

Goals



Review of 2006 Goals

- **Goal:** Continue to improve share price performance
Achievement: Achieved. Share price increased by 35 per cent and closed at HK\$4.04; the highest for the year. This compared with a 34 per cent increase in the Hang Seng Index. It traded at a high of HK\$5.13 in February 2007.
- **Goal:** Continue to evaluate investment opportunities in telecommunications, infrastructure or consumer food products sectors in the Asia region
Achievement: Achieved. A significant number of opportunities were evaluated. However, given risk and pricing considerations, further investment was limited to a) the completion in January 2007 of an 84 per cent interest in Maynilad Water Services, Inc. (Maynilad Water) through MPIC in partnership with DMCI Holdings, Inc. for a consideration of approximately US\$533 million and b) the completion in February 2007, through certain rights in connection with its shareholding in Philippine Telecommunications Investment Corporation, of an effective additional 6.4 per cent interest in PLDT for a consideration of Pesos 25.2 billion (approximately US\$10.6 million).
- **Goal:** Raise funds with improved terms for funding expansion opportunities
Achievement: Achieved. Cash and finance facilities totalling approximately US\$533 million were raised to fund the investment in Maynilad Water. The CAB Bonds were refinanced with a 5-year loan with a reduction of 15 per cent in the cost of finance. Subsequent to the year-end, US\$420 million of loans were secured for the acquisition of an effective additional 6.4 per cent interest in PLDT.
- **Goal:** Maintain dividend payments to shareholders subject to continued strong performance of PLDT and further improved performance of Indofood
Achievement: Achieved. An interim dividend of HK1.00 cent per share was paid in October 2006. The Board, in view of the improved operating contribution from the Company's investments, recommended a final dividend of HK3.5 cents per share to be paid in June 2007. This represents an increase of HK1.5 cents (75 per cent) over the final dividend for 2005. Subsequent to the year-end, a special dividend of HK0.96 cent was made in relation to the spin off of 25 per cent of the enlarged capital of Indofood's subsidiary, Indofood Agri Resources Ltd. (IndoAgri) on the Singapore Stock Exchange.

Goals for 2007

- Evaluate new investment opportunities in telecoms, consumer food products and infrastructure in the emerging markets in Asia
- Continue to enhance value in our current operating businesses
- Strengthen balance sheet in support of new investment opportunities



Review of 2006 Goals

- **Goal:** Continue to build out the Next Generation Network (NGN) and roll out wireless broadband in order to increase broadband subscriber base and expand the group's data/broadband capabilities
Achievement: Achieved and ongoing. PLDT upgraded 150,000 fixed-lines to NGN lines while Smart increased its wireless broadband capable base stations to 2,500. Total wireless and fixed-line broadband subscriber base doubled to 265,000 and consolidated revenues arising from broadband and internet services increased by 49 per cent to Pesos 5.2 billion (US\$101.6 million). The NGN provides a critical platform for PLDT to transition from traditional voice to data-based services, which will be the driver of future growth.
- **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 continued its multi-segment approach and introduced various innovative and competitive top-up packages to stimulate usage and to improve network efficiency. Text promotions were led by *All Text* packages – *All Text 10 Bonus* offers 15 messages without expiration at Pesos 12 (US\$0.2) while *All Text 20* allowed 100 on-network messages for Pesos 20 (US\$0.4) in one day; voice promotions included *Tipid Talk* which allows a subscriber to make four calls of up to 30 seconds each for local on-network calls for one day at Pesos 10 (US\$0.2). In 2006, Smart expanded the capacity of its cellular network to handle 1 billion text messages per day. Smart's 2G subscriber base increased by approximately 3.8 million subscribers to reach 24.2 million as at the end of 2006.
- **Goal:** Introduce 3G technology and develop services and applications to encourage usage
Achievement: Achieved. Smart's 3G service was commercially launched on 1 May 2006, with services including Smart-to-Smart video calls, video streaming, high-speed internet browsing, video clip downloading, ring tones, visual ringers and games at rates in line with its existing 2G services.
- **Goal:** Reduce debt by a minimum of US\$300 million
Achievement: Achieved. Raised target to US\$350 million in August 2006. Consolidated debt reduced by US\$362 million, 21 per cent ahead of the original target of US\$300 million. At the end of 2006, total debt and net debt were down to US\$1.8 billion and US\$1.2 billion respectively, while net debt to EBITDA and net debt to free cash flow ratios improved to 0.7 time and 1.6 times respectively.
- **Goal:** Raise dividends to common shareholders to a minimum of 50 per cent of 2006 core earnings
Achievement: Achieved. PLDT raised dividend payout from its original 50 per cent of 2006 core earnings to 60 per cent. Total dividends for 2006 reached Pesos 100 (approximately US\$2) per share compared to Pesos 70 (approximately US\$1.3) per share for 2005. PLDT provided a total amount of Pesos 18.8 billion (US\$367.5 million) for common dividend payments in 2006, compared with Pesos 12.3 billion (US\$223.7 million) in 2005.

Goals for 2007

- Manage transition to data and next generation services, and maximize the existing mainstream voice and text businesses
- Accelerate the expansion of call centre and business process outsourcing businesses
- Expand both domestic and international m-commerce businesses
- Continue segment-specific programs to further increase network efficiency
- Raise dividends to common shareholders to 70 per cent of 2007 core earnings



Review of 2006 Goals

- Goal:** Implement and continue to enhance the new distribution system to improve sales and area-specific product mix
Achievement: Achieved. