10.4450	22 March 2013	September 2013 to September 2017	September 2013 to March 2023
	28,428,490	–	10,348,694	–	(1,097,139)	**37,680,045**	10.2729	9.7213	4 June 2013	September 2013 to September 2017	September 2013 to June 2023
	–	–	5,112,486	–	–	**5,112,486**	10.2299	7.72	29 August 2013	September 2013 to September 2017	September 2013 to August 2023
	14,638,000	–	–	–	–	**14,638,000**	10.2514	7.72	29 August 2013	July 2015 to July 2018	July 2015 to August 2023
	7,538,000	–	–	–	–	**7,538,000**	10.2514	9.24	15 July 2014	February 2016 to February 2019	February 2016 to July 2024
	1,184,750	–	–	–	–	**1,184,750**	4.972	4.950	15 April 2016	April 2017 to April 2019	April 2017 to April 2022
	–	403,025	–	–	–	**403,025**	6.092	5.98	7 June 2017	June 2018 to June 2019	June 2018 to April 2022
Total	182,734,926	403,025	–	(60,173,618)(iii)	(2,528,635)	**120,435,698**(iv)					

(i) Adjusted for the effect of the Company's rights issue completed in July 2013 for the prices prior to the trading of the Company's shares on an ex-rights basis on 6 June 2013 and the Company's rights issue completed in December 2009 for the prices prior to the trading of the Company's shares on an ex-rights basis on 29 October 2009.

(ii) Mr. Edward A. Tortorici resigned from the Board of Directors with effect from 30 August 2017 and his outstanding share options were reclassified under "Senior Executives".

(iii) The weighted average closing prices of the Company's shares immediately before and at the dates on which these share options were exercised were HK$5.85 and HK$5.85, respectively.

(iv) The number of outstanding share options vested and exercisable at 31 December 2017 was 111,681,761. These share options have a weighted average exercise price of HK$10.07.

(v) The vesting periods of the share options are as follows:
- (a) For the 2010 grant, the share options would be vested in four tranches (40% from the second year after the share options are granted and 20% each from the third to the fifth years after grant).
- (b) For the 2013 grants, the share options would be vested in five equal tranches in September 2013, September 2014, September 2015, September 2016 and September 2017, except for new recruits (Independent Non-executive Directors: 40% in March 2015 and 20% each in March 2016, March 2017 and March 2018; Senior executives: 40% in July 2015 and 20% each in July 2016, July 2017 and July 2018).
- (c) For the 2014 grant, the share options would be vested in four tranches (40% in February 2016 and 20% each in February 2017, February 2018 and February 2019).
- (d) For the 2016 grant, the share options would be vested in three equal tranches from the first to the third years after the share options are granted.
- (e) For the 2017 grant, the share options would be vested in two equal tranches in the first and the second years after the share options are granted.

	Share options held at 1 January 2016	Share options granted during the year	Reclassification[ii]	Share options exercised during the year	Share options cancelled during the year	Share options held at 31 December 2016	Share options exercise price per share[i] (HK$)	Market price per share immediately before the date of grant[i] (HK$)	Grant date	Vesting period[v]	Exercisable period
Executive Directors											
Manuel V. Pangilinan	18,000,000	–	–	(3,000,000)	–	15,000,000	4.9457	4.9363	5 September 2007	September 2008 to September 2012	September 2008 to September 2017
	10,224,972	–	–	–	–	10,224,972	10.2299	10.4450	22 March 2013	September 2013 to September 2017	September 2013 to March 2023
Edward A. Tortorici	5,112,486	–	–	–	–	5,112,486	10.2299	10.4450	22 March 2013	September 2013 to September 2017	September 2013 to March 2023
	10,348,694	–	–	–	–	10,348,694	10.2729	9.7213	4 June 2013	September 2013 to September 2017	September 2013 to June 2023
	5,112,486	–	–	–	–	5,112,486	10.2299	7.72	29 August 2013	September 2013 to September 2017	September 2013 to August 2023
Robert C. Nicholson	13,704,933	–	–	–	–	13,704,933	4.9457	4.9363	5 September 2007	September 2008 to September 2012	September 2008 to September 2017
	6,646,232	–	–	–	–	6,646,232	10.2299	10.4450	22 March 2013	September 2013 to September 2017	September 2013 to March 2023
	7,281,203	–	–	–	–	7,281,203	10.2729	9.7213	4 June 2013	September 2013 to September 2017	September 2013 to June 2023
Non-Executive Directors											
Benny S. Santoso	1,066,177	–	–	–	–	1,066,177	4.9457	4.9363	5 September 2007	September 2008	September 2008 to September 2017
	715,748	–	–	–	–	715,748	10.2299	10.4450	22 March 2013	September 2013 to September 2017	September 2013 to March 2023
	1,097,139	–	–	–	–	1,097,139	10.2729	9.7213	4 June 2013	September 2013 to September 2017	September 2013 to June 2023
	715,748	–	–	–	–	715,748	10.2299	7.72	29 August 2013	September 2013 to September 2017	September 2013 to August 2023
	–	1,339,600				1,339,600	4.972	4.950	15 April 2016	April 2017 to April 2019	April 2017 to April 2022
Napoleon L. Nazareno[ii]	3,404,916	–	(3,404,916)	–	–	–	4.9457	4.5575	–	–	–
	1,097,139	–	(1,097,139)	–	–	–	10.2729	9.7213	–	–	–
Independent Non-Executive Directors											
Prof. Edward K.Y. Chen, *GBS, CBE, JP*	3,405,651	–	–	–	–	3,405,651	4.9457	4.9363	5 September 2007	September 2008	September 2008 to September 2017
	1,097,139	–	–	–	–	1,097,139	10.2729	9.7213	4 June 2013	September 2013 to September 2017	September 2013 to June 2023
Margaret Leung Ko May Yee, *SBS, JP*	715,748	–	–	–	–	715,748	10.2299	10.4450	22 March 2013	March 2015 to March 2018	March 2015 to March 2023
	1,097,139	–	–	–	–	1,097,139	10.2729	9.7213	4 June 2013	March 2015 to March 2018	March 2015 to June 2023
Philip Fan Yan Hok	715,748	–	–	–	–	715,748	10.2299	10.4450	22 March 2013	March 2015 to March 2018	March 2015 to March 2023
	1,097,139	–	–	–	–	1,097,139	10.2729	9.7213	4 June 2013	March 2015 to March 2018	March 2015 to June 2023
Senior Executives	36,803,889	–	–	(2,224,000)	(7,583,032)	26,996,857	4.9457	4.9363	5 September 2007	September 2008 to September 2012	September 2008 to September 2017
	–		3,404,916	(3,404,916)	–	–	4.9457	4.5575	–	–	–
	3,542,137	–	–	(300,000)	–	3,242,137	5.1932	5.2127	18 June 2010	June 2012 to June 2015	June 2012 to June 2020
	17,075,702	–	–	–	(2,862,992)	14,212,710	10.2299	10.4450	22 March 2013	September 2013 to September 2017	September 2013 to March 2023
	33,019,503	–	1,097,139	–	(5,688,152)	28,428,490	10.2729	9.7213	4 June 2013	September 2013 to September 2017	September 2013 to June 2023
	14,638,000	–	–	–		14,638,000	10.2514	7.72	29 August 2013	July 2015 to July 2018	July 2015 to August 2023
	7,538,000	–	–	–	–	7,538,000	10.2514	9.24	15 July 2014	February 2016 to February 2019	February 2016 to July 2024
	–	1,184,750	–	–	–	1,184,750	4.972	4.950	15 April 2016	April 2017 to April 2019	April 2017 to April 2022
Total	205,273,668	2,524,350	–	(8,928,916)[iii]	(16,134,176)	182,734,926[iv]					

(i) Adjusted for the effect of the Company's rights issue completed in July 2013 for the prices prior to the trading of the Company's shares on an ex-rights basis on 6 June 2013 and the Company's rights issue completed in December 2009 for the prices prior to the trading of the Company's shares on an ex-rights basis on 29 October 2009.

(ii) Mr. Napoleon L. Nazareno resigned from the Board of Directors with effect from 30 June 2016 and his outstanding share options were reclassified under "Senior Executives".

(iii) The weighted average closing prices of the Company's shares immediately before and at the dates on which these share options were exercised were HK$5.43 and HK$5.45, respectively.

(iv) The number of outstanding share options vested and exercisable at 31 December 2016 was 150,183,591. These share options have a weighted average exercise price of HK$8.02.

(v) The vesting periods of the share options are as follows:
- (a) For the 2007 grant, the share options would be vested in five equal tranches from the first to the fifth years after the share options are granted, except for Non-executive Director and Independent Non-executive Director (fully vested from the first year after grant).
- (b) For the 2010 grant, the share options would be vested in four tranches (40% from the second year after the share options are granted and 20% each from the third to the fifth years after grant).
- (c) For the 2013 grants, the share options would be vested in five equal tranches in September 2013, September 2014, September 2015, September 2016 and September 2017, except for new recruits (Independent Non-executive Directors: 40% in March 2015 and 20% each in March 2016, March 2017 and March 2018; Senior executives: 40% in July 2015 and 20% each in July 2016, July 2017 and July 2018).
- (d) For the 2014 grant, the share options would be vested in four tranches (40% in February 2016 and 20% each in February 2017, February 2018 and February 2019).
- (e) For the 2016 grant, the share options would be vested in three equal tranches from the first to the third years after the share options are granted.

At the AGM held on 24 May 2004, the Company's shareholders approved a share option scheme (the Scheme) under which the Directors may, at their discretion, at any time during the life of the Scheme, grant Directors and executives of the Company's share options as part of the Company's long-term incentive program. The Scheme, which complies with the provisions set out in Chapter 17 of the Listing Rules, became effective on 24 May 2004. The Scheme was valid for 10 years and expired on 23 May 2014.

The maximum number of shares on which options may be granted may not exceed 10% of the Company's issued share capital as at the date of approval of the Scheme by the shareholders, which equaled to 318,599,300 shares. The maximum number of shares in respect of which options may be granted under the Scheme to any one participant in any 12-month period is limited to 1% of the aggregate number of shares of the Company in issue at the time of the proposed grant of options to such participant.

The exercise price in relation to each share option offer shall be determined by the Directors at their absolute discretion, but in any event shall not be less than the highest of (i) the closing price of the Company's shares as stated in the daily quotation sheet of the SEHK on the date of grant; (ii) the average of the closing prices of the Company's shares as stated in the daily quotation sheets of the SEHK for the five trading days immediately preceding the date of grant; and (iii) the nominal value of the Company's share on the date of grant. The terms of the Scheme provide that subject to any other restrictions on vesting imposed by the Directors, share options may be exercised under the Scheme at any time from the date of acceptance until the date of expiry. All options presently outstanding under the Scheme are subject to certain restrictions on exercise including a prohibition on exercise for a certain period after the date on which any option is accepted. Share options vest progressively over the vesting period, provided that the relevant grantee remains employed by the Group. Options which lapse or are cancelled prior to their expiry date are deleted from the register of options. After the adoption of the new share option scheme in 2012, no further share options will be granted pursuant to the Scheme before it expires or is terminated.

On 5 September 2007, 121,920,000 share options under the Company's Scheme were granted. The average fair value of options granted as calculated by Watson Wyatt Hong Kong Limited, based on the binomial model, was HK$2.596 each or an aggregate value of US$40.6 million for all options granted. The assumptions used were as follows:

Share price at the date of grant (before adjusting for the effect of the Company's 2009 and 2013 rights issues)	HK$5.33 per share[(i)]
Exercise price (before adjusting for the effect of the Company's 2009 and 2013 rights issues)	HK$5.33 per share[(i)]
Expected volatility (based on historical volatility of the Company's shares commensurate with the average expected life of the options granted)	45%
Option life	10 years
Expected dividend yield	1% per annum
Average risk-free interest rate (based on the Hong Kong Exchange Fund Notes)	4.40% per annum

Taking into account the expected turnover rate of the Directors and senior executives and the early exercise behavior, the average expected life of the options granted was estimated to be around 7.6 years. The early exercise behavior assumes that option holders will exercise the options when the share price is at least 150% higher than the exercise price. No other feature of the option granted was incorporated into the measurement of fair value.

