

2006 Goals: Half-Year Review

First Pacific

Goal: Continue to improve share price performance

Achievement: Ongoing. Share price reached a significantly higher level of HK\$3.875 from the 2006 opening of HK\$3.00. It closed at a slightly increased HK\$3.025 as at interim closing.

Goal: Continue to evaluate investment opportunities in telecommunications, infrastructure or consumer food products industries in the region

Achievement: Ongoing. Investment opportunities within the region are constantly being evaluated. This evaluation is being made strictly against the rigorous criteria set by the management only for projects which could deliver substantial value enhancing and/or potential synergy with the Group's existing businesses.

Goal: Raise funds with improved terms for funding expansion opportunities

Achievement: Ongoing. Continue to explore long-term funding sources with attractive terms and structure to finance, support and enhance returns from potential strategic long-term investments.

Goal: Maintain dividend payments to shareholders subject to continued strong performance of PLDT and further improved performance of Indofood

Achievement: Ongoing. Interim dividend is maintained at HK1.00 cent per share payable in October 2006. The Board will review the dividend payout ratio for the full year, based on the results of PLDT and Indofood which are expected to continue to be strong.

PLDT

Goal: Continue to build out the Next Generation Network (NGN) and roll out wireless broadband in order to increase broadband subscribers and expand the group's data/broadband capabilities

Achievement: Achieved and ongoing. PLDT group's broadband subscribers increased by 52.6 per cent to 174,000. PLDT is currently upgrading 200,000 lines to NGN while Smart has increased its wireless broadband capable cell sites to 2,200 as of the end of June 2006. The NGN has a simpler network architecture with less network elements and higher data services capability but at a lower cost.

Goal: Maximize Smart's 2G network by developing content and new services to encourage higher usage and penetrate lower income segments

Achievement: Achieved and ongoing. Smart introduced various competitive top-up plans to suit the requirements of specific market segments. These new promotions include *Smart Load "All Text"* which provides 15 non-expiring text messages for Pesos 12 per load and *Unli 30* which allows unlimited on-network texting for a period of 2 days without the need for registration. In order to support these initiatives, Smart has expanded the capacity of its cellular network to handle as much as 1 billion text messages per day.

Goal: Introduce 3G technology and develop services and applications to encourage usage

Achievement: Achieved and ongoing. Smart's 3G service was commercially launched on 1 May 2006. Smart currently offers 3G services such as Smart-to-Smart video calls; international video calls to selected countries; video and audio streaming, Internet and WAP browsing, video clip downloading, ring tones, visual ringers and games at prices in line with its existing 2G services.

Goal: Reduce debt by a minimum of US\$300 million

Achievement: Achieved and reset to higher target. PLDT reduced debt by US\$269 million which accounted for 90 per cent of the original target and raised the debt reduction target for 2006 to US\$350 million.

Goal: Raise dividends to common shareholders to a minimum of 50 per cent of 2006 core earnings

Achievement: Achieved and ongoing. PLDT declared an interim dividend of Pesos 50 (US\$1) per share to be paid to common shareholders in September 2006 and raised the dividend payout to 60 per cent of the core earnings.

Indofood

Goal: Implement and continue to enhance the new distribution system to improve sales and area-specific product mix

Achievement: *Significantly achieved and ongoing.* Since end of 2005, Indofood increased stock points which allows it to distribute products to over 200,000 outlets in Indonesia. Most business groups reported strong growth in sales volume during the period and net sales grew by 17.8 per cent to Rupiah 10,141.7 billion (US\$1,104.7 million).

Goal: Continue to focus on branded products and expand revenue through domestic, regional and international business development

Achievement: *Significantly achieved and ongoing.* Total sales of the consumer branded products group improved by 23.1 per cent to Rupiah 4,048.7 billion (US\$441.0 million) when compared to the same period of 2005.

Goal: Continue to strengthen market leadership position

Achievement: *Achieved and ongoing.* Most of Indofood's major products remain market leader in their respective segments in Indonesia.

