STATUTORY REPORTS, FINANCIAL STATEMENTS AND NOTES

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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 Financial Statements) for the year ended 31 December 2004.

PRINCIPAL BUSINESS ACTIVITIES AND GEOGRAPHICAL MARKETS ANALYSIS OF OPERATIONS

First Pacific Company Limited is a Hong Kong-based investment and management company with operations located in Southeast Asia. Its principal business interests relate to Telecommunications, Consumer Food Products, Property and Transportation. There were no significant changes in the nature of the Group's principal business activities during the year.

An analysis of the Group's turnover and segmental information for the year, by principal business activity and principal geographical market, is set out in Note 1 to the Financial Statements, and a summary of its principal investments is set out on the inside back cover.

INCORPORATION

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

SHARE CAPITAL AND SHARE OPTIONS

There were no movements in the Company's authorized or issued share capital during the year. Details of movements in share options issued by the Company, Indofood and Metro Pacific during the year, together with the reasons therefor, are set out in Note 31(C) to the Financial Statements.

RESERVES

Details of movements in the reserves of the Group and the Company during the year are set out in the Financial Statements on page 64.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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 results of the Group for the year ended 31 December 2004 and the state of affairs of the Company and the Group at that date are set out in the Financial Statements on pages 56 to 96.

The Directors do not recommend the payment of a dividend.

CHARITABLE CONTRIBUTIONS

The Group made charitable contributions totaling US$2.0 million in 2004 (2003: US$2.2 million).

PROPERTY AND EQUIPMENT

Details of movements in the Group's property and equipment during the year are provided in Note 8 to the Financial Statements.

BANK LOANS, LOAN CAPITAL AND OTHER BORROWINGS

Particulars of the bank loans, loan capital and other borrowings of the Group are provided in Notes 18 and 22 to the Financial Statements.

DISTRIBUTABLE RESERVES

At 31 December 2004, the Company's reserves available for distribution, calculated in accordance with the provisions of the Companies Act 1981 of Bermuda (as amended) was US$76.6 million (2003: Nil). The Company's share premium account, in the amount of US$958.2 million (2003: US$958.2 million), may be distributed in the form of fully-paid bonus shares.

PRE-EMPTIVE RIGHTS

There are no provisions 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 of the Directors who held office at 31 December 2004 are set out on pages 8 to 11. Details of a Director's service contract are provided in the Corporate Governance Report on page 39, remuneration policy and other details are provided in the Corporate Governance Report on page 41 and Note 31(A) to the Financial Statements, respectively.

INTERESTS OF DIRECTORS IN THE COMPANY AND ITS ASSOCIATED CORPORATIONS

At 31 December 2004, the following Directors were interested, or were deemed to be interested in the following long and short positions in the shares, underlying shares of equity derivatives and debentures of the Company or any associated corporation (within the meaning of the SFO) which (a) were required to be notified to the Company and HKSE pursuant to Divisions 7 and 8 of Part XV of the SFO; or (b) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code to be notified to the Company and HKSE:

(A) Long positions in shares in the Company

Name		Ordinary shares	Approximate percentage of issued share capital (%)	Ordinary share options
Sutanto Djuhar	30.0 per cent interest			
Tedy Djuhar	10.0 per cent interest			
Ibrahim Risjad	10.0 per cent interest			
Anthoni Salim	10.0 per cent interest all via			
	First Pacific Investments Limited(i)	790,229,364 (C)	24.80	–
Anthoni Salim	33.3 per cent interest via			
	First Pacific Investments (BVI) Limited(ii)	628,296,599 (C)	19.72	–
Manuel V. Pangilinan		6,026,759 (P)	0.19	31,800,000
Edward A. Tortorici		13,132,129 (P)	0.41	31,800,000
Robert C. Nicholson		–	–	24,500,000
His Excellency Albert F. del Rosario		–	–	2,840,000
Benny S. Santoso		–	–	2,840,000
Graham L. Pickles		–	–	2,840,000
Edward K.Y. Chen, GBS, CBE, JP		–	–	2,840,000
David W.C. Tang, OBE, Chevallier de L'Ordre des Arts et des Lettres		–	–	2,840,000

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

(i) Soedono Salim, the former Chairman of the Company, and Sudwikatmono, a former Non-executive Director of the Company, respectively own 30.0 per cent and 10.0 per cent interests in First Pacific Investments Limited.

