1. Basis of Preparation and Changes in Accounting Policies

(a) Basis of Preparation

The Condensed Interim Financial Statements have been prepared in accordance with Hong Kong Accounting Standard (HKAS) 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (HKICPA) and the disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the Listing Rules) issued by The Stock Exchange of Hong Kong Limited (SEHK). The Condensed Interim Financial Statements have been prepared on a basis consistent with the accounting policies adopted in the Group's 2005 audited Financial Statements, except as described below.

(b) Impact of New and Revised HKFRSs

Certain changes to Hong Kong Generally Accepted Accounting Principles (Hong Kong GAAP) have been implemented during 2006 as a consequence of the following new and revised HKASs, Hong Kong Financial Reporting Standards (HKFRSs) and Hong Kong (International Financial Reporting Interpretations Committee) – Interpretations (HK(IFRIC) – Ints) issued by the HKICPA, which became effective for accounting periods commencing on, or after, 1 January 2006:

HKAS 19 Amendment	"Actuarial Gains and Losses, Group Plans and Disclosures"
HKAS 21 Amendment	"The Effects of Changes in Foreign Exchange Rates – Net Investment in a Foreign Operation"
HKAS 39 Amendment	"Cash Flow Hedge Accounting of Forecast Intragroup Transactions"
HKAS 39 Amendment	"The Fair Value Option"
HKAS 39 and HKFRS 4 Amendments	"Financial Instruments: Recognition and Measurement and Insurance Contracts – Financial Guarantee Contracts"
HKFRSs 1 & 6 Amendments	"First-time Adoption of Hong Kong Financial Reporting Standards and Exploration for and Evaluation of Mineral Resources"
HKFRS 6	"Exploration for and Evaluation of Mineral Resources"
HK(IFRIC)-Int 4	"Determining whether an Arrangement contains a Lease"
HK(IFRIC)-Int 5	"Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds"
HK(IFRIC)-Int 6	"Liabilities Arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment"

Except for HKAS 39 Amendment "The Fair Value Option", the adoption of the pronouncements listed above has had no material impact on the accounting policies of the Group and the methods of computation in the Group's Condensed Interim Financial Statements. The adoption of HKAS 39 Amendment "The Fair Value Option" has resulted in the Group applying more restrictive criteria for designating financial instruments as financial assets/liabilities at fair value through profit or loss.

During the period, the Group designated 1.1 per cent interest in PLDT acquired during 2006 as financial assets at fair value through profit or loss. Please refer to Note 12 for details. The adoption has had no effect on both the profit attributable to equity holders of the parent for the periods ended 30 June 2006 and 30 June 2005 and equity attributable to equity holders of the parent at 30 June 2006 and 31 December 2005.

2. Turnover and Segmental Information

For the six months ended 30 June US$ millions	**2006**	2005
Turnover		
Sale of goods and properties	**1,117.2**	919.5
Rendering of services	**19.3**	23.0
Total	**1,136.5**	942.5

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

By Principal Business Activity – 2006

For the six months ended 30 June US$ millions	Telecom-munications	Consumer Food Products	Property and Transportation	Head Office	**2006 Total**
Profit and Loss					
Segment revenue – turnover	–	1,104.7	31.8	–	**1,136.5**
Segment results	–	135.3	(8.1)	0.2	**127.4**
Net borrowing costs					**(58.7)**
Share of profits less losses of associated companies	68.9	(0.8)	0.1	–	**68.2**
Profit before taxation					**136.9**
Taxation					**(39.6)**
Profit for the period					**97.3**
Other Information					
Capital expenditure	–	19.6	3.9	1.7	**25.2**
Depreciation	–	28.5	3.0	–	**31.5**
Foreign exchange and derivative losses, net	–	–	–	5.1	**5.1**
Other non-cash expenses	–	1.0	9.4	1.4	**11.8**

By Principal Geographical Market – 2006

For the six months ended 30 June US$ millions	The Philippines	Indonesia	Hong Kong	**2006 Total**
Segment revenue – turnover	31.8	1,104.7	–	**1,136.5**
Capital expenditure	3.9	19.6	1.7	**25.2**

By Principal Business Activity – 2005

For the six months ended 30 June US$ millions	Telecom– munications	Consumer Food Products	Property and Transportation	Head Office	2005 Total
Profit and Loss					
Segment revenue – turnover	–	911.6	30.9	–	942.5
Segment results	–	100.1	21.9	(27.5)	94.5
Net borrowing costs					(59.2)
Share of profits less losses of associated companies	71.0	–	0.1	–	71.1
Profit before taxation					106.4
Taxation					(20.4)
Profit for the period					86.0
Other Information					
Capital expenditure	–	21.3	2.3	–	23.6
Depreciation	–	31.1	1.6	–	32.7
Foreign exchange and derivative losses, net	–	13.9	–	10.4	24.3
Other non-cash expenses	–	1.1	0.5	3.4	5.0

By Principal Geographical Market – 2005

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

3. Net Borrowing Costs

For the six months ended 30 June US$ millions	**2006**	2005
Bank loans and other loans		
– wholly repayable within five years	**64.1**	64.0
– not wholly repayable within five years	**4.2**	0.6
Total Borrowing Costs	**68.3**	64.6
Less interest income	**(9.6)**	(5.4)
Net Borrowing Costs	**58.7**	59.2

4. Profit Before Taxation

For the six months ended 30 June US$ millions	**2006**	2005
Profit Before Taxation is Stated After (Charging)/Crediting		
Cost of inventories sold	**(669.8)**	(552.7)
Employee remuneration	**(109.7)**	(91.0)
Depreciation (Note 10)	**(31.5)**	(32.7)
Cost of services rendered	**(18.9)**	(21.2)
Impairment of an associated company	**(5.0)**	–
Impairment of property and equipment (Note 10)	**(2.7)**	–
Doubtful debt provisions (included in distribution costs)	**(2.1)**	(1.6)
Loss on changes in fair value of non-current assets held for sale	**(0.6)**	–
Gain on changes in fair value of plantations	**30.0**	8.5
Gain on dilution of interest in an associated company	**10.2**	3.0
Gain on divestment of interest in an associated company	**7.1**	–
Gain on sale of property and equipment	**0.7**	–
Dividend income from financial assets at fair value through profit or loss	**0.5**	–
Foreign exchange and derivative gains/(losses), net (Note 6)	**0.4**	(24.3)
Realized gain on sale of available-for-sale assets	**0.2**	–
Dividend income from available-for-sale assets	**–**	1.3

5. Taxation

No Hong Kong profits tax (2005: Nil) has been provided as the Group had no estimated assessable profits (2005: Nil) in Hong Kong for the period. Taxation on assessable profits generated outside Hong Kong has been provided at the rates of taxation prevailing in the countries in which the Company's subsidiary companies operate.

For the six months ended 30 June US$ millions	**2006**	2005
Subsidiary Companies – Overseas		
Current taxation	**20.0**	15.5
Deferred taxation	**19.6**	4.9
Total	**39.6**	20.4

Included within share of profits less losses of associated companies is taxation of US$13.7 million (2005: US$24.2 million) and which is analyzed as follows.

For the six months ended 30 June US$ millions	**2006**	2005
Associated Companies – Overseas		
Current taxation	**21.0**	21.1
Deferred taxation	**(7.3)**	3.1
Total	**13.7**	24.2

6. Profit Attributable to Equity Holders of the Parent

Profit attributable to equity holders of the parent includes US$3.7 million (2005: US$7.7 million) net foreign exchange and derivative losses which comprise US$0.4 million (2005: US$7.7 million) losses on changes in the fair values of derivatives and the translation of the unhedged foreign currency denominated borrowings, and a US$3.3 million (2005: Nil) loss on changes in the fair value of 1.1 per cent PLDT shares acquired by the Group in 2006 and designated as financial assets at fair value through profit or loss, and US$6.9 million (2005: US$14.6 million) net non-recurring gains.