Goal: Continue to expand oil palm plantation areas to be able to meet the supply requirements of its edible oil refineries

Achievement: *Achieved and ongoing.* Plantation land bank increased from approximately 95,000 hectares in December 2005 to approximately 138,000 hectares in the first half of 2006, of which approximately 63,000 hectares are planted with oil palm. In August 2006, Indofood's subsidiary company entered into a conditional agreement to acquire approximately 85,500 hectares plantation area and the transaction is expected to be completed by 31 December 2006.

Goal: Further reduce foreign currency exposure by reducing foreign currency debt

Achievement: *In progress.* Eurobonds totaling US\$143.7 million were fully refinanced with a combination of internal resources and foreign currency borrowings of lower amount. In addition, debt to equity ratio was marginally reduced to 1.58 times (31 December 2005: 1.59 times) and net gearing ratio improved to 1.18 times (31 December 2005: 1.36 times).

Goal: Continue operational efficiency enhancement and cost reduction program

Achievement: *In progress.* Ongoing improvement in its supply chains, operating systems and procedures, and manpower rationalization will further enhance Indofood's operational effectiveness and capability.

Metro Pacific/Metro Pacific Investments Corporation (MPIC)

Goal: Complete reorganization and recapitalization plan

Achievement: *Partially achieved and ongoing.* 51.0 per cent interest in Landco is now held by a new and debt-free investment company MPIC. The consolidation of Metro Pacific's authorized capital stock will set the stage for MPIC to make a tender offer to Metro Pacific shareholders and thereafter effect the delisting of Metro Pacific and listing of MPIC.

Goal: Strengthen Landco's position as a diversified property developer through support to key expansion projects

Achievement: *In progress.* Landco's new parent company MPIC plans to raise new capital from international investors to accelerate Landco's new and expansion projects in upper and mid market residential resorts, first home subdivisions and regional shopping centers.

Goal: Continue to explore investment opportunities in the infrastructure sector

Achievement: *In progress.* MPIC has partnered with DMCI Holdings Inc. to bid for Maynilad Water Services Inc. which supplies water to the western part of Manila. It is also evaluating potential investment opportunities in other infrastructure projects.

Goal: Continue implementing rehabilitation program for Nenaco

Achievement: *Ongoing.* The domestic shipping industry suffers from over-capacity and the operation continues to be pressured from high fuel costs. Management is currently reviewing a number of strategic options with respect to Metro Pacific's investment in Nenaco.

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Level Up

Goal: Diversify and expand games portfolio

Achievement: Partially achieved and ongoing. In the Philippines, Level Up launched RF Online, a 3-D science fiction themed massively multiplayer online role playing game and Free Style, a three on three hip hop influenced basketball casual online game. In Brazil, Level Up plans to launch Gunz and Grand Chase, both are casual online games, and RF Online in the second half of 2006. In India, Ragnarok was commercially launched in March and Gunz is scheduled to be launched in the third quarter of 2006.

Goal: Grow subscriber base in higher growth markets in Brazil and India

Achievement: In progress. Level Up subscriber base in Brazil and India remains flat pending the launch of new games in the second half of 2006.

Goal: Develop supplementary non-game revenue sources

Achievement: In progress. In the Philippines, Level Up has begun to market online advertising and in game advertisement deals. This is at a very early stage but growth is expected to accelerate in the medium term as the online advertising market continues to mature. In addition, non-game contents including mobile downloads, avatars, ring tones and other digital content will be offered to the market in 2007.

Goal: Build alliances and dominant distribution network

Achievement: Partially achieved and ongoing. In its various territories, Level Up has active marketing alliances with leading consumer brands, media and retailers.

Goal: Further build "Level Up!" brand

Achievement: In progress. In the Philippines, "Level Up!" brand will be further strengthened when its new portal website launches in the second half of 2006. In Brazil, the plan of launching three new games by the end of 2006 will increase exposure of "Level Up!" brand.