(i) HK$4.9457 after adjusting for the effect of the Company's rights issues in 2009 and 2013

On 18 June 2010, 5,400,000 share options under the Company's Scheme were granted. The average fair value of options granted as calculated by Towers Watson Hong Kong Limited, based on the binomial model, was HK$2.28 each or an aggregate value of US$1.6 million for all options granted. The assumptions used were as follows:

Share price at the date of grant (before adjusting for the effect of the Company's 2013 rights issue)	HK$5.31 per share(ii)
Exercise price (before adjusting for the effect of the Company's 2013 rights issue)	HK$5.31 per share(ii)
Expected volatility (based on historical volatility of the Company's shares commensurate with the average expected life of the options granted)	45%
Option life	10 years
Expected dividend yield	2% per annum
Average risk-free interest rate (based on the Hong Kong Exchange Fund Notes)	2.3% per annum

Taking into account the expected turnover rate of the senior executives and the early exercise behavior, the average expected life of the options granted was estimated to be around 8 years. The early exercise behavior assumes that option holders will exercise the options when the share price is at least 250% higher than the exercise price. No other feature of the option granted was incorporated into the measurement of fair value.

(ii) HK$5.1932 after adjusting for the effect of the Company's rights issue in 2013

At the AGM held on 31 May 2012, the Company's shareholders approved a new share option scheme (the New Scheme) under which the Directors may, at their discretion, at any time during the life of the New Scheme, grant Directors and executives of the Company's share options as part of the Company's long-term incentive program. The New Scheme, which complies with the provisions set out in Chapter 17 of the Listing Rules, became effective on 31 May 2012. The New Scheme will be valid for 10 years and will expire on 30 May 2022.

The maximum number of shares on which options may be granted may not exceed 10% of the Company's issued share capital as at the date of approval of the New Scheme by the shareholders, which equaled to 382,827,354 shares. The maximum number of shares in respect of which options may be granted under the New Scheme to any one participant in any 12-month period is limited to 1% of the aggregate number of shares of the Company in issue at the time of the proposed grant of options to such participant.

The exercise price in relation to each share option offer shall be determined by the Directors at their absolute discretion, but in any event shall not be less than the highest of (i) the closing price of the Company's shares as stated in the daily quotation sheet of the SEHK on the date of grant; (ii) the average of the closing prices of the Company's shares as stated in the daily quotation sheets of the SEHK for the five trading days immediately preceding the date of grant; and (iii) the nominal value of the Company's share on the date of grant. The terms of the New Scheme provide that subject to any other restrictions on vesting imposed by the Directors, share options may be exercised under the New Scheme at any time from the date of acceptance until the date of expiry. Any options granted under the New Scheme are subject to certain restrictions on exercise including a prohibition on exercise for a certain period after the date on which any option is accepted. Share options vest progressively over the vesting period, provided that the relevant grantee remains employed by the Group. Options which lapse or are cancelled prior to their expiry date are deleted from the register of options.

On 22 March 2013, 40,300,000 share options under the Company's New Scheme were granted. The average fair value of options granted as calculated by Towers Watson Hong Kong Limited, based on the binomial model, was HK$3.04 each or an aggregate value of US$15.7 million for all options granted. The assumptions used were as follows:

Share price at the date of grant (before adjusting for the effect of the Company's 2013 rights issue)	HK$10.46 per share[iii]
Exercise price (before adjusting for the effect of the Company's 2013 rights issue)	HK$10.46 per share[iii]
Expected volatility (based on historical volatility of the Company's shares commensurate with the average expected life of the options granted)	38%
Option life	10 years
Expected dividend yield	2.7% per annum
Average risk-free interest rate (based on the Hong Kong Exchange Fund Notes)	0.7% per annum

Taking into account the expected turnover rate of the Directors and senior executives and the early exercise behavior, the average expected life of the options granted was estimated to be around 6.6 years. The early exercise behavior assumes that option holders will exercise the options when the share price is at least 150% higher than the exercise price. No other feature of the option granted was incorporated into the measurement of fair value.

On 4 June 2013, 54,900,000 share options under the Company's New Scheme were granted. The average fair value of options granted as calculated by Towers Watson Hong Kong Limited, based on the binomial model, was HK$2.94 each or an aggregate value of US$20.7 million for all options granted. The assumptions used were as follows:

Share price at the date of grant (before adjusting for the effect of the Company's 2013 rights issue)	HK$10.22 per share[iv]
Exercise price (before adjusting for the effect of the Company's 2013 rights issue)	HK$10.504 per share[v]
Expected volatility (based on historical volatility of the Company's shares commensurate with the average expected life of the options granted)	38%
Option life	10 years
Expected dividend yield	2.7% per annum
Average risk-free interest rate (based on the Hong Kong Exchange Fund Notes)	1.0% per annum

Taking into account the expected turnover rate of the Directors and senior executives and the early exercise behavior, the average expected life of the options granted was estimated to be around 6.6 years. The early exercise behavior assumes that option holders will exercise the options when the share price is at least 150% higher than the exercise price. No other feature of the option granted was incorporated into the measurement of fair value.

(iii) HK$10.2299 after adjusting for the effect of the Company's rights issue in 2013
(iv) HK$9.9951 after adjusting for the effect of the Company's rights issue in 2013
(v) HK$10.2729 after adjusting for the effect of the Company's rights issue in 2013

On 29 August 2013, 5,828,234 share options under the Company's New Scheme were granted. The average fair value of options granted as calculated by Towers Watson Hong Kong Limited, based on the binomial model, was HK$2.22 each or an aggregate value of US$1.7 million for all options granted. The assumptions used were as follows:

Share price at the date of grant	HK$8.11 per share
Exercise price	HK$10.2299 per share
Expected volatility (based on historical volatility of the Company's shares commensurate with the average expected life of the options granted)	38%
Option life	10 years
Expected dividend yield	2.7% per annum
Average risk-free interest rate (based on the Hong Kong Exchange Fund Notes)	1.9% per annum

Taking into account the expected turnover rate of the Directors and the early exercise behavior, the average expected life of the options granted was estimated to be around 7.3 years. The early exercise behavior assumes that option holders will exercise the options when the share price is at least 150% higher than the exercise price. No other feature of the option granted was incorporated into the measurement of fair value.

On 29 August 2013, 17,178,000 share options under the Company's New Scheme were granted. The average fair value of options granted as calculated by Towers Watson Hong Kong Limited, based on the binomial model, was HK$2.36 each or an aggregate value of US$5.2 million for all options granted. The assumptions used were as follows:

Share price at the date of grant	HK$8.11 per share
Exercise price	HK$10.2514 per share
Expected volatility (based on historical volatility of the Company's shares commensurate with the average expected life of the options granted)	38%
Option life	10 years
Expected dividend yield	2.7% per annum
Average risk-free interest rate (based on the Hong Kong Exchange Fund Notes)	1.9% per annum

Taking into account the expected turnover rate of the senior executives and the early exercise behavior, the average expected life of the options granted was estimated to be around 7.3 years. The early exercise behavior assumes that option holders will exercise the options when the share price is at least 150% higher than the exercise price. No other feature of the option granted was incorporated into the measurement of fair value.

On 15 July 2014, 7,538,000 share options under the Company's New Scheme were granted. The average fair value of options granted as calculated by Towers Watson Hong Kong Limited, based on the binomial model, was HK$2.49 each or an aggregate value of US$2.4 million for all options granted. The assumptions used were as follows:

Share price at the date of grant	HK$9.23 per share
Exercise price	HK$10.2514 per share
Expected volatility (based on historical volatility of the Company's shares commensurate with the average expected life of the options granted)	37%
Option life	10 years
Expected dividend yield	2.7% per annum
Average risk-free interest rate (based on the Hong Kong Exchange Fund Notes)	1.7% per annum

Taking into account the expected turnover rate of the senior executives and the early exercise behavior, the average expected life of the options granted was estimated to be around 7.0 years. The early exercise behavior assumes that option holders will exercise the options when the share price is at least 150% higher than the exercise price. No other feature of the option granted was incorporated into the measurement of fair value.

On 15 April 2016, 2,524,350 share options under a share option scheme (the Scheme) approved by the shareholders of the Company (at the Company's annual general meeting held on 31 May 2012) were granted. The average fair value of options granted as calculated by Towers Watson Hong Kong Limited, based on the binomial model, was HK$1.05 each or an aggregate value of US$0.3 million for all options granted. The assumptions used were as follows:

Share price at the date of grant	HK$4.95 per share
Exercise price	HK$4.972 per share
Expected volatility (based on historical volatility of the Company's shares commensurate with the average expected life of the options granted)	29%
Option life	6 years
Expected dividend yield	2.4% per annum
Average risk-free interest rate (based on the Hong Kong Exchange Fund Notes)	1.0% per annum

Taking into account the expected turnover rate of the senior executives and the early exercise behavior, the average expected life of the options granted was estimated to be around 5 years. The early exercise behavior assumes that option holders will exercise the options when the share price is at least 150% higher than the exercise price. No other feature of the option granted was incorporated into the measurement of fair value.

On 7 June 2017, 403,025 share options under a share option scheme (the Scheme) approved by the shareholders of the Company (at the Company's annual general meeting held on 31 May 2012) were granted. The average fair value of options granted as calculated by Towers Watson Hong Kong Limited, based on the binomial model, was HK$1.03 each or an aggregate value of US$0.1 million for all options granted. The assumptions used were as follows:

Share price at the date of grant	HK$5.98 per share
Exercise price	HK$6.092 per share
Expected volatility (based on historical volatility of the Company's shares commensurate with the average expected life of the options granted)	26%
Option life	4.85 years
Expected dividend yield	2.4% per annum
Average risk-free interest rate (based on the Hong Kong Exchange Fund Notes)	0.8% per annum

Taking into account the expected turnover rate of the senior executives and the early exercise behavior, the average expected life of the options granted was estimated to be around 4 years. The early exercise behavior assumes that option holders will exercise the options when the share price is at least 150% higher than the exercise price. No other feature of the options granted was incorporated into the measurement of fair value.

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

At the date of approval of the Consolidated Financial Statements, the Company had 119,292,546 share options outstanding under the Company's share option schemes, which represented approximately 2.7% of the Company's shares in issue as at that date.

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

(b) Particulars of MPIC's Share Option Scheme

	Share options held at 1 January 2017	Reclassification[i]	Share options exercised during the year	**Share options held at 31 December 2017**	Share option exercise price per share (Peso)	Market price per share immediately before the date of grant (Peso)	Grant date	Vesting period[iv]	Exercisable period
Executive Directors									
Manuel V. Pangilinan	2,000,000	–	(2,000,000)	**–**	4.60	4.59	–	–	–
Edward A. Tortorici	5,000,000	(5,000,000)	–	**–**	4.60	4.59	–	–	–
Robert C. Nicholson	5,000,000	–	–	**5,000,000**	4.60	4.59	14 October 2013	October 2014 to October 2015	October 2014 to October 2018
Senior Executives	64,525,000	5,000,000	(4,700,000)	**64,825,000**	4.60	4.59	14 October 2013	October 2014 to October 2015	October 2014 to October 2018
Total	76,525,000	–	(6,700,000)[ii]	**69,825,000**[iii]					

(i) Mr. Edward A. Tortorici resigned from the Board of Directors with effect from 30 August 2017 and his outstanding share options were reclassified under "Senior Executives".
(ii) The weighted average closing prices of MPIC's shares immediately before and at the dates on which these share options were exercised were Pesos 6.56 and Pesos 6.51 respectively.
(iii) The number of outstanding share options vested and exercisable at 31 December 2017 was 69,825,000. These share options have a weighted average exercise price of Pesos 4.60.
(iv) For the 2013 grant, the share options would be vested in two equal tranches in the first and the second years after the share options are granted.