Analysis of Foreign Exchange and Derivative Losses

For the six months ended 30 June US$ millions	**2006**	2005
Foreign exchange and derivative gains /(losses)		
– Subsidiary companies	**0.4**	(24.3)
– Associated companies	**(0.9)**	11.4
Subtotal	**(0.5)**	(12.9)
Attributable to taxation and minority interest	**(3.2)**	5.2
Total	**(3.7)**	(7.7)

The non-recurring gains of US$6.9 million for 2006 mainly comprise a gain on dilution upon the conversion of PLDT's convertible preference shares of US$10.2 million and a gain on divestment of the Group's interest in PLDT of US$7.1 million on settlement of certain Head Office's Exchangeable Notes with PLDT shares. 2005's non-recurring gains of US$14.6 million mainly comprised goodwill compensation received by Indofood in connection with the establishment of a joint venture entity of US$5.0 million, a gain on dilution of the Group's interest in PLDT of US$3.0 million and Metro Pacific's adjustments made to amounts owed to Pacific Plaza Towers contractor and others.

7. Ordinary Share Dividend

At a meeting held on 7 September 2006, the Directors declared an interim cash dividend of U.S. 0.13 cent (2005: U.S. 0.13 cent) per ordinary share totaling US$4.1 million (2005: US$4.1 million).

8. Earnings per Share

The calculation of basic earnings per share is based on the profit for the period attributable to equity holders of the parent of US$72.2 million (2005: US$60.8 million), and the weighted average number of 3,189.0 million (2005: 3,186.0 million) ordinary shares in issue during the period.

The calculation of diluted earnings per share amount is based on: (i) profit for the period attributable to equity holders of the parent of US$72.2 million (2005: US$60.8 million) reduced by US$0.2 million (2005: US$4.5 million) in respect of the dilutive impact from the full conversion of convertible preference shares and share options issued by its associate PLDT, and (ii) a share base equal to the aggregate of the weighted average number of 3,189.0 million (2005: 3,186.0 million) ordinary shares in issue during the period (as used in the basic earnings per share calculation) and the weighted average of 46.9 million (2005: 40.4 million) ordinary shares assumed to have been issued at no consideration on the deemed exercise of all share options of the Company during the period.

The impact upon full conversion of Head Office's Exchangeable Notes has not been taken into account in calculating the earnings per share because its anti-dilutive effect on the basic earnings per share for the period would actually increase the earnings per share.

9. Subsidiary Companies

(a) Details of principal subsidiary companies which, in the opinion of the Directors, materially affect the results or net assets of the Group, are set out on page 48.

(b) Metro Pacific group contributes to the Group's property and transportation business segment (refer to Note 2). Since the fourth quarter of 2001, it has been unable to meet its debt repayment obligations. Metro Pacific's ability to continue as a going concern is dependent on a number of factors, which includes its ability to settle or restructure its debt obligations, the availability of refinancing of debts and the success of its plan to revitalize its business and generate sufficient cash flows to ensure sustained and profitable operations. Metro Pacific had successfully reduced its parent company's debt obligations to Pesos 566 million (US$10.7 million) at 30 June 2006 from Pesos 11.7 billion (US$220.3 million) at 31 December 2001 when the debt reduction program was commenced.

Negros Navigation Co., Inc. (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. Metro Pacific is reviewing a number of strategic options with respect to its investment in Nenaco.

10. Property and Equipment

The movements in property and equipment are set out below.