(ii) Soedono Salim, the former Chairman of the Company, owns a 33.3 per cent interest in First Pacific Investments (BVI) Limited.

(B) Long positions in shares in associated corporations

- Manuel V. Pangilinan owned 15,048,064 common shares(P) in Metro Pacific Corporation (MPC), 73,457 common shares(P) in Philippine Long Distance Telephone Company (PLDT) and 360 preferred shares(P) in PLDT as beneficial owner and a further 15,417 common shares in PLDT as nominee for another person, as well as 2,700,000 common shares(P) in Pilipino Telephone Corporation (PTC).
- Edward A. Tortorici owned 2,450,000 ordinary shares(P) in P.T. Indofood Sukses Makmur Tbk (Indofood), 3,051,348 common shares(P) in MPC and 104,874 common shares(P) in PLDT.
- Sutanto Djuhar owned 15,520,335 ordinary shares(C) in Indofood.
- Tedy Djuhar owned 15,520,335 ordinary shares(C) in Indofood.
- Ibrahim Risjad owned 6,406,180 ordinary shares(P) in Indofood.
- Anthoni Salim owned 632,370 ordinary shares(P) in Indofood.
- Albert F. del Rosario owned 85,025 common shares(P) in PLDT, 1,560 preferred shares(P) in PLDT, 32,231,970 preferred shares(P) in Prime Media Holdings, Inc. (PMH) as nominee for another person, 872,911 common shares(P) in PMH as beneficial owner, 100 common shares(P) in Negros Navigation Company, Inc., 4,922 common shares(P) in Costa de Madera Corporation, 19,999 common shares(P) in FPD Savills Consultancy Philippines, Inc. as beneficial owner and one common share in FPD Savills Consultancy Philippines, Inc. as beneficiary of certain trusts, 19,999 common shares(P) in FPD Savills Philippines, Inc. as beneficial owner and one common share(P) in FPD Savills Philippines, Inc. as beneficiary of certain trusts, 15,000 common shares(P) in Metro Pacific Land Holdings Inc., and 80,000 common shares(P) in Metro Strategic Infrastructure Holdings, Inc.

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

(C) Long position in underlying shares in associated corporation

At 31 December 2004, pursuant to the share option scheme adopted by PLDT on 10 December 1999, Manuel V. Pangilinan was granted 97,571 stock options in PLDT on 10 December 1999, pursuant to which Manuel V. Pangilinan is entitled to exercise the stock options at the exercise price of Pesos 814 per share during the period from 10 December 2001 to 10 December 2009, in accordance with the terms of the aforesaid share option scheme.

Other than as disclosed, at 31 December 2004, none of the Directors and chief executive of the Company were interested, or were deemed to be interested in the long and short positions in the shares, underlying shares of equity derivatives and debentures of the Company or any associated corporation (within the meaning of the SFO) which (a) were required to be notified to the Company and HKSE pursuant to Divisions 7 and 8 of Part XV of the SFO; or (b) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code to be notified to the Company and HKSE.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS IN THE COMPANY

The register of interests in shares and short positions of substantial shareholders maintained under Section 336 of the SFO shows that at 31 December 2004, the Company had been notified that the following persons were interested in five per cent or more of the Company's issued share capital.

(A) First Pacific Investments Limited (FPIL-Liberia), which is incorporated in the Republic of Liberia, beneficially owned 790,229,364 ordinary shares at 31 December 2004, representing approximately 24.80 per cent of the Company's issued share capital at that date. FPIL-Liberia is owned by the Chairman (Anthoni Salim), three Non-executive Directors (Sutanto Djuhar, Tedy Djuhar and Ibrahim Risjad), the former Chairman (Soedono Salim) and a former Non-executive Director (Sudwikatmono) of the Company, in the proportions specified in the table on page 51 and in note (i) to the table. Each of these persons is taken to be interested in the shares owned by FPIL-Liberia.