	Share options held at 1 January 2016	Share options exercised during the year	Share options held at 31 December 2016	Share option exercise price per share (Peso)	Market price per share immediately before the date of grant (Peso)	Grant date	Vesting period[iii]	Exercisable period
Executive Directors								
Manuel V. Pangilinan	6,250,000	(4,250,000)	2,000,000	4.60	4.59	14 October 2013	October 2014 to October 2015	October 2014 to October 2018
Edward A. Tortorici	5,000,000	–	5,000,000	4.60	4.59	14 October 2013	October 2014 to October 2015	October 2014 to October 2018
Robert C. Nicholson	5,000,000	–	5,000,000	4.60	4.59	14 October 2013	October 2014 to October 2015	October 2014 to October 2018
Senior Executives	102,750,000	(38,225,000)	64,525,000	4.60	4.59	14 October 2013	October 2014 to October 2015	October 2014 to October 2018
Total	119,000,000	(42,475,000)[i]	76,525,000[ii]					

(i) The weighted average closing prices of MPIC's shares immediately before and at the dates on which these share options were exercised were Pesos 6.20 and Pesos 6.20, respectively.
(ii) The number of outstanding share options vested and exercisable at 31 December 2016 was 76,525,000. These share options have a weighted average exercise price of Pesos 4.60.
(iii) For the 2013 grant, the share options would be vested in two equal tranches in the first and the second year after the share options are granted.

At the AGM held on 1 June 2007, the Company's shareholders approved a share option scheme under which MPIC's directors may, at their discretion, invite executives of MPIC upon the regularization of employment of eligible executives, to take up share options of MPIC to obtain an ownership interest in MPIC and for the purpose of long-term employment motivation. The scheme was subsequently approved by MPIC's shareholders and became effective on 14 June 2007 and would be valid for 10 years. At a special shareholders' meeting of MPIC held on 20 February 2009, MPIC's shareholders approved the amendments to MPIC's share option scheme which include (i) a refreshment of the number of MPIC options that may be granted to take into account the increase in the capital stock of MPIC or other changes to its capital structure which have either been approved by the shareholders, implemented, in progress, or which may potentially be approved or implemented in the future; and (ii) the inclusion in MPIC's share option plan of a requirement for MPIC to comply with the relevant corporate requirements and regulations applicable to MPIC's parent company. The amendments and the maximum number of MPIC's share options of 941,676,681 (representing 10% of MPIC's shares in issue at the date of approval of the proposed refreshment) were subsequently approved by the Company's shareholders in the AGM held on 3 June 2009.

The maximum number of shares on which options may be granted under the scheme may not exceed 10% of the issued share capital of MPIC at 1 June 2007 (subsequently refreshed to a maximum number of 941,676,681 during 2009 as mentioned above), the date on which the MPIC's share option scheme was approved by the Company's shareholders at the AGM held on 1 June 2007. The aggregate number of shares which may be issued upon exercise of the options granted and to be granted to any eligible participant (whether or not already an option holder) in any 12-month period shall not exceed 1% of the shares in issue at the relevant time.

The exercise price in relation to each option granted under the scheme shall be determined by MPIC's directors at their absolute discretion, but in any event shall not be less than (i) the closing price of MPIC's shares for one or more board lots of such MPIC's shares on the PSE on the option grant date; (ii) the average closing price of MPIC's shares for one or more board lots of such MPIC's shares on the PSE for the five business days on which dealings in the MPIC's shares are made immediately preceding the option grant date; or (iii) the par value of the MPIC's shares, whichever is the highest.

On 14 October 2013, 120,000,000 share options under MPIC's scheme were granted. The average fair value of options granted, as calculated based on the Black-Scholes-Merton formula, was Peso 0.76 each or an aggregate value of Pesos 91.4 million (US$2.1 million) for all options granted. The assumptions used were as follows:

Share price at the date of grant	Pesos 4.59 per share
Exercise price	Pesos 4.60 per share
Expected volatility (based on historical volatility of MPIC's shares commensurate with the average expected life of the options granted)	34%
Option life	5 years
Expected dividend yield	0.76%
Average risk-free interest rate (based on the Philippine government zero coupon bond)	1.53% per annum

(c) Particulars of RHI's Share Option Scheme

	Share options held at 1 January 2017	Share options exercised during the year	Share options forfeited during the year	**Share options held at 31 December 2017**	Share option exercised price per share (Peso)	Market price per share immediately before the date of grant (Peso)	Grant date	Vesting period[iii]	Exercisable period
Executive Director									
Manuel V. Pangilinan	500,000	–	–	**500,000**	5.32	7.09	30 April 2014	April 2015 to April 2019	April 2015 to April 2019
Senior Executives	15,101,376	(156,985)	(106,721)	**14,837,670**	2.49	2.66	29 July 2013	July 2014 to July 2018	July 2014 to July 2018
	23,960,832	–	(3,059,432)	**20,901,400**	5.32	7.09	30 April 2014	April 2015 to April 2019	April 2015 to April 2019
Total	39,562,208	(156,985)[i]	(3,166,153)	**36,239,070**[ii]					

(i) The weighted average closing prices of RHI's shares immediately before and at the dates on which these share options were exercised were Peso 5.10 and Peso 5.00 respectively.
(ii) The number of outstanding share options vested and exercisable at 31 December 2017 was 26,593,107. These share options have a weighted average exercise price of Pesos 3.89.
(iii) The share options would be vested in five equal tranches from the first to the fifth years after the share options are granted.

	Share options held at 1 January 2016	Share options exercised during the year	Share options forfeited during the year	Share options held at 31 December 2016	Share option exercised price per share (Peso)	Market price per share immediately before the date of grant (Peso)	Grant date	Vesting period[iii]	Exercisable period
Executive Director									
Manuel V. Pangilinan	500,000	–	–	500,000	5.32	7.09	30 April 2014	April 2015 to April 2019	April 2015 to April 2019
Senior Executives	20,918,717	(3,231,508)	(2,585,833)	15,101,376	2.49	2.66	29 July 2013	July 2014 to July 2018	July 2014 to July 2018
	2,646,729	–	(2,646,729)	–	2.49	5.31	–	–	–
	34,490,274	(317,303)	(10,212,139)	23,960,832	5.32	7.09	30 April 2014	April 2015 to April 2019	April 2015 to April 2019
Total	58,555,720	(3,548,811)[i]	(15,444,701)	39,562,208[ii]					

(i) The weighted average closing prices of RHI's shares immediately before and at the dates on which these share options were exercised were Pesos 4.65 and Pesos 4.65, respectively.

(ii) The number of outstanding share options vested and exercisable at 31 December 2016 was 15,440,891. The share options have a weighted average exercise price of Pesos 3.65.

(iii) The vesting period of the share options is as follows:
- (a) For the 2013 grant, the share options would be vested in five equal tranches from the first to the fifth year after the share options are granted.
- (b) For the 2014 grant, the share options would be vested in five equal tranches from the first to the fifth year after the share options are granted.

The RHI employee share option schemes were approved on 8 May 2013 and 16 January 2014 as long-term incentive plans for the employees of RHI and its subsidiary companies based on individual performance.

On 29 July 2013, 24,621,494 share options under RHI's scheme were granted. The average fair value of options granted, as calculated based on the Black-Scholes-Merton formula, was Peso 0.90 each or an aggregate value of Pesos 22.2 million (US$0.5 million) for all options granted. The assumptions used were as follows:

Share price at the date of grant	Pesos 2.80 per share
Exercise price	Pesos 2.49 per share
Expected volatility (based on historical volatility of RHI's shares commensurate with the average expected life of the options granted)	39%
Option life	5 years
Expected dividend yield	1.97%
Average risk-free interest rate (based on the Philippine Government zero coupon bonds)	3.23% per annum

On 30 April 2014, 38,808,567 share options under RHI's scheme were granted. The average fair value of options granted, as calculated based on the Black-Scholes-Merton formula, was Pesos 3.00 each or an aggregate value of Pesos 116.4 million (US$2.6 million) for all options granted. The assumptions used were as follows:

Share price at the date of grant	Pesos 6.90 per share
Exercise price	Pesos 5.32 per share
Expected volatility (based on historical volatility of RHI's shares commensurate with the average expected life of the options granted)	38%
Option life	5 years
Expected dividend yield	0.00%
Average risk-free interest rate (based on the Philippine Government zero coupon bonds)	3.22% per annum

(E) Restricted Stock Unit Plan

Particulars of MPIC's Restricted Stock Unit Plan

	Shares unvested at 31 December 2016 and 31 December 2017	Grant date	Vesting period(i)
Executive Directors			
Manuel V. Pangilinan	**2,500,000**	14 July 2016	December 2018
Robert C. Nicholson	**600,000**	14 July 2016	December 2018
Non-executive Director			
Ambassador Albert F. del Rosario	**600,000**	14 July 2016	December 2018
Senior Executives	**23,700,000**	14 July 2016	December 2018
Total	**27,400,000**		

(i) The awarded shares would be fully vested in December 2018.

On 14 July 2016, the Compensation Committee of MPIC approved a Restricted Stock Unit Plan (RSUP) as part of MPIC's LTIP. The RSUP, which has a validity period of 10 years, replaced MPIC's share option scheme, which will expire in October 2018.

The RSUP is designed, among others, to reward the directors and certain key officers of MPIC who contribute to its growth to stay with MPIC for the long term. Under the RSUP, which shall have a first cycle of three years starting 2016, MPIC will purchase its common shares at its cost from the open market and reserve those treasury shares for transferring to the eligible participants as determined by MPIC's Compensation Committee. Vested shares will be transferred at no cost to the eligible participants on full vesting date.

The RSUP also limits the aggregate number of shares that may be subject to award to no more than three percent of the outstanding common shares of MPIC. For the first 3-year cycle (i.e., 2016 to 2018) under the RSUP, a total of 27.4 million shares were granted. MPIC will purchase up to 27.4 million common shares at such time and under such terms and conditions as MPIC's Compensation Committee may determine. In September 2016, MPIC purchased 24.0 million of its common shares at a total cost of Pesos 167 million (US$3.5 million) for this purpose.

The value of the share award was determined based on its fair value of Pesos 7.15 per share on the date of grant.

38. Related Party Transactions

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

(A) On 22 December 2017, ICBP, a subsidiary company of Indofood, entered into a conditional sale and purchase agreement with Asahi Group Holdings Limited (Asahi) in relation to the acquisition of Asahi's entire 51% interest in AIBM and 49% interest in IASB at a total consideration of US$20.0 million. ICBP will also acquire Asahi's shareholder's loans to AIBM and IASB and release Asahi from all the bank guarantees. The transaction is expected to be completed in 2018.

(B) On 21 June 2017, Indofood agreed to sell a plot of land to PT Indoagri Daitocacao (Daitocacao), a 49.0%-owned associated company of PT Salim Ivomas Pratama Tbk (SIMP), a subsidiary company of Indofood, for a total consideration of Rupiah 53 billion (US$4.0 million) with reference to an independent valuation. The transaction was completed in July 2017.

(C) On 7 June 2017, PT Aston Inti Makmur (AIM), a subsidiary company of Indofood, agreed to acquire six plots of land from Mr. Anthoni Salim, the Chairman and a substantial shareholder of the Company, and PT Adithya Suramitra, a company wholly owned by Mr. Anthoni Salim, at a total consideration of Rupiah 2.2 trillion (US$165.1 million) with reference to an independent valuation. The transaction was completed in August 2017.

(D) In March 2013, Meralco PowerGen, through its wholly-owned subsidiary company, MPG Asia Limited, provided a loan of US$110.0 million to FPM Power. In June 2014, MPG Asia Limited provided an additional loan of US$3.5 million to FPM Power. The loans are unsecured, interest-free and have no fixed terms of repayment. The loans of US$113.5 million (2016: US$113.5 million) remained outstanding at 31 December 2017 and are included in the current portion of deferred liabilities, provisions and payables (Note 28).

(E) At 31 December 2017, Petronas Power Sdn. Bhd. (Petronas), the 30% shareholder of PLP, has outstanding loans due from PLP of approximately US$53.1 million (2016: US$117.3 million), which have been included in non-current portion of deferred liabilities, provisions and payables (Note 28). In December 2017, Petronas converted its S$ denominated shareholder's loan of S$105.3 million (US$76.6 million) into equity of PLP. The loans are unsecured, subject to a variable London Interbank Offered Rate for the portion denominated in U.S. dollars and Singapore Swap Offer Rate for the portion denominated in S$, which are payable semi-annually. The tenor for each loan shall be 10 years. For the year ended 31 December 2017, PLP accrued interest expenses of US$8.8 million (2016: US$8.3 million) to Petronas, which were compounded as part of the outstanding loans from Petronas. At 31 December 2017, PLP has approximately US$34,638 (2016: US$47,160) of outstanding interest payable due to Petronas which has been included in accounts payable, other payables and accruals.

(F) Asia Link B.V. (ALBV), a wholly-owned subsidiary company of the Company, has a technical assistance agreement with Smart, a wholly-owned subsidiary company of PLDT, for ALBV to provide Smart with technical support services and assistance in the operations and maintenance of cellular mobile telecommunications services for a period of four years from 23 February 2012, subject to renewal upon mutual agreement between the parties. The agreement expired on 23 February 2016 and was renewed for a period of two years to 23 February 2018. The agreement provides for payments of technical service fees equivalent to 0.4% (2016: 0.4%) of the consolidated net revenue of Smart.

For the year ended 31 December 2017, the fees under the above arrangement amounted to Pesos 190 million (US$3.8 million) (2016: Pesos 183 million or US$3.8 million). At 31 December 2017 and 2016, no technical service fee payable remained outstanding.

(G) In December 2014, ALBV entered into a subscription agreement with SMECI, a wholly-owned subsidiary company of Philex, in respect of the subscription for the convertible notes issued by SMECI with a principal amount of Pesos 5.04 billion (US$100.9 million) (out of the total Pesos 7.2 billion (US$144.2 million) convertible notes issued by SMECI), principally for financing capital expenditure of the Silangan project and repaying the advances from Philex. The convertible notes bear interest at a coupon rate of 1.5%, payable semi-annually every 18 June and 18 December and has a maturity of 8 years, with a one-time redemption option exercisable by SMECI on the first anniversary of the issuance of the notes (i.e., 18 December 2015). A redemption premium, payable at a rate of 3% per annum, retroactively from the issue date and compounded semi-annually, will apply if SMECI exercises the redemption option or upon the maturity of the convertible notes. SMECI did not exercise the one-time redemption option on 18 December 2015. During the year ended 31 December 2017, ALBV accrued interest income of US$4.6 million (2016: US$4.7 million) on these notes.

(H) First Pacific Investment Management Limited (FPIML, or formerly known as First Pacific Management Services Limited), a wholly-owned subsidiary company of the Company, has a service agreement with Goodman Fielder for FPIML to provide Goodman Fielder with management, advisory and financial services with effect from 17 March 2015 and subject to an annual review on the terms and conditions by the end of each reporting period between the parties.

For the year ended 31 December 2017, the fees under the above arrangement amounted to A$1.2 million (US$0.9 million) (2016: A$0.9 million (US$0.7 million)). At 31 December 2017, FPIML had outstanding service fees receivable of approximately A$0.1 million (US$0.1 million) (2016: A$0.2 million (US$0.1 million)) from Goodman Fielder which have been included in accounts receivable, other receivables and prepayments.

(I) On 27 June 2017, MPIC acquired from PCEV the remaining 25.0% interest in Beacon Electric's common and preferred shares at a consideration of Pesos 21.8 billion (US$435.6 million), of which Pesos 12.0 billion (US$239.8 million) was settled in cash upfront. The outstanding payable of Pesos 9.8 billion (US$195.8 million) will be settled in equal annual installments until June 2021. At 31 December 2017, the outstanding consideration payable due in June 2018 of Pesos 2.45 billion (US$49.1 million) (with a present value of US$48.0 million) was included in the current portion of deferred liabilities, provisions and payables (Note 28) and the remaining outstanding consideration due between June 2019 and June 2021 of Pesos 7.35 billion (US$147.2 million) (with a present value of US$129.4 million) was included in the non-current portion of deferred liabilities, provisions and payables (Note 28).

On 30 May 2016, MPIC acquired from PCEV, a subsidiary company of PLDT, a 25.0% interest in Beacon Electric's common shares and preferred shares at a total consideration of Pesos 26.2 billion (US$549.6 million), of which Pesos 17.0 billion (US$356.6 million) was settled in cash upfront and Pesos 2.0 billion (US$40.0 million) was settled in June 2017. The outstanding payable of Pesos 7.2 billion (US$144.2 million) will be settled in annual installments until June 2020. At 31 December 2017, the outstanding consideration payable due in June 2018 of Pesos 2.0 billion (US$40.1 million) (with a present value of US$39.5 million) was included in the current portion of deferred liabilities, provisions and payables (Note 28) and the remaining outstanding consideration due between June 2019 and June 2020 of Pesos 5.2 billion (US$104.1 million) (with a present value of US$94.6 million) was included in the non-current portion of deferred liabilities, provisions and payables (Note 28).

(J) In January 2017, the Company through a tender offer repurchased US$400,000 bonds due 2017 issued by FPMH Finance Limited from Mr. Robert C. Nicholson, a Director of the Company, at US$413,000. At 31 December 2017, Mr. Robert C. Nicholson did not own any (2016: US$400,000) bonds due 2017 issued by FPMH Finance Limited and owned bonds of US$600,000 (2016: US$600,000) due 2019 issued by FPC Finance Limited, bonds of US$200,000 (2016: US$200,000) due 2020 issued by FPT Finance Limited and bonds of US$400,000 (31 December 2016: Nil) due 2023 issued by FPC Treasury Limited, where all the issuers are wholly-owned subsidiary companies of the Company. For the year ended 31 December 2017, Mr. Nicholson earned interest income of US$67,712 (2016: US$78,250) on these bonds.

(K) For the period from 1 January 2017 to 30 August 2017, Mr. Edward A. Tortorici, who was a Director of the Company up till 30 August 2017, earned interest income of US$23,868 on the US$600,000 of bonds due 2019 issued by FPC Finance Limited, a wholly-owned subsidiary company of the Company. At 31 December 2016, Mr. Edward A. Tortorici owned US$600,000 of bonds due 2019 issued by FPC Finance Limited and earned interest income of US$36,000 on these bonds in 2016.

(L) In January 2017, the Company through a tender offer repurchased bonds of US$200,000 due 2020 issued by FPT Finance Limited from Ambassador Albert F. del Rosario, a Director of the Company, at US$218,000. At 31 December 2017, Ambassador Albert F. del Rosario owned bonds of US$200,000 (2016: US$200,000) due 2019 issued by FPC Finance Limited and did not own any (2016: US$200,000) bonds due 2020 issued by FPT Finance Limited, where both of the issuers are wholly-owned subsidiary companies of the Company. For the year ended 31 December 2017, Ambassador Albert F. del Rosario earned interest income of US$12,629 (For the period from 30 June 2016 to 31 December 2016: US$12,375) on these bonds.

(M) In the ordinary course of business, Indofood has engaged in trade transactions with certain of its associated companies, joint ventures and affiliated companies under certain framework agreements which are related to the Salim Family either through its control or joint control. Mr. Anthoni Salim is the Chairman and a substantial shareholder of the Company and is the President Director and Chief Executive Officer of Indofood.

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

Nature of Transactions

For the year ended 31 December US$ millions	**2017**	2016
Income Statement Items		
Sales of finished goods		
– to associated companies and joint ventures	**58.5**	58.8
– to affiliated companies	**493.1**	436.1
Purchases of raw materials and finished goods		
– from associated companies and joint ventures	**236.9**	204.5
Management and technical services fee income and royalty income		
– from associated companies and joint ventures	**3.0**	2.7
– from affiliated companies	**15.7**	10.5
Rental income		
– from associated companies and joint ventures	**0.2**	0.1
Outsourcing expenses		
– to affiliated companies	**19.5**	12.0
Insurance expenses		
– to affiliated companies	**11.1**	11.1
Rental expenses		
– to associated companies and joint ventures	**0.1**	0.1
– to affiliated companies	**3.3**	3.8
Transportation, pump services and employee expenses		
– to affiliated companies	**1.2**	0.9

Approximately 11% (2016: 10%) of Indofood's sales and 6% (2016: 6%) of its purchases were transacted with these related parties.

Nature of Balances

At 31 December US$ millions	**2017**	2016
Statement of Financial Position Items		
Accounts receivable – trade		
– from associated companies and joint ventures	**5.4**	8.1
– from affiliated companies	**75.7**	58.0
Accounts receivable – non-trade		
– from associated companies and joint ventures	**9.2**	8.6
– from affiliated companies	**19.1**	16.8
Accounts payable – trade		
– to associated companies and joint ventures	**47.1**	40.7
– to affiliated companies	**5.6**	1.9
Accounts payable – non-trade		
– to affiliated companies	**26.0**	40.4

Certain of the above Indofood's related party transactions also constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules and their details are disclosed in the Corporate Governance Report on pages 85 to 93.

(N) In January 2015, MPIC's subsidiary company, Maynilad renewed (i) the framework agreement with D.M. Consunji, Inc. ("Consunji"), a subsidiary company of DMCI Holdings, Inc. ("DMCI") (a 27.2% shareholder of Maynilad Water Holding Company, Inc. ("MWHC"), Maynilad's parent company) for the period from 13 January 2015 to 31 December 2017 on substantially the same terms as the previous framework agreement in relation to the provision of engineering, procurement and construction services by Consunji to Maynilad and (ii) the lease agreement with DMCI Project Developer, Inc. ("DMCIPD"), a subsidiary company of DMCI, for the renting of certain premises in Makati City by DMCIPD to Maynilad for the period from 1 February 2015 to 31 January 2018. The lease agreement was pre-terminated on 31 December 2016 with a penalty equivalent to one-month's rental of Pesos 0.4 million (US$8,489). For the year ended 31 December 2017, Maynilad entered into certain construction contracts with DMCI group for the latter's construction of water infrastructure for Maynilad.

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

Nature of Transactions

For the year ended 31 December US$ millions	**2017**	2016
Capital Expenditure Item		
Construction services for water infrastructure	**37.8**	27.0
Income Statement Item		
Rental expenses	**–**	0.1

(O) For the period from 1 January 2017 to 4 April 2017, MPIC's subsidiary company, NLEX Corporation, collected toll fees through TMC, an associated company of MPIC up to 4 April 2017 (Note 34(B)).

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

Nature of Transactions

For the year ended 31 December US$ millions	**2017**	2016
Income Statement Items		
Operator's fees	**9.0**[i]	42.0
Management income	**0.3**[i]	1.2

(i) Relates to the period from 1 January 2017 to 4 April 2017 when TMC was an associated company of the Group

At 31 December 2016, NLEX Corporation had accounts receivable of US$0.8 million due from TMC and accounts payable of US$6.8 million due to TMC.

(P) For the year ended 31 December 2017, MPIC, RHI and their subsidiary companies were charged for electricity expenses by Meralco, an associated company of the Group.

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

Nature of Transactions

For the year ended 31 December US$ millions	**2017**	2016
Income Statement Item		
Electricity expenses	**25.6**	21.8

Nature of Balances

At 31 December US$ millions	**2017**	2016
Statement of Financial Position Item		
Accounts payable – trade	**2.4**	0.8

(Q) For the period from 1 January 2017 to 27 June 2017, MPIC was entitled to dividend income on preferred shares from Beacon Electric, a joint venture of the Group up to 27 June 2017 (Note 34(B)). In March 2010, MPIC subscribed Pesos 8.0 billion (US$161.1 million) of Beacon Electric's preferred shares and extended non-interest-bearing cash advances to Beacon Electric of Pesos 756 million (US$15.2 million), for which Pesos 144 million (US$2.9 million) was repaid in 2016. In June 2012, MPIC acquired approximately Pesos 3.6 billion (US$71.7 million) of Beacon Electric's preferred shares from PCEV. In May 2016, MPIC subscribed Pesos 3.5 billion (US$70.4 million) of Beacon Electric's preferred shares and acquired Pesos 5.8 billion (US$116.7 million) (with a book value amount, which reflected the effect of discounting, of Pesos 5.5 billion or US$111.6 million) of Beacon Electric's preferred shares from PCEV. At 31 December 2016, MPIC had an investment in preferred shares issued by Beacon Electric of Pesos 20.6 billion (US$414.8 million) and amounts due from Beacon Electric of Pesos 612 million (US$12.3 million), which were included in associated companies and joint ventures in the consolidated statement of financial position.