US$ millions	**2006**	2005
At 1 January	**622.9**	647.4
Exchange translation	**32.6**	(29.0)
Additions	**25.2**	23.6
Disposals	**(1.1)**	(2.0)
Acquisition of subsidiary companies (Note 17(b))	**94.8**	2.0
Depreciation (Note 4)	**(31.5)**	(32.7)
Impairment (Note 4)	**(2.7)**	–
Reclassifications	**–**	17.5
At 30 June	**740.2**	626.8

11. Associated Companies

US$ millions	**At 30 June 2006**	At 31 December 2005
PLDT	**390.6**	350.4
Level Up	**15.0**	14.0
Metro Pacific's associated companies	**10.3**	13.8
Others	**2.9**	3.5
Total	**418.8**	381.7

Details of principal associated companies which, in the opinion of the Directors, materially affect the results or net assets of the Group, are set out on page 48.

12. Financial Assets at Fair Value through Profit or Loss

The amount represents the fair value, determined based on a quoted market price, of 1.1 per cent interest in PLDT acquired by the Group during the period and designated as financial assets at fair value through profit or loss to partially offset against the exposure arising from changes in the fair value of the option element embedded in Head Office's Exchangeable Notes. The Directors consider that such a designation is appropriate since the change in value of such assets will have a strong correlation with any change in the fair value of the option embedded in the Exchangeable Notes.

13. Accounts Receivable, Other Receivables and Prepayments

Included in accounts receivable, other receivables and prepayments are trade receivables of US$172.8 million (31 December 2005: US$173.3 million), with an ageing profile as below.

US$ millions	**At 30 June 2006**	At 31 December 2005
0 to 30 days	**140.5**	148.5
31 to 60 days	**9.6**	8.8
61 to 90 days	**5.3**	6.0
Over 90 days	**17.4**	10.0
Total	**172.8**	173.3

Indofood allows export customers 60 days of credit and local customers an average of 30 days of credit. Metro Pacific/Metro Pacific Investments Corporation (MPIC) collects contract receivables related to property sales by installments over periods ranging between one to five years.

14. Accounts Payable, Other Payables and Accruals

Included in accounts payable, other payables and accruals are trade payables of US$163.9 million (31 December 2005: US$172.7 million), with an ageing profile as below.

US$ millions	**At 30 June 2006**	At 31 December 2005
0 to 30 days	**146.0**	160.8
31 to 60 days	**12.8**	1.7
61 to 90 days	**1.1**	1.3
Over 90 days	**4.0**	8.9
Total	**163.9**	172.7

15. Deferred Liabilities and Provisions

US$ millions	Pension	Deferred income	Long-term payables	Others	**2006 Total**	2005 Total
At 1 January	51.2	26.0	14.5	16.3	**108.0**	125.1
Exchange translation	2.6	–	0.3	0.1	**3.0**	(2.0)
Additions	9.0	0.1	2.1	0.6	**11.8**	15.0
Acquisition of subsidiary companies (Note 17(b))	0.2	–	–	–	**0.2**	–
Payment and utilization	(0.6)	(0.7)	(3.9)	(13.3)	**(18.5)**	(13.7)
Reclassification	–	–	–	–	**–**	(11.1)
At 30 June	62.4	25.4	13.0	3.7	**104.5**	113.3
Presented as:						
Current Portion	1.1	1.3	2.3	1.2	**5.9**	16.6
Non-current Portion	61.3	24.1	10.7	2.5	**98.6**	96.7
Total	62.4	25.4	13.0	3.7	**104.5**	113.3

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

Deferred income relates to upfront service fee received by Asia Link B.V. (ALBV), a wholly-owned subsidiary company of the Company, from Smart Communications, Inc. (Smart), a wholly-owned subsidiary company of PLDT, in respect of their arrangement for a service agreement (Note 20(e)) and the unrealized gross profit arising on property sales with installment collections.

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

Others mainly relates to provisions for warranty claims.

16. Derivative Liability

Derivative liability represents the fair value of the option embedded in the Exchangeable Notes issued by First Pacific Finance Limited, a wholly-owned subsidiary company of the Company. Details regarding the issue of the Exchangeable Notes is set out on page 100 of First Pacific's 2005 Annual Report. The fair value of the option liability was remeasured to US$39.2 million (31 December 2005: US$39.3 million) on a mark-to-market basis at 30 June 2006, reflecting primarily the change in PLDT share price.