(B) First Pacific Investments (BVI) Limited (FPIL-BVI), which was incorporated in the British Virgin Islands, beneficially owned 628,296,599 ordinary shares at 31 December 2004, representing approximately 19.72 per cent of the Company's issued share capital at that date. Anthoni Salim, the Chairman, and Soedono Salim, the former Chairman of the Company, each beneficially owns one-third or more of the issued share capital of FPIL-BVI and, accordingly, each of them is taken to be interested in the shares owned by FPIL-BVI.

(C) Marathon Asset Management Limited (Marathon), which was incorporated in the United Kingdom, held 191,623,300 ordinary shares of the Company in April 2004, representing approximately 6.01 per cent of the Company's issued share capital. At 31 December 2004, the Company has not received any other notification from Marathon of any change to such holding.

(D) Brandes Investment Partners, LLC (Brandes), a U.S. company, notified the Company that it held 193,171,965 ordinary shares of the Company in August 2004, representing approximately 6.06 per cent of the Company's issued share capital. At 31 December 2004, the Company has not received any other notification from Brandes of any change to such holding.

Other than as disclosed, the Directors and chief executive of the Company are not aware of any person at 31 December 2004 who had an interest or short position in the shares or underlying shares of equity derivatives of the Company which would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was interested, directly or indirectly, in five per cent or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at the general meetings of the Company.

CONTRACTS OF SIGNIFICANCE

Except for the connected and continuing connected transactions set out in the Corporate Governance Report on pages 42 to 48, there were no 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 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 headings "Interests of Directors in the Company and its Associated Corporations" above and "Share Options" in Note 31(C) to the 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 outside interests, and various information and financial ratios of the Company and the Group for the last ten financial years, as extracted from the audited Financial Statements and reclassified as appropriate, is set out on page 100. This summary does not form part of the audited Financial Statements.

MAJOR CUSTOMERS AND SUPPLIERS

In 2004, sales to the Group's five largest customers, and purchases from the Group's five largest suppliers, respectively accounted for less than 30 per cent of total sales and total purchases for the year.

CONNECTED AND CONTINUING CONNECTED TRANSACTIONS

Connected and continuing connected transactions required to be disclosed in accordance with Chapter 14A of the Listing Rules, are disclosed in the Corporate Governance Report on pages 42 to 48.

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 issued share capital was held by the public at both 31 December 2004 and the date of this report.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

Previously, the Company maintained appropriate coverage for all Directors and officers of the Company and its related companies, save in those instances where individual companies have maintained their own coverage. In light of recent years' substantial increase in premium payable for insurance coverage, the Company is self-insuring. However, as premium levels have now stabilized, the Company is currently negotiating with underwriters to resume insurance coverage in this area.

EMPLOYMENT POLICIES

The Company has a policy of non-discrimination in respect of the age, religion, gender, 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.

SUBSEQUENT EVENTS

Details of significant subsequent events of the Group are set out in Note 33 to the Financial Statements.

AUDITORS

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

In 2002, PricewaterhouseCoopers resigned as auditors of the Company and Ernst & Young were appointed by the Directors to fill the casual vacancy so arising. Apart from that, there have been no other changes of auditors in the past three years.

On behalf of the Board of Directors

Nancy L.M. Li
Company Secretary

Hong Kong
14 March 2005

ERNST & YOUNG
安永會計師事務所

REPORT OF THE AUDITORS

TO THE SHAREHOLDERS OF **FIRST PACIFIC COMPANY LIMITED**
(INCORPORATED IN BERMUDA WITH LIMITED LIABILITY)

We have audited the Financial Statements on pages 56 to 96 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Company's Directors are responsible for the preparation of Financial Statements which give a true and fair view. In preparing Financial Statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently. It is our responsibility to form an independent opinion, based on our audit, on those Financial Statements and to report our opinion 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.

BASIS OF OPINION

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Institute of Certified Public Accountants. An audit includes an examination, on a test basis, of evidence relevant to the amounts and disclosures in the Financial Statements. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the Financial Statements, and of whether the accounting policies are appropriate to the Company's and the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the Financial Statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the Financial Statements. We believe that our audit provides a reasonable basis for our opinion.