In May 2017, Beacon Electric redeemed Pesos 3.5 billion (US$69.9 million) of its preferred shares issued to MPIC in May 2016 and repaid its amounts due to MPIC of Pesos 612 million (US$12.3 million). In June 2017, MPIC acquired Pesos 5.8 billion (US$114.9 million) (with a book value amount, which reflected the effect of discounting, of Pesos 5.5 billion or US$108.5 million) of Beacon Electric's preferred shares from PCEV. At 27 June 2017, MPIC had an investment in preferred shares issued by Beacon Electric of Pesos 22.6 billion (US$447.8 million), which was eliminated at consolidation level after Beacon Electric became a subsidiary company of the Group on that date (Note 34(B)).

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

Nature of Transactions

For the year ended 31 December US$ millions	**2017**	2016
Income Statement Item		
Preferred share dividend income	**50.4**[(i)]	25.5

(i) Relates to the period from 1 January 2017 to 27 June 2017 when Beacon Electric was a joint venture of the Group

Nature of Balances

At 31 December US$ millions	**2017**	2016
Statement of Financial Position Items		
Associated companies and joint ventures		
– Preferred shares, at cost	**–**	414.8
– Amounts due from associated companies and joint ventures	**–**	12.3

(R) For the year ended 31 December 2017, MPIC, RHI and their subsidiary companies had the following transactions with PLDT, an associated company of the Group.

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

Nature of Transactions

For the year ended 31 December US$ millions	**2017**	2016
Income Statement Items		
Income from advertising	**0.4**	0.9
Voice and data service expenses	**2.1**	1.6
Rental expenses	**0.3**	0.3

Nature of Balances

At 31 December US$ millions	**2017**	2016
Statement of Financial Position Items		
Accounts receivable – trade	**0.7**	0.9
Accounts payable – trade	**1.8**	1.5

(S) For the period from 1 January 2017 to 10 October 2017, NLEX Corporation had the following transaction with Easytrip Services Corporation (ESC), a joint venture of the Group up to 10 October 2017 (Note 34(B)).

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

Nature of Transactions

For the year ended 31 December US$ millions	**2017**	2016
Income Statement Item		
Service expenses	**1.1**(i)	1.5

(i) Relates to the period from 1 January 2017 to 10 October 2017 when ESC was a joint venture of the Group

At 31 December 2016, NLEX Corporation had accounts receivable of US$4.9 million due from ESC and accounts payable of US$1.8 million due to ESC.

(T) For the year ended 31 December 2017, MPIC and its subsidiary companies had the following transactions with Indra Philippines Inc. (Indra), an associated company of the Group.

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

Nature of Transactions

For the year ended 31 December US$ millions	**2017**	2016
Income Statement Item		
Service expenses	**5.1**	5.2

Nature of Balances

At 31 December US$ millions	**2017**	2016
Statement of Financial Position Item		
Accounts payable – trade	**0.5**	0.4

(U) At 31 December 2017, MPIC and its subsidiary companies had the following transactions with Landco Pacific Corporation, a joint venture of the Group.

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

Nature of Balances

At 31 December US$ millions	**2017**	2016
Statement of Financial Position Item		
Associated companies and joint ventures		
– Amounts due from associated companies and joint ventures	**16.6**	10.2

(V) At 31 December 2017, MPIC and its subsidiary companies had the following transactions with ATEC, an associated company of the Group.

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

Nature of Balances

At 31 December US$ millions	**2017**	2016
Statement of Financial Position Item		
Associated companies and joint ventures		
– Amounts due from associated companiess and joint ventures	**37.7**	–

(W) For period from 27 June 2017 to 31 December 2017, GBPC, which became a subsidiary company of the Group on 27 June 2017, sells electricity to Meralco, an associated company of the Group.

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

Nature of Transactions

For the year ended 31 December US$ millions	2017	2016
Income Statement Item		
Sales of electricity	**25.6**[(i)]	–

(i) Relates to the period from 27 June 2017 to 31 December 2017 when GBPC became a subsidiary company of the Group

Nature of Balances

At 31 December US$ millions	2017	2016
Statement of Financial Position Item		
Accounts receivable – trade	**10.4**	–

(X) Disclosures pursuant to Chapter 14A.72 of the Listing Rules:

(I) Related party transactions numbered (A), (C), (I), (M) and (N) are connected transactions, or continuing connected transactions, under Chapter 14A of the Listing Rules. The Company has complied with the disclosure requirements for such connected transactions, or continuing connected transactions, in accordance with Chapter 14A of the Listing Rules.

(II) Related party transactions numbered (D), (E), (F), (J), (K), (L), (P), (R) and (W) are connected transactions, or continuing connected transactions, under Chapter 14A of the Listing Rules, but are fully exempted from all disclosure requirements.

(III) Related party transactions numbered (B), (G), (H), (O), (Q), (S), (T), (U) and (V) are not connected transactions, or continuing connected transactions, under Chapter 14A of the Listing Rules.

39. Financial Instruments by Category and Fair Value Hierarchy

(A) Financial Instruments by Category

(a) Financial Assets

The following table summarizes the Group's financial assets at the end of the reporting period.

US$ million	2017 Loans and receivables	2017 Available-for-sale financial assets	2017 Financial assets at fair value	2017 Total	2016 Loans and receivables	2016 Available-for-sale financial assets	2016 Financial assets at fair value	2016 Total
Accounts and other receivables (Non-current)	**4.0**	**–**	**3.0**	**7.0**	6.0	–	4.6	10.6
Available-for-sale assets (Non-current)	**–**	**274.5[i]**	**–**	**274.5**	–	828.1[i]	–	828.1
Pledged deposits and restricted cash (Non-current)	**–**	**–**	**–**	**–**	17.9	–	–	17.9
Other non-current assets	**85.5**	**–**	**–**	**85.5**	79.2	–	–	79.2
Cash and cash equivalents and short-term deposits	**2,157.2**	**–**	**–**	**2,157.2**	1,691.9	–	–	1,691.9
Pledges deposits and restricted cash (Current)	**81.1**	**–**	**–**	**81.1**	60.6	–	–	60.6
Available-for-sale assets (Current)	**–**	**60.2**	**–**	**60.2**	–	39.9	–	39.9
Accounts and other receivables (Current)	**1,019.3**	**–**	**18.9**	**1,038.2**	757.0	–	32.3	789.3
Total	**3,347.1**	**334.7**	**21.9[ii]**	**3,703.7**	2,612.6	868.0	36.9[ii]	3,517.5

(i) Includes SMECI's convertible notes of US$100.9 million (2016: preferred shares issued by Beacon Electric of US$414.8 million and SMECI's convertible notes of US$101.4 million)
(ii) Represents derivative assets designated as hedge items

(b) Financial Liabilities

The following table summarizes the financial liabilities measured at amortized cost at the end of the reporting period.

US$ million	2017 Financial liabilities at amortized cost	2017 Financial liabilities at fair value	2017 Total	2016 Financial liabilities at amortized cost	2016 Financial liabilities at fair value	2016 Total
Accounts payable, other payables and accruals	**1,063.9**	**–**	**1,063.9**	870.9	–	870.9
Short-term borrowings	**1,460.4**	**–**	**1,460.4**	1,280.7	–	1,280.7
Current portion of deferred liabilities, provisions and payables	**105.0**	**8.3**	**113.3**	50.3	9.6	59.9
Long-term borrowings	**6,509.3**	**–**	**6,509.3**	4,827.7	–	4,827.7
Deferred liabilities, provisions and payables	**896.8**	**2.5**	**899.3**	720.8	0.4	721.2
Total	**10,035.4**	**10.8[i]**	**10,046.2**	7,750.4	10.0[i]	7,760.4

(i) Represents derivative liabilities designated as hedge items

The fair values of the financial assets and liabilities are determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

- Fair values of cash and cash equivalents and short-term deposits, pledged deposits, restricted cash, current accounts and other receivables, accounts payable, other payables and accruals, short-term borrowings and other current liabilities approximate to their carrying amounts largely due to the short-term maturities of these instruments.

- Fair values of non-current accounts and other receivables and other assets are evaluated based on the discounted values of the expected future cash flows using the interest rates that are specific to the tenor of the instruments' cash flows.

- Fair value of listed available-for-sale assets is derived from quoted market prices in active markets.

- Fair value of unquoted available-for-sale assets is measured by discounted cash flow models or by reference to the most recent transaction prices or carried at cost less any accumulated impairment losses.

- Long-term borrowings with fixed interest rates and other non-current financial liabilities are evaluated based on the discounted value of the expected future cash flows using the prevailing market rates for similar types of liabilities. Fair values of long-term borrowings with variable interest rates approximate to their carrying amounts because of regular repricing based on market conditions. Fair values of listed bonds are derived from quoted market prices in active markets.

- Derivative assets/liabilities in respect of derivative financial instruments, such as fuel swaps, foreign exchange forward contracts, interest rate swaps and electricity futures, are valued using valuation techniques with market observable inputs. The most frequently applied valuation techniques include the use of present value calculations of future cash flows by reference to current forward fuel prices and exchange rates for contracts with similar maturity profiles and market values for similar instruments with similar maturity profiles.

The following table shows a comparison between the carrying amounts and fair values of the Group's financial instruments with carrying amounts not equal or reasonably approximating to their fair values at the end of the reporting period. The Group's financial instruments with carrying amounts equal or reasonably approximating to their fair values and unquoted available-for-sale assets that are measured at cost less any accumulated impairment losses at the end of the reporting period are not included in this table.

	At 31 December 2017		At 31 December 2016	
US$ millions	**Carrying amount**	**Fair Value**	Carrying amount	Fair value
Financial Liabilities				
Long-term borrowings	**6,509.3**	**6,568.9**	4,827.7	4,907.6
Deferred liabilities, provisions and payables (Non-current)	**896.8**	**934.8**	720.8	748.8
Net Amount	**7,406.1**	**7,503.7**	5,548.5	5,656.4

(B) Fair Value Hierarchy

The Group uses the following hierarchy for determining and disclosing the fair values of financial instruments:

- Level 1: fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair values are observable, either directly or indirectly
- Level 3: fair values measured based on valuation techniques for which any inputs which have a significant effect on the recorded fair values that are not based on observable market data (unobservable inputs)

The Group held the following financial instruments measured at fair value as at the end of the reporting period:

	2017				2016			
US$ million	**Level 1**	**Level 2**	**Level 3**	**Total**	Level 1	Level 2	Level 3	Total
Available-for-sale assets								
– Listed equity investments	**132.3**	**–**	**–**	**132.3**	102.6	–	–	102.6
– Listed debentures	**25.1**	**–**	**–**	**25.1**	27.3	–	–	27.3
– Unlisted exchangeable bonds	**–**	**–**	**–**	**–**	–	163.1	–	163.1
– Unlisted investments	**–**	**63.0**	**–**	**63.0**	–	46.5	–	46.5
Derivative assets(i)	**–**	**21.9**	**–**	**21.9**	0.1	36.8	–	36.9
Derivative liabilities(ii)	**(0.1)**	**(10.7)**	**–**	**(10.8)**	(0.6)	(9.4)	–	(10.0)
Net Amount	**157.3**	**74.2**	**–**	**231.5**	129.4	237.0	–	366.4

(i) Included within accounts receivable, other receivables and prepayments
(ii) Included within deferred liabilities, provisions and payables

The fair values of unlisted investments, derivative assets and derivative liabilities in Level 2 are measured by reference to the most recent transaction prices and using the valuation techniques as described in Note 39(A) to the Consolidated Financial Statements, respectively.

For financial instruments that are recognized at fair value on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. During the year, there were no transfers among Level 1, Level 2 and Level 3 fair value measurements.