17. Notes to Condensed Consolidated Cash Flow Statement

(a) Acquisition of Assets Designated as Financial Assets at Fair Value through Profit or Loss

The cash outflow of US$66.5 million (2005: Nil) relates principally to the Group's acquisition of 1.1 per cent interest in PLDT and designated as financial assets at fair value through profit or loss.

(b) Acquisition of Subsidiary Companies

US$ millions	Indofood's acquisition of Pacsari Pte Ltd (PPL)	Indofood's acquisition of PT Sarana Inti Pratama (SAIN) and its subsidiary companies	Others	**Total**
Consideration				
Cash and cash equivalents	40.5	1.5	–	**42.0**
Accounts receivable, other receivables and prepayments (Current)[i]	–	14.9	0.6	**15.5**
Other non-current assets[ii]	–	–	5.2	**5.2**
Total	40.5	16.4	5.8	**62.7**
Net Assets				
Property and equipment (Note 10)	87.9	1.5	5.4	**94.8**
Plantations	–	26.4	–	**26.4**
Accounts receivable, other receivables and prepayments (Non-current)	–	2.9	–	**2.9**
Prepaid land premiums	–	1.9	–	**1.9**
Deferred tax assets	–	1.0	–	**1.0**
Other non-current assets	–	4.8	1.2	**6.0**
Cash and cash equivalents	9.1	0.6	0.6	**10.3**
Accounts receivable, other receivables and prepayments (Current)	0.2	0.4	1.0	**1.6**
Inventories	0.1	0.3	0.2	**0.6**
Accounts payable, other payables and accruals	(5.4)	(3.7)	(0.7)	**(9.8)**
Short-term borrowings	(15.1)	–	–	**(15.1)**
Provision for taxation	–	(0.1)	–	**(0.1)**
Long-term borrowings	–	(4.2)	–	**(4.2)**
Deferred liabilities and provisions (Note 15)	–	(0.1)	(0.1)	**(0.2)**
Deferred tax liabilities	(15.5)	(8.1)	(1.2)	**(24.8)**
Minority interest	(27.9)	(7.4)	(0.6)	**(35.9)**
Total Net Assets Acquired at Fair Value	33.4	16.2	5.8	**55.4**
Goodwill	7.1	0.2	–	**7.3**
Net (Outflow)/Inflow of Cash and Cash Equivalents Per Consolidated Cash Flow Statement	(31.4)	(0.9)	0.6	**(31.7)**

(i) Mainly represents deposit paid for the acquisition of SAIN's convertible bonds made by PT Salim Ivomas Pratama (SIMP), a 80 per cent-owned subsidiary company of Indofood, in December 2005.

(ii) Represents Indofood's investment in PT Tahta Bahtera's convertible bonds in November 2005.

In June 2006, Indofood acquired 55.0 per cent interest in PPL for US$40.5 million and SIMP completed the acquisition of 70.0 per cent interest in SAIN for US$16.4 million. PPL is engaged in shipping operations and SAIN is engaged in the operations of oil palm breeding, research management and plantations in Indonesia.

Since the date of acquisitions, the above acquired companies recorded profit for the period of US$0.1 million, which were included in the profit and loss of the Group. If all of the above acquisitions had taken place on 1 January 2006, the turnover and profit for the period of the Group for the six months ended 30 June 2006 would be US$1,141.2 million and US$99.1 million, respectively. The subsidiary companies acquired during the period had minimal net cash outflows from operating and investing activities and no cashflow in respect of financing activities during the period.

(c) Increased Investment in an Associated Company

The cash outflow of US$6.1 million (2005: US$28.2 million) relates to the Group's increased investment in PLDT. 2006's purchase was principally made in accordance with the terms of Head Office's Exchangeable Notes.

(d) Restricted Cash

At 30 June 2006, the Group had US$4.5 million (31 December 2005: US$4.7 million) of cash which was restricted as to use. The full amount has been released in July 2006.

(e) Major Non-cash Transaction

During the period, the Group settled US$7.4 million of Head Office's Exchangeable Notes through the transfer of 0.1 per cent PLDT shares.

18. Commitments and Contingent Liabilities

(a) Capital Expenditure

US$ millions	**At 30 June 2006**	At 31 December 2005
Commitments in respect of subsidiary companies:		
Authorized, but not contracted for	**7.9**	15.1
Contracted, but not provided for	**5.8**	7.5
Total	**13.7**	22.6

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

(b) Contingent Liabilities

At 30 June 2006, neither the Group nor the Company had any significant contingent liabilities (31 December 2005: Nil).

19. Share Options

Particulars of the share options of the Company and its subsidiary companies granted to the Directors and senior executives of the Company and its subsidiary companies at 30 June 2006 are set out below.

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

Company	Share options held at 1 January 2006	Share options granted during the period	Share options exercised during the period	**Share options held at 30 June 2006**	Share option exercise price (HK$)	Market price at date of grant (HK$)	Market price during the period of exercise (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											
Ambassador 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	–	(482,000)	**2,358,000**	1.76	1.76	3.66	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
Senior Executives	32,286,000	–	–	**32,286,000**	1.76	1.76	–	1 June 2004	December 2008	June 2005	May 2014
	–	4,500,000	–	**4,500,000**	3.275	3.25	–	7 June 2006	December 2010	June 2007	June 2016
Total	**131,746,000**	**4,500,000**	**(482,000)**	**135,764,000**							

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

Metro Pacific	Share options held at 1 January 2006	Share options canceled during the period	**Share options held at 30 June 2006**	Share option exercise price (Peso)	Market price at date of grant (Peso)	Grant date	Exercisable from	Exercisable until
Senior Executives	315,684	(267,649)	**48,035**	3.46	3.57	1 August 1997	August 1997	August 2007

Other than as disclosed above, at no time during the period was the Company or any of its subsidiary companies a party to any arrangements to enable the Directors 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 or their spouses or minor children had any right to subscribe for securities of the Company, or had exercised any such right during the period.

20. Related Party Transactions

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

(a) The Company and certain of its group companies signed a Cooperation Agreement on 31 January 2006 with PLDT, NTT DoCoMo, Inc. and NTT Communications, Inc. which governs the shareholding arrangements and other business arrangements, including the rollout and development of 3G services in the Philippines, between the parties.

(b) In April 2006, a wholly-owned subsidiary company of the Company converted its Pesos 450 million (US$8.6 million) investment in Metro Pacific's preferred shares into common shares at Peso 1 per share, which increased the Group's economic interest in Metro Pacific from 75.5 per cent to 76.1 per cent.

(c) In April 2006, MPIC acquired Metro Pacific's entire 51.0 per cent interest in Landco, Inc. (Landco) for a consideration of Pesos 667.7 million (US$12.8 million) and a Pesos 137.7 million (US$2.6 million) receivable from Landco at its face value. In May 2006, MPIC converted the said receivable from Landco into new shares in Landco, with a pro-rated contribution of Pesos 132.2 million (US$2.5 million) from AB Holdings, Inc., the 49 per cent shareholder of Landco.

(d) In May 2006, Metro Pacific repaid its outstanding liabilities owed to certain wholly-owned subsidiary companies of the Company totaling Pesos 854 million (US$16.4 million).

(e) ALBV has a technical assistance agreement with Smart for ALBV to provide Smart with technical support services and assistance in the operations and maintenance of cellular mobile telecommunications services for a period of four years from 23 February 2004, subject to renewal upon mutual agreement between the parties. The agreement provides for quarterly payments of technical service fees equivalent to one per cent (2005: one per cent) of the consolidated net revenue of Smart.

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

Total fees under these arrangements amounted to Pesos 299 million (US$5.7 million) for the period ended 30 June 2006 (2005: Pesos 278 million or US$5.1 million). At 30 June 2006, ALBV had outstanding receivable under the technical assistance agreement amounting to Pesos 30 million (US$0.6 million) (31 December 2005: Pesos 194 million or US$3.7 million).

(f) 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 six months ended 30 June US$ millions	**2006**	2005
Profit and Loss Items		
Sales of finished goods		
– to associated companies	**24.7**	17.1
– to affiliated companies	**21.0**	14.7
Purchases of raw materials		
– from associated companies	**18.3**	12.5
– from affiliated companies	**1.8**	3.4
Insurance expenses		
– to affiliated companies	**1.6**	–
Management and technical services fee income and royalty income		
– from associated companies	**0.3**	0.2
– from affiliated companies	**0.5**	1.3
Rental expenses		
– to affiliated companies	**0.6**	0.7
Transportation and pump services expenses		
– to affiliated companies	**0.2**	0.4

Approximately four per cent (2005: four per cent) of Indofood's sales and two per cent (2005: three per cent) of its purchases were transacted with these related parties.

Nature of Balances

US$ millions	**At 30 June 2006**	At 31 December 2005
Balance Sheet Items		
Accounts receivable – trade		
– from associated companies	**5.2**	0.1
– from affiliated companies	**5.7**	4.8
Accounts receivable – non-trade		
– from associated companies	**–**	0.1
– from affiliated companies	**7.3**	5.9
Accounts payable – trade		
– to associated companies	**5.2**	6.4
– to affiliated companies	**0.9**	1.2
Accounts payable – non-trade		
– to affiliated companies	**0.8**	0.6

Certain of the above Indofood’s related party transactions also constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules and their details are disclosed in the Corporate Governance Report on page 42.

21. Subsequent Events

(a) In July 2006, the Group has redeemed in full its outstanding secured bonds of US$108 million at par upon their maturity. The redemption was funded by internal cash resources. Following the full redemption of the bonds, the security interest over the Group's shareholding in Indofood was released.

(b) On 16 August 2006, Indofood completed a merger between its wholly-owned edible oils and fats subsidiary companies and SIMP, through the issuance of new shares by SIMP to Indofood in exchange for the full ownership of the edible oils and fats businesses. As a result, Indofood's effective interest in the merged SIMP increased to approximately 84 per cent from 80 per cent.

(c) On 16 August 2006, SIMP entered into a conditional sale and purchase agreement with Rascal Holdings Limited, a company owned by the Chairman of the Company, in relation to the purchase of a 60 per cent interest in several plantation companies owning approximately 85,500 hectares of plantation land for a consideration of Rupiah 125 billion (US$13.7 million). Completion of the acquisition is conditional upon fulfillment of various conditions precedent.

(d) On 23 August 2006, Indofood entered into a conditional sale and purchase agreement with ISG Asia Limited (ISG), a company listed on the Singapore Exchange Securities Trading Limited (SGX – ST) Dealing and Automated Quotation System, in relation to the proposed listing of Indofood's oil palm plantations and edible oils and fats businesses through a reverse takeover of ISG. The transaction is valued at 392.7 million Singapore Dollars (US$248.5 million) with Indofood receiving 9.982 billion new ISG shares after injecting its oil palm plantations and edible oils and fats businesses.

Upon completion of the transaction, Indofood will become the majority shareholder of ISG owning over 98 per cent of the enlarged issued share capital of ISG. To comply with SGX – ST rules on shareholding spread and distribution requirements, it is intended that a placement of new and/or existing shares of ISG will be carried out.

The transaction is subject to the completion of due diligence and approvals of shareholders of the Company, Indofood and ISG as well as the regulatory authorities in Hong Kong, Indonesia and Singapore.