OPINION

In our opinion the Financial Statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2004 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

ERNST & YOUNG
Certified Public Accountants

Hong Kong
14 March 2005

PRINCIPAL ACCOUNTING POLICIES

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

(A) BASIS OF PREPARATION

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

New Accounting Standards Effective during 2004

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

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

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

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

New Accounting Standards Effective Subsequent to 2004

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

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

(B) BASIS OF CONSOLIDATION

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

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

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

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

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

(C) CASH AND CASH EQUIVALENTS

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

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

(D) INVENTORIES

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

(E) PROPERTY AND EQUIPMENT

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

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

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

(F) PLANTATIONS

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

(G) ASSOCIATED COMPANIES

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

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

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

(H) SHORT-TERM INVESTMENTS

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

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

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

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

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

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

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

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

(K) IMPAIRMENT OF ASSETS
An assessment is made at each balance sheet date of whether there is any indication of impairment of any asset, or whether there is any indication that an impairment loss previously recognized for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's value in use and its net selling price.

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

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

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

(L) ACCOUNTING FOR ACQUISITION AND DISPOSAL
(i) RESULTS

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

(ii) FAIR VALUE ADJUSTMENTS

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

(iii) GOODWILL

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

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

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

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

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

(M) FOREIGN CURRENCIES

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

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

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

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

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

(N) TURNOVER AND REVENUE RECOGNITION

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

(O) SEGMENTAL INFORMATION

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

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

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

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

(P) OPERATING LEASES

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

(Q) EMPLOYEE BENEFITS

(i) PENSION OBLIGATIONS

The Group operates defined contribution and defined benefit retirement schemes.

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

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

(ii) LONG SERVICE PAYMENTS

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

(iii) SHARE OPTION SCHEMES

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

(iv) PAID LEAVE CARRIED FORWARD

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

(R) BORROWING COSTS

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

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

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

(S) DERIVATIVE INSTRUMENTS

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

(T) RELATED PARTIES

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

CONSOLIDATED PROFIT AND LOSS STATEMENT

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

N/A: Not applicable

(i) Refer to Note 26.

The principal accounting policies on pages 56 to 60 and the Notes on pages 66 to 96 form an integral part of the Financial Statements.

CONSOLIDATED BALANCE SHEET

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

(i) Refer to Note 26.

The principal accounting policies on pages 56 to 60 and the Notes on pages 66 to 96 form an integral part of the Financial Statements.

On behalf of the Board of Directors

MANUEL V. PANGILINAN
Managing Director and Chief Executive Officer

EDWARD A. TORTORICI
Executive Director

14 March 2005

COMPANY BALANCE SHEET

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

The principal accounting policies on pages 56 to 60 and the Notes on pages 66 to 96 form an integral part of the Financial Statements.

On behalf of the Board of Directors

MANUEL V. PANGILINAN
Managing Director and Chief Executive Officer

EDWARD A. TORTORICI
Executive Director

14 March 2005

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

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

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

(i) Refer to Note 26.