40. Capital and Financial Risk Management

(A) Capital Management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to ensure that it maintains an optimal capital structure for supporting the stability and growth of its business and maximizing shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders, repurchase shares or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2017 and 31 December 2016.

The Group monitors capital using a gearing ratio, which is net debt divided by total equity. The Group's policy is to keep the gearing ratio at an optimal level which supports its business. The Group's net debt includes short-term borrowings and long-term borrowings, less cash and cash equivalents and short-term deposits and pledged deposits and restricted cash. The total equity includes equity attributable to owners of the parent and non-controlling interests.

US$ millions	2017	2016
Short-term borrowings	1,460.4	1,280.7
Long-term borrowings	6,509.3	4,827.7
Less: Cash and cash equivalents and short-term deposits	(2,157.2)	(1,691.9)
Less: Pledged deposits and restricted cash	(81.1)	(78.5)
Net debt	5,731.4	4,338.0
Equity attributable to owners of the parent	3,227.1	3,112.0
Non-controlling interests	5,515.4	4,922.3
Total equity	8,742.5	8,034.3
Gearing ratio (times)	0.66	0.54

(B) Financial Risk Management

The Group's principal financial instruments include various financial assets (which comprise accounts receivable, other receivables, available-for-sale assets, cash and cash equivalents, pledged deposits and restricted cash) and financial liabilities (which comprise accounts payable, other payables and accruals, short-term borrowings, long-term borrowings and deferred liabilities and provisions). The main purpose of the cash and cash equivalents, and short-term and long-term borrowings is to finance the Group's operations and investments. The other financial assets and liabilities, such as accounts receivable and accounts payable, mainly arise directly from its operations.

The Group also issues fixed interest rate bonds, arranges borrowings in local currencies and enters into derivative transactions, including principally fuel swaps, foreign currency swaps, foreign currency forwards, interest rate swaps and electricity futures. The purpose is to manage the price, currency and interest rate risks arising from the Group's operations and investments and its sources of finance.

The fuel swaps are used to manage the risk arising from fluctuations in fuel costs. Under the fuel swaps, the Group agrees with other parties to exchange, at specified intervals, the difference between fixed rate and floating rate amounts calculated by reference to the agreed notional purchase quantity. The fair value of fuel swaps is calculated by reference to current forward fuel prices for contracts with similar maturity profiles.

The foreign currency swaps and foreign currency forwards are used to manage the risk arising from fluctuations in foreign exchange rates. Under foreign currency swaps, the Group agrees with other parties to exchange, at specified intervals, the foreign currency amounts at the agreed exchange rates. The fair value of foreign currency swaps is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. Under the foreign currency forwards, the Group agrees with other parties to exchange, at the maturity date the foreign currency amounts at the agreed exchange rates. The fair value of foreign currency forwards is calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

The interest rate swaps are used to manage the risk arising from fluctuations in interest rates. Under the interest rate swaps, the Group agrees with other parties to exchange at the maturity date the difference between the fixed interest rates and floating interest rate of the notional amount. The fair value of interest rate swap contracts is determined by reference to forward interest rates for similar instruments with similar maturity profiles.

The electricity futures are used to manage the risk arising from fluctuations in prices of electricity. Under the electricity futures, the Group agrees with other parties to exchange, at the maturity date the difference between the fixed rate and floating rate of electricity prices calculated by reference to the agreed notional quantity, clearing through Singapore Exchange Securities Trading Limited (SGX). The fair value of electricity futures is calculated by reference to Uniform Singapore Energy Price quarterly base load electricity futures prices quoted on SGX.

The Group applies hedge accounting for these contracts which qualify as effective hedges. For the purpose of hedge accounting, these hedges are classified as cash flow hedges, as the contracts are used to hedge exposure to variability of cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction.

Details of the fair value of the Group's fuel swaps, foreign currency forwards, interest rate swaps and electricity futures at the end of the reporting period are set out below.

	2017		2016	
US$ millions	**Assets**	**Liabilities**	Assets	Liabilities
Cash flow hedges				
– Fuel swaps	**21.7**	**3.6**	29.6	9.1
– Foreign currency forwards	**0.2**	**6.6**	7.2	–
– Interest rate swaps	**–**	**0.5**	–	0.3
– Electricity future	**–**	**0.1**	0.1	0.6
Total	**21.9**	**10.8**	36.9	10.0
Represented by:				
Non-current portion	**3.0**	**2.5**	4.6	0.4
Current portion	**18.9**	**8.3**	32.3	9.6
Total	**21.9**	**10.8**	36.9	10.0

The movements of the Group's unrealized gains/(losses) on cash flow hedges attributable to owners of the parent in relation to its derivative financial instruments are as follows:

Analysis of Unrealized Gains/(Losses) on Cash Flow Hedges Attributable to Owners of the Parent, Net of Tax

US$ millions	**2017**	2016
At 1 January	**6.8**	(27.6)
Net (loss)/gain during the year	**(5.2)**	41.6
Attributable to taxation	**0.9**	(7.2)
At 31 December	**2.5**	6.8

The Group's accounting policies in relation to derivatives are set out in Note 2(D)(I) to the Consolidated Financial Statements.

The main risks arising from the Group's financial instruments are market risk (including currency risk and price risk), credit risk, liquidity risk and fair value and cash flow interest rate risks. The Group's Board of Directors reviews and agrees policies for managing each of these risks and they are summarized below.

(a) Market Risk

(I) Currency Risk

To manage the Group's foreign exchange risk arising from future commercial transactions, recognized assets and liabilities, and to improve investment and cash flow planning, in addition to natural hedges, the Group enters into and engages in foreign exchange contracts for the purpose of managing its foreign exchange rate exposures emanating from business, transaction specific, as well as currency translation risks and reducing and/or managing the adverse impact of changes in foreign exchange rates on the Group's operating results and cash flows.

The following table summarizes the Group's exposure at the end of the reporting period to currency risk arising from recognized financial assets and liabilities denominated in a currency different from the functional currencies of the rupiah, the peso and the S$ used by the Group's subsidiary companies in the Indonesia, Philippines and Singapore.

US$ millions	**2017**	2016
Accounts receivable and other receivables	**80.8**	4.7
Cash and cash equivalents and short-term deposits	**403.5**	309.0
Short-term borrowings and long-term borrowings	**(600.5)**	(658.4)
Accounts payable, other payables and accruals	**(87.5)**	(43.8)
Deferred liabilities, provisions and payables	**(128.7)**	(49.3)
Net Amount	**(332.4)**	(437.8)

The following table demonstrates the sensitivity arising from the Group's financial assets and liabilities as listed above to a reasonably possible change in the exchange rates of the rupiah, peso and S$, with all other variables held constant, of the Group's profit attributable to owners of the parent and retained earnings. There is no significant impact on the other components of the Group's equity.

	2017		2016	
US$ millions	**Depreciation against the U.S. dollar (%)**	**Decrease in profit attributable to owners of the parent and retained earnings**	Depreciation against the U.S. dollar (%)	Decrease in profit attributable to owners of the parent and retained earnings
Rupiah	**(0.8)**	**(0.2)**	(2.3)	(2.7)
Peso	**(4.8)**	**(1.5)**	(5.3)	(1.2)
S$	**(3.2)**	**(1.1)**	(1.6)	(0.5)

(II) Price Risk

The Group is primarily exposed to securities price risk which principally relates to the changes in the market value of its listed equity investments, which include the Group's investments in principal operating subsidiary and associated companies in the Philippines, Indonesia and Singapore and the other listed equity investments held by Group and classified as available-for-sale assets on the Group's consolidated statement of financial position.

In addition, the Group is also exposed to commodity price risk for its consumer food products and power businesses due to certain factors, such as weather, government policies, level of demand and supply in the market and the global economic environment. Such exposure mainly arises from its purchases of CPO (which is the main raw material used in the refinery factories to produce edible oil and fats products) and the usage of fuel in the generation of energy where the profit margin on sale of its consumer food products and electricity may be affected if the costs of CPO and fuel increases and the Group is unable to pass on such cost increases to its customers, and the selling price of electricity supplied to the merchant market by its power business.

The Group's policy is to minimize the risks of its raw material costs arising from the fluctuations in the commodity prices by increasing self-sufficiency in the supply of CPO for the refinery operations (through the purchase of CPO from the Group's own plantations). For the years ended 31 December 2017 and 2016, no hedging in the said commodity price risk have been undertaken.

The Group has entered into fuel swap contracts that for its power business oblige it to make payments for fuel at fixed prices on an agreed notional purchase quantity and receive payments for fuel at floating prices on the same amounts.

The Group has entered into electricity futures that oblige it to make or receive payments for electricity futures at fixed rates of electricity prices on notional quantity and receive or make payments for electricity futures at floating rates of electricity prices on the same amounts.

At 31 December 2017, if the fuel and electricity prices increased/decreased by 10%, the Group's unrealized cash flow hedge reserve and equity attributable to owners of the parent would have been US$5.3 million (2016: US$5.5 million) higher/lower with, all other variables including tax rate being held constant.

(b) Credit Risk

For the consumer food products business, the Group has credit risk arising from the credit given to the customers, but it has policies in place to ensure that wholesales of products are made to creditworthy customers with an appropriate credit history. The Group has policies that limit the amount of credit exposure to any particular customer, such as requiring sub-distributors to provide bank guarantees. For the water distribution business, the Group generally allows 14 to 60 days of credit for its water and sewerage service customers, 45 to 60 days of credit for its bulk water supply customers. For the hospital business, the Group sets credit limits for all customers, extends credit only to reputable entities and regularly review the credit exposures and credit worthiness of counterparties. In addition, receivable balances are monitored on an ongoing basis to reduce the Group's exposure to bad debts. For the electricity generation business, the Group generally allows 15 to 30 days of credit to its customers. PLP also requires deposits and guarantees from creditworthy financial institutions to secure substantial obligations of its customers.

Further quantitative data in respect of the Group's exposure to credit risk arising from accounts receivable are disclosed in Note 18 to the Consolidated Financial Statements.

The credit risk of the Group's other financial assets, which include other receivables, certain investments in debt securities classified as available-for-sale assets, cash and cash equivalents and short-term deposits, pledged deposits and restricted cash, arises from default of the counterparty, with a maximum exposure equal to the aggregate carrying amount of these instruments and the unrealized losses, if any, on available-for-sale assets charged directly to the Group's equity. The Group is also exposed to credit risk through the granting of financial guarantees. Further details of which are set out in Note 35(C)(a) to the Consolidated Financial Statements.

The Group has no significant concentrations of credit risk.

(c) Liquidity Risk

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

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

The maturity profile of the Group's financial liabilities based on the contractual undiscounted payments, including future interest payments, and contingent liabilities in terms of guarantees given at the end of the reporting period, is as follows:

	Accounts payable, other payables and accruals		Borrowings		Deferred liabilities and provisions		Guarantees for plantation farmers' loan facilities		**Total**	
US$ millions	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
Not exceeding one year	**1,063.9**	870.9	**1,926.9**	1,732.3	**144.6**	84.6	**5.0**	5.6	**3,140.4**	2,693.4
More than one year but not exceeding two years	**–**	–	**1,420.5**	1,209.9	**119.1**	58.1	**6.7**	7.5	**1,546.3**	1,275.5
More than two years but not exceeding five years	**–**	–	**3,570.6**	2,152.9	**496.6**	143.4	**24.9**	28.2	**4,092.1**	2,324.5
More than five years	**–**	–	**3,036.7**	2,438.8	**804.0**	1,080.6	**16.5**	18.6	**3,857.2**	3,538.0
Total	**1,063.9**	870.9	**9,954.7**	7,533.9	**1,564.3**	1,366.7	**53.1**	59.9	**12,636.0**	9,831.4

(d) Fair Value and Cash Flow Interest Rate Risks

The Group's interest rate risk arises from interest-bearing borrowings, cash and cash equivalents and short-term deposits, pledged deposits and restricted cash. Borrowings and cash and cash equivalents with variable interest rate terms expose the Group to cash flow interest rate risk. Borrowings with fixed interest rate terms expose the Group to fair value interest rate risk. At 31 December 2017, 66.7% (2016: 68.7%) of the Group's borrowings were effectively at fixed rates.

The following table demonstrates the sensitivity arising from the Group's financial assets and liabilities at the end of the reporting period to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit attributable to owners of the parent and retained earnings (through the impact on variable rate borrowings and cash and cash equivalents). There is no significant impact on the other components of the Group's equity. The assumed basis point increase or decrease represents management's assessment of a reasonably possible change in those interest rates which have the most impact on the Group, especially the rupiah, peso and S$ interest rates, over the period until the ending date of the next annual reporting period.

	2017		2016	
US$ millions	**Increase/ (decrease) (Basis points)**	**(Decrease)/ increase in profit attributable to owners of the parent and retained earnings**	Increase/ (decrease) (Basis points)	(Decrease)/ increase in profit attributable to owners of the parent and retained earnings
Interest rates for				
– U.S. dollar	**50**	**(2.7)**	50	(0.8)
– Rupiah	**(25)**	**(0.6)**	(25)	0.3
– Peso	**(25)**	**0.1**	(25)	1.2
– S$	**(30)**	**0.4**	(30)	(0.1)

41. Statement of Financial Position of the Company

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

At 31 December US$ millions	**2017**	2016
Non-current Assets		
Subsidiary companies	**965.0**	965.0
	965.0	965.0
Current Assets		
Cash and cash equivalents[(i)]	**68.8**	221.6
Amounts due from subsidiary companies[(i)]	**3,450.6**	3,600.4
Other receivables and prepayments	**0.1**	0.1
	3,519.5	3,822.1
Current Liabilities		
Amounts due to subsidiary companies	**1,050.3**	1,042.6
Other payables and accruals	**2.1**	1.8
	1,052.4	1,044.4
Net Current Assets	**2,467.1**	2,777.7
Total Assets Less Current Liabilities	**3,432.1**	3,742.7
Equity		
Issued share capital	**43.4**	42.8
Shares held for share award scheme	**(8.9)**	(10.9)
Accumulated losses	**(148.9)**	(4.0)
Other components of equity	**1,952.1**	1,988.8
Equity attributable to owners of the parent	**1,837.7**	2,016.7
Non-current Liabilities		
Loans from subsidiary companies	**1,589.8**	1,721.4
Other payables	**4.6**	4.6
	1,594.4	1,726.0
	3,432.1	3,742.7

(i) Includes restricted cash at 31 December 2017 of US$0.1 million (2016: US$1.1 million)

The Company's statement of changes in equity is as follows:

US$ millions	Issued share capital	Share held for share award scheme	Share premium	Employee share-based compensation reserve	Contributed surplus	Retained earnings/ (accumulated losses)	Total
Balance at 1 January 2016	42.7	(6.0)	1,779.7	66.8	173.8	55.6	2,112.6
Loss for the year	–	–	–	–	–	(33.3)	(33.3)
Issue of shares upon the exercise of share options	–	–	8.1	(2.5)	–	–	5.6
Transfer from share premium to contribution surplus	–	–	(1,785.2)	–	1,785.2	–	–
Purchase of shares for share award scheme	–	(4.7)	–	–	–	–	(4.7)
Issue of shares under share award scheme	0.1	(2.8)	2.7	–	–	–	–
Cancellation of share option and share award	–	–	–	(4.1)	–	4.1	–
Shares vested under share award scheme	–	2.6	–	(2.4)	–	(0.2)	–
Employee share-based compensation benefits	–	–	–	10.7	–	–	10.7
2015 final dividend	–	–	–	–	–	(30.2)	(30.2)
2016 interim distribution	–	–	–	–	(44.0)	–	(44.0)
Balance at 31 December 2016	42.8	(10.9)	5.3	68.5	1,915.0	(4.0)	**2,016.7**
Loss for the year	–	–	–	–	–	(144.7)	**(144.7)**
Issue of shares upon the exercise of share options	0.6	–	56.6	(19.0)	–	–	**38.2**
Purchase of shares for share award scheme	–	(5.8)	–	–	–	–	**(5.8)**
Issue of shares under share award scheme	–	(0.1)	0.1	–	–	–	**–**
Cancellation of share option and share award	–	–	–	(0.7)	–	0.7	**–**
Shares vested under share award scheme	–	7.9	–	(7.0)	–	(0.9)	**–**
Employee share-based compensation benefits	–	–	–	8.1	–	–	**8.1**
2016 final distribution	–	–	–	–	(30.5)	–	**(30.5)**
2017 interim distribution	–	–	–	–	(44.3)	–	**(44.3)**
Balance at 31 December 2017	**43.4**	**(8.9)**	**62.0**	**49.9**	**1,840.2**	**(148.9)**	**1,837.7**

The Company's other components of equity comprise share premium, employee share-based compensation reserve and contributed surplus (Note 31).

42. Approval of the Consolidated Financial Statements

The audited Consolidated Financial Statements of the Company were approved and authorized for issue by the Board of Directors on 20 March 2018.

Glossary of Terms

Financial Terms

CONCESSION ASSETS Value of concessions of right granted by governments under service concession arrangements to charge users of public service provided

DEFINED BENEFIT SCHEME A retirement scheme in which the rules specify the benefits to be paid and the scheme is financed accordingly. Generally, benefits are determined using actuarial valuations that takes into account of the final salary and the number of years of service of each member

DEFINED CONTRIBUTION SCHEME A retirement scheme under which the benefits are directly determined by the value of contributions paid in respect of each member

EBIT Earnings Before Interest and Tax

EBITDA Earnings Before Interest, Tax, Depreciation and Amortization

GAV Gross Asset Value, which represents the total market value of listed investments, investment costs or carrying amounts of unlisted investments and other assets of First Pacific Head Office

IMPAIRMENT PROVISION Provision made to reduce the carrying amount of an asset to its recoverable amount

NAV Net Asset Value

NET ASSETS Total assets less total liabilities, equivalent to total equity

NET CURRENT ASSETS Current assets less current liabilities

NET DEBT Total of short-term and long-term borrowings, net of cash and cash equivalents and short-term deposits and pledged deposits and restricted cash

NON-RECURRING ITEMS Certain items, through occurrence or size, are not considered usual operating items

RECURRING PROFIT Profit attributable to owners of the parent excluding foreign exchange and derivative gains/losses, gain/loss on changes in fair value of biological assets and non-recurring items

TOTAL EQUITY Equity attributable to owners of the parent and non-controlling interests

Financial Ratios

ADJUSTED NAV PER SHARE Total valuation calculated based on quoted share prices of listed investments and book values of unlisted investments and Head Office assets and liabilities divided by the number of shares in issue

BASIC EARNINGS PER SHARE Profit attributable to owners of the parent divided by the weighted average number of shares in issue during the year

CASH INTEREST COVER Dividend and fee income less overhead expense divided by net cash interest expense

CURRENT RATIO Current assets divided by current liabilities

DILUTED EARNINGS PER SHARE Profit attributable to owners of the parent adjusted for the effect of assumed conversion of all dilutive potential ordinary shares divided by the weighted average number of shares in issue during the year plus the weighted average number of ordinary shares which would be issued on the assumed conversion of all dilutive potential ordinary shares

DISTRIBUTION/DIVIDEND COVER Recurring profit divided by ordinary share distributions/dividends paid and recommended

DISTRIBUTION/DIVIDEND PAYOUT RATIO Ordinary share distributions/dividends paid and recommended divided by recurring profit

DISTRIBUTION/DIVIDEND YIELD Distributions/dividends per share divided by share price

EBIT MARGIN EBIT divided by turnover

EBITDA MARGIN EBITDA divided by turnover

GEARING RATIO Net debt divided by total equity

GROSS MARGIN Gross profit divided by turnover

INTEREST COVER Profit before taxation (excluding foreign exchange and derivative gains/losses, gain/loss on changes in fair value of biological assets and non-recurring items) and net finance costs divided by net finance costs

NET CASH FLOWS FROM OPERATING ACTIVITIES PER ORDINARY SHARE Net cash flows from operating activities divided by the weighted average number of shares in issue during the year

NET TANGIBLE ASSETS PER ORDINARY SHARE Total assets (excluding goodwill and other intangible assets) divided by the number of shares in issue

RECURRING RETURN ON AVERAGE EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT Recurring profit divided by average equity attributable to owners of the parent

RECURRING RETURN ON AVERAGE NET ASSETS Recurring profit divided by average net assets

SHARE PRICE DISCOUNT TO ADJUSTED NAV PER SHARE Shortfall between share price and adjusted NAV per share divided by adjusted NAV per share

TOTAL ASSETS PER ORDINARY SHARE Total assets divided by the number of ordinary shares in issue

Other

ADR American Depositary Receipts

AGM Annual General Meeting

AUSTRALASIA A region of Oceania, comprises Australia, New Zealand, the island of New Guinea, and neighbouring islands in the Pacific Ocean

CPO Crude Palm Oil

FFB Fresh Fruit Bunches

GAAP Generally Accepted Accounting Principles

HKAS Hong Kong Accounting Standards

HKFRSs Hong Kong Financial Reporting Standards

HKICPA Hong Kong Institute of Certified Public Accountants

HK(IFRIC)-Int Hong Kong (International Financial Reporting Interpretations Committee) – Interpretation

IDX Indonesia Stock Exchange

IFRS International Financial Reporting Standards

ISO International Organization for Standardization

LISTING RULES The Rules Governing the Listing of Securities on SEHK

LTE Long Term Evolution high speed wireless phone technology

NYSE The New York Stock Exchange

PSE The Philippine Stock Exchange, Inc.

RSS1 Rubber Smoke Sheet 1

SEHK The Stock Exchange of Hong Kong Limited

SGM Special General Meeting

SMS Short Message Service

UHT Ultra High Temperature processing

3D 3 Dimensions

3G The third generation of mobile phone technology

Information for Investors

Financial Diary

Preliminary announcement of 2017 results	20 March 2018
Annual report posted to shareholders	27 April 2018
Annual General Meeting	5 June 2018
Last day to register for final distribution	11 June 2018
Payment of final distribution	26 June 2018
Preliminary announcement of 2018 interim results	29 August 2018*
Interim report posted to shareholders	29 September 2018*
Financial year-end	31 December 2018
Preliminary announcement of 2018 results	27 March 2019*

* Subject to confirmation

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Telephone : +1 441 294 8000
Fax : +1 441 295 3328

Web Site

www.firstpacific.com

Share Information

First Pacific shares are listed on The Stock Exchange of Hong Kong Limited and are traded over the counter in the United States in the form of American Depositary Receipts

Listing date : 12 September 1988
Par value : U.S.1 cent per share
Lot size : 2,000 shares
Number of ordinary shares issued: 4,341,986,968

Stock Codes

SEHK : 142
Bloomberg : 142 HK
Thomson Reuters : 0142.HK

American Depositary Receipts (ADRs) Information

Level: 1
ADRs Code: FPAFY
CUSIP reference number: 335889200
ADRs to ordinary shares ratio: 1:5
ADRs depositary bank: Deutsche Bank Trust Company Americas

To Consolidate Shareholdings

Write to our principal share registrar and transfer office in Bermuda at:

MUFG Fund Services (Bermuda) Limited
The Belvedere Building
69 Pitts Bay Road
Pembroke HM08, Bermuda

Or the Hong Kong branch registrar at:

Computershare Hong Kong Investor Services Limited

Registrar Office

17M Floor, Hopewell Centre
183 Queen's Road East, Wanchai, Hong Kong SAR
Telephone : +852 2862 8555
Fax : +852 2865 0990/+852 2529 6087
Email : hkinfo@computershare.com.hk

Transfer Office

Shops 1712–1716, 17th Floor, Hopewell Centre
183 Queen's Road East, Wanchai, Hong Kong SAR

A Chinese Version of this Report, or Additional Information

Available at:

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22nd Floor, CITIC Tower
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Solicitors

Gibson, Dunn & Crutcher LLP
32nd Floor, Gloucester Tower, The Landmark
15 Queen's Road Central, Hong Kong SAR

Principal Bankers

Bank of China (Hong Kong) Limited
Mizuho Corporate Bank, Ltd.
Sumitomo Mitsui Banking Corporation
The Hongkong & Shanghai Banking Corporation
China Banking Corporation

Summary of Principal Investments

As at 31 December 2017

PT Indofood Sukses Makmur Tbk

Indofood (IDX:INDF) is a leading Total Food Solutions company with operations in all stages of food manufacturing from the production of raw materials and their processing through to the manufacture of consumer food products and their distribution to the market. It is based and listed in Indonesia while its Consumer Branded Products subsidiary PT Indofood CBP Sukses Makmur Tbk and agribusiness subsidiaries PT Salim Ivomas Pratama Tbk and PT Perusahaan Perkebunan London Sumatra Indonesia Tbk are also listed in Indonesia. Another subsidiary, Indofood Agri Resources Ltd. is listed in Singapore, and an agribusiness associate, Roxas Holdings, Inc. is listed in the Philippines. Through its four complementary Strategic Business groups, Indofood manufactures and distributes a wide range of food products: Consumer Branded Products (noodles, dairy, snack foods, food seasonings, nutrition and special foods, and beverages), Bogasari (wheat flour and pasta), Agribusiness (oil palm, rubber, sugar cane, cocoa and tea plantations, branded cooking oils, margarine and shortenings) and Distribution.