The principal accounting policies on pages 56 to 60 and the Notes on pages 66 to 96 form an integral part of the Financial Statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December US$ millions	Notes	2004	2003 (Restated)[i]
Operating profit		**229.6**	221.0
Depreciation		**54.5**	54.5
Foreign exchange losses, net		**33.4**	10.8
Decrease/(increase) in long-term receivables and prepayments		**24.5**	(30.1)
Loss on dilution of interests in a subsidiary and an associated company		**3.0**	3.2
Amortization of goodwill		**1.5**	1.0
Gain on disposal of a discontinued operation and divestments, net		**(28.1)**	–
Payments in respect of deferred liabilities and provisions		**(17.5)**	(8.3)
(Gain)/loss on sale of property and equipment		**(1.8)**	0.6
(Gain)/loss on changes in fair value of plantations		**(1.7)**	25.4
Others		**(5.9)**	(19.0)
Operating profit before working capital changes		**291.5**	259.1
Decrease/(increase) in accounts receivable, other receivables and prepayments		**29.6**	(69.5)
Decrease in pledged deposits		**1.9**	21.9
(Decrease)/increase in accounts payable, other payables and accruals		**(48.0)**	47.4
(Increase)/decrease in inventories		**(1.9)**	51.4
Net cash inflow generated from operations[ii]		**273.1**	310.3
Interest received		**14.8**	21.5
Interest paid		**(120.8)**	(124.9)
Tax paid		**(41.5)**	(27.6)
NET CASH INFLOW FROM OPERATING ACTIVITIES		**125.6**	179.3
Sale/(placement) of short-term investments		**39.9**	(15.8)
Divestments of subsidiary companies	27(A)	**9.1**	–
Sale of property and equipment		**7.9**	0.6
Loans repaid by associated companies		**0.5**	2.5
Disposal of subsidiary companies	27(B)	**–**	75.3
Purchase of property and equipment		**(109.1)**	(71.7)
Deposits for acquisition and increased investments in subsidiary companies	27(C)	**(39.1)**	–
Acquisition of subsidiary companies	27(D)	**(25.6)**	–
Increased investments in subsidiary companies	27(E)	**(16.9)**	–
Continuing operations		**(133.3)**	(9.1)
A discontinued operation	27(F)	**15.0**	(16.7)
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		**(118.3)**	(25.8)
Proceeds of new borrowings		**255.9**	448.5
Shares issued to outside interests by a subsidiary company		**0.1**	5.6
Borrowings repaid		**(277.6)**	(528.3)
Dividends paid to outside interests by subsidiary companies		**(26.5)**	(50.5)
Decrease/(increase) in restricted cash		**11.2**	(20.4)
NET CASH OUTFLOW FROM FINANCING ACTIVITIES		**(36.9)**	(145.1)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(29.6)**	8.4
Cash and cash equivalents at 1 January		**233.3**	203.3
Exchange translation		**(17.1)**	21.6
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		**186.6**	233.3
REPRESENTING			
Cash and cash equivalents		**186.6**	233.3

(i) Refer to Note 26.
(ii) Changes in working capital are stated excluding movements due to acquisition and disposal of subsidiary companies.

The principal accounting policies on pages 56 to 60 and the Notes on pages 66 to 96 form an integral part of the Financial Statements.

1. TURNOVER AND SEGMENTAL INFORMATION

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

SEGMENTAL INFORMATION

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

BY PRINCIPAL BUSINESS ACTIVITY – 2004

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

BY PRINCIPAL GEOGRAPHICAL MARKET – 2004

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

BY PRINCIPAL BUSINESS ACTIVITY – 2003

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

BY PRINCIPAL GEOGRAPHICAL MARKET – 2003

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

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

2. OPERATING PROFIT

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

3. NET BORROWING COSTS

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

4. TAXATION

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

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

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

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

5. PROFIT ATTRIBUTABLE TO ORDINARY SHAREHOLDERS

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

ANALYSIS OF EXCHANGE LOSSES

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

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

6. EARNINGS PER SHARE

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

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

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

7. ORDINARY SHARE DIVIDENDS

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

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

8. PROPERTY AND EQUIPMENT

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

(A) Principal annual rates of depreciation:

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

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

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

9. PLANTATIONS

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

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

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

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

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

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

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

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

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

10. SUBSIDIARY COMPANIES

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

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

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

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

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

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

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

11. ASSOCIATED COMPANIES

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

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

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

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

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

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

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

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

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

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

12. LONG-TERM RECEIVABLES AND PREPAYMENTS

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

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

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

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

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

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

13. GOODWILL

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

14. SHORT-TERM INVESTMENTS

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

15. ACCOUNTS RECEIVABLE, OTHER RECEIVABLES AND PREPAYMENTS

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

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

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

16. INVENTORIES

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

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

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

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

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

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

17. ACCOUNTS PAYABLE, OTHER PAYABLES AND ACCRUALS

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

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

18. SHORT-TERM BORROWINGS

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

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

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

19. PROVISION FOR TAXATION

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

20. SHARE CAPITAL

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

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

21. OUTSIDE INTERESTS

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

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

22. LOAN CAPITAL AND LONG-TERM BORROWINGS

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

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

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

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

(A) SECURED BANK LOANS

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

(B) SECURED OTHER LOANS

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

(C) CONVERTIBLE NOTES

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

(D) CONVERTIBLE PREFERRED SHARES

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

(E) UNSECURED OTHER LOANS

Principally include the following bonds issued by Indofood:

(i) Rupiah 1.0 trillion (US$107.6 million) of Rupiah bonds issued in July 2000, with a coupon rate of 16.0 per cent, payable quarterly, and mature in July 2005;
(ii) US$278.6 million five-year Euro bonds (net of US$1.4 million unamortized issuance discount) issued in June 2002, with a coupon rate of 10.375 per cent, payable semi-annually, and mature in June 2007;
(iii) Rupiah 1.5 trillion (US$161.5 million) of Rupiah bonds issued in June 2003, with a coupon rate of 13.5 per cent, payable quarterly, and mature in June 2008; and
(iv) Rupiah 1.0 trillion (US$107.6 million) of Rupiah bonds issued in July 2004, with a coupon rate of 12.5 per cent, payable quarterly, and mature in July 2009.

(F) PLEDGE OF ASSETS

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

23. DEFERRED LIABILITIES AND PROVISIONS

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

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

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

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

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

Others mainly relates to provisions for warranty claims.

24. DEFERRED TAX

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

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

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

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

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

25. RESERVES

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

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

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

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

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

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

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

26. PRIOR YEAR ADJUSTMENTS

In 2004, the Group changed its accounting policy in respect of the accounting for plantations pursuant to SSAP 36. Details of the requirements of this new accounting standard are summarized in the Principal Accounting Policies section on page 56.

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

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

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

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

27. NOTES TO CONSOLIDATED CASH FLOW STATEMENT

(A) DIVESTMENTS OF SUBSIDIARY COMPANIES

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

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

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

(B) DISPOSAL OF SUBSIDIARY COMPANIES

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

(C) DEPOSITS FOR ACQUISITION AND INCREASED INVESTMENTS IN SUBSIDIARY COMPANIES

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

(D) ACQUISITION OF SUBSIDIARY COMPANIES

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

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

(E) INCREASED INVESTMENTS IN SUBSIDIARY COMPANIES

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

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

(F) A DISCONTINUED OPERATION

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

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

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

(G) RESTRICTED CASH AND PLEDGED DEPOSITS

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

(H) MAJOR NON-CASH TRANSACTION

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

28. A DISCONTINUED OPERATION

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

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

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

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

29. COMMITMENTS AND CONTINGENT LIABILITIES

(A) CAPITAL EXPENDITURE

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

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

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

(B) LEASING COMMITMENTS

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

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

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

(C) CONTINGENT LIABILITIES

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

30. EMPLOYEE INFORMATION

(A) REMUNERATION

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

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

(B) RETIREMENT BENEFITS

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

(i) *DEFINED CONTRIBUTION SCHEMES*

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

(ii) *DEFINED BENEFIT SCHEMES*

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

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

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

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

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

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

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

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

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

(C) LOANS TO OFFICERS

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

31. DIRECTOR AND SENIOR EXECUTIVE REMUNERATION

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

(A) DIRECTORS' REMUNERATION

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

DIRECTORS' REMUNERATION – 2004

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

DIRECTORS' REMUNERATION – 2003

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

(i) Performance based payments comprise bonus and long-term monetary incentive awards.
(ii) For meetings attended.
(iii) For consultancy services provided to the Company.

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

(B) SENIOR EXECUTIVES' REMUNERATION

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

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

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

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

(C) SHARE OPTIONS

Particulars of the share options of the Company and its subsidiary companies granted to the Directors and senior executives of the Company and its subsidiary companies at 31 December 2004 are set out below.

(i) PARTICULARS OF THE COMPANY'S SHARE OPTION SCHEME

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

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

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

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

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

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

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

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

Details of the Group's accounting policy in respect of share options granted are set out in Note Q(iii) of the Principal Accounting Policies section on page 60.

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

(ii) PARTICULARS OF INDOFOOD'S SHARE OPTION SCHEME

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

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

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

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

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

(iii) PARTICULARS OF METRO PACIFIC'S SHARE OPTION SCHEME

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

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

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

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

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

32. RELATED PARTY TRANSACTIONS

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

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

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

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

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

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

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

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

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

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

Nature of transactions

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

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

Nature of balances

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

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 42 to 48.

33. SUBSEQUENT EVENTS

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

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

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

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

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

34. COMPARATIVE FIGURES

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

35. APPROVAL OF FINANCIAL STATEMENTS

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