Indofood is one of the world's largest manufacturers by volume of wheat-based instant noodles, one of the largest plantation companies by area and the largest flour miller in Indonesia. Indofood also has an extensive distribution network across Indonesia.

Sector	:	Consumer Food Products
Place of incorporation/business area	:	Indonesia
Issued number of shares	:	8.8 billion
Particulars of issued shares held	:	Shares of Rupiah 100 par value
Economic and voting interests	:	50.1%

Further information on Indofood can be found at www.indofood.com

PLDT Inc.

PLDT (PSE: TEL; NYSE: PHI) is the leading telecommunications and digital services provider in the Philippines. Its shares are listed on the Philippine Stock Exchange and its American Depositary Receipts are listed on the New York Stock Exchange. It has one of the largest market capitalizations among Philippine listed companies. Through its principal business groups – fixed line, wireless and others – PLDT offers a wide range of telecommunications and digital services across the Philippines' most extensive fiber optic backbone, and fixed line and cellular networks.

Sector	:	Telecommunications
Place of incorporation/business area	:	The Philippines
Outstanding number of shares	:	216.1 million
Particulars of outstanding shares held	:	Common shares of Pesos 5 par value
Economic/voting interest	:	25.6%/15.1%

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

Metro Pacific Investments Corporation

MPIC (PSE: MPI; ADR code: MPCIY) is a Philippine-listed investment management and holding company focused on infrastructure development.

Sector	:	Infrastructure, Utilities and Hospitals
Place of incorporation/business area	:	The Philippines
Issued number of shares	:	31.5 billion
Particulars of issued shares held	:	Common shares of Peso 1 par value
Economic/voting interest	:	42.0%/55.0%

Further information on MPIC can be found at www.mpic.com.ph

FPW Singapore Holdings Pte. Ltd.

FPW controls **Goodman Fielder.**

Sector	:	Consumer Food Products
Place of incorporation/business area	:	Singapore/Australasia
Issued number of shares	:	204.9 million
Particulars of issued shares held	:	Shares with no par value
Economic and voting interest	:	50.0%

Goodman Fielder Pty Limited

Goodman Fielder is headquartered in Sydney, Australia and has 38 manufacturing plants in Australia, New Zealand, Fiji, Papua New Guinea, New Caledonia and Indonesia. It is a leading food company in Australasia, producing and marketing bread, dairy products, flour, dressings, condiments, mayonnaise, frozen pastry, cake mixes, desserts, sauces, vinegar and cooking oils to over 30,000 retail outlets. Goodman Fielder's corporate history spans over 100 years, with iconic brands such as Meadow Lea, Praise, White Wings, Pampas, Helga's, Wonder White, Vogel's, Meadow Fresh, Edmonds and Irvines. Its products are available in 29 countries.

Sector	:	Consumer Food Products
Place of incorporation/business area	:	Australia/Australasia
Issued number of shares	:	2.0 billion
Particulars of issued shares held	:	Common shares with no par value
Economic and voting interests	:	50.0%

Further information on Goodman Fielder can be found at www.goodmanfielder.com

Philex Mining Corporation

Philex (PSE: PX) is a Philippine-listed company engaged in the exploration and mining of mineral resources and, through a listed investment **PXP Energy Corporation (PSE: PXP)**, in energy and hydrocarbon businesses.

Sector	:	Natural Resources
Place of incorporation/business area	:	The Philippines
Issued number of shares	:	4.9 billion
Particulars of issued shares held	:	Common shares of Peso 1 par value
Economic and voting interests	:	31.2%[(1)]

(1) Two Rivers Pacific Holdings Corporation, a Philippine affiliate of First Pacific, holds an additional 15.0% economic interest in Philex.

Further information on Philex can be found at www.philexmining.com.ph and on PXP Energy Corporation at www.pxpenergy.com.ph

FPM Power Holdings Limited

FPM Power controls PLP.

Sector	:	Infrastructure/Utilities
Place of incorporation/business area	:	British Virgin Islands/Singapore
Issued number of shares	:	10,000
Particulars of issued shares held	:	Shares of US$1 par value
Economic/voting interests	:	67.6%[(2)]/60.0%

(2) Includes a 7.6% effective economic interest in FPM Power held by First Pacific through its indirect interests in Meralco.

PacificLight Power Pte. Ltd.

PLP operates one of Singapore's most efficient power plants, housing an 800-megawatt natural gas-fired combined cycle facility. Its wholly-owned subsidiary PacificLight Energy Pte. Ltd. offers customized price packages for retail electricity customers in Singapore.

Sector	:	Infrastructure/Utilities
Place of incorporation/business area	:	Singapore
Issued number of shares	:	112.8 million
Particulars of issued shares held	:	Ordinary shares with no par value
Economic/voting interests	:	47.4%[(3)]/70.0%

(3) Represents a 42.0% effective economic interest in PLP held by First Pacific through its interest in FPM Power and a 5.4% effective economic interest in PLP held by First Pacific through its indirect interests in Meralco.

Further information on PLP can be found at www.pacificlight.com.sg

FP Natural Resources Limited

FP Natural Resources together with its Philippine affiliate, First Agri Holdings Corporation, hold interests in RHI and FCMI.

Sector	:	Consumer Food Products
Place of incorporation/business area	:	British Virgin Islands/The Philippines
Issued number of shares	:	15,100
Particulars of outstanding shares held	:	Shares of US$1 par value
Economic/voting interests	:	79.4%[(4)]/70.0%

(4) Includes a 9.4% effective economic interest in FP Natural Resources held by First Pacific through its indirect interests in IndoAgri.

Roxas Holdings, Inc.

RHI (PSE: ROX) is a leading integrated sugar producer in the Philippines and also the country's largest ethanol producer.

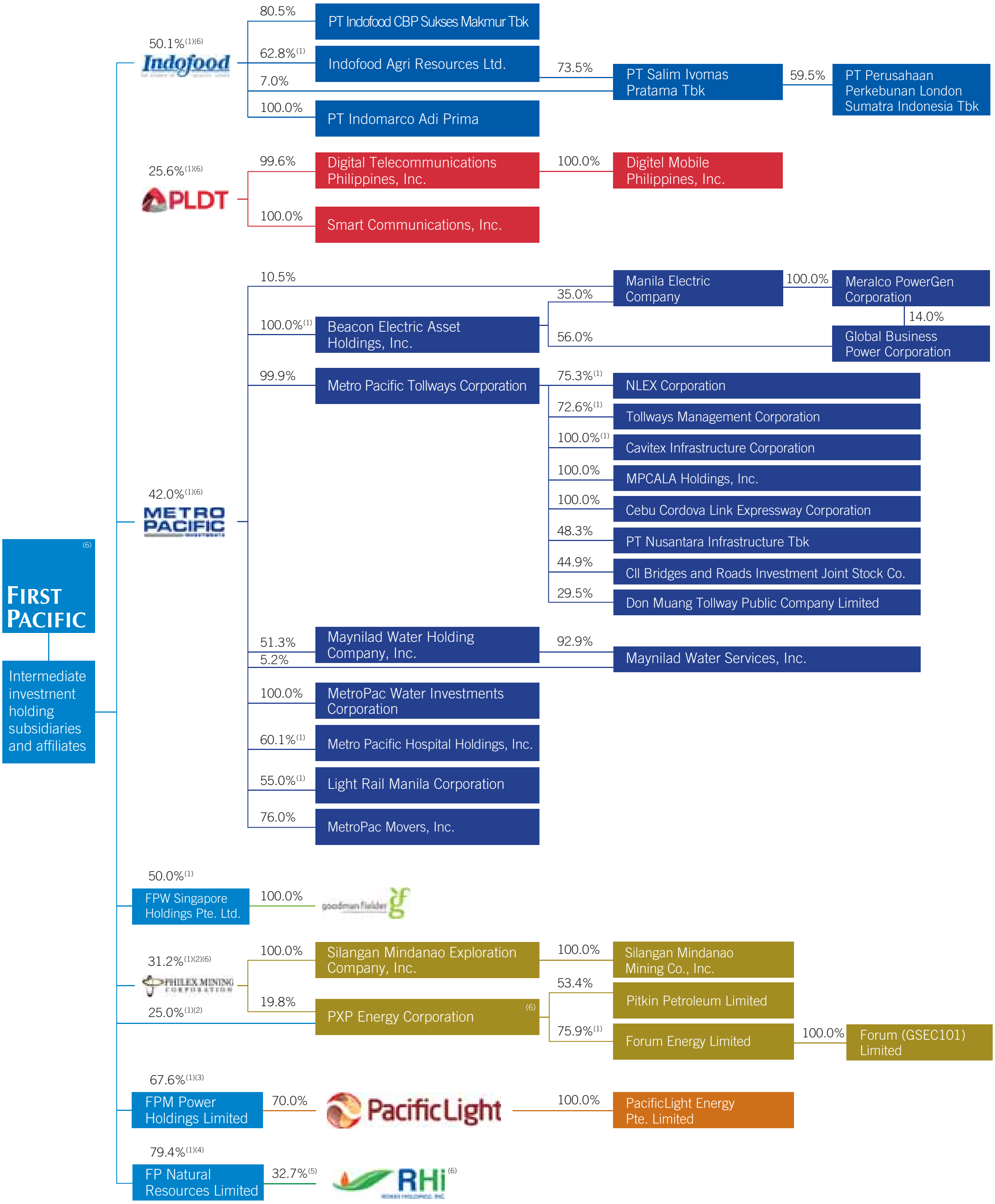
Sector	:	Consumer Food Products
Place of incorporation/business area	:	The Philippines
Outstanding number of shares	:	1.4 billion
Particulars of outstanding shares held	:	Common shares of Peso 1 par value
Economic/voting interests	:	26.0%[(5)]/32.7%[(6)]

(5) Represents a 22.9% effective economic interest in RHI held by First Pacific through its interest in FP Natural Resources and a 3.1% effective economic interest in RHI held by First Pacific through its indirect interests in IndoAgri.
(6) FAHC, a Philippine affiliate of FP Natural Resources, holds an additional 30.2% economic and voting interest in RHI.

Further information on RHI can be found at www.roxasholdings.com.ph

Corporate Structure

As at 20 March 2018



(1) Economic interest.
(2) Two Rivers Pacific Holdings Corporation, a Philippine affiliate of First Pacific, holds additional 15.0% and 7.7% economic interests in Philex and PXP Energy Corporation, respectively.
(3) Includes a 7.6% effective economic interest in FPM Power held by First Pacific through its indirect interests in Meralco.
(4) Includes a 9.4% effective economic interest in FP Natural Resources held by First Pacific through its indirect interests in IndoAgri.
(5) FAHC, a Philippine affiliate of FP Natural Resources, holds an additional 30.2% economic interest in RHI.
(6) Listed company.

FIRST PACIFIC

First Pacific Company Limited

(Incorporated with limited liability under the laws of Bermuda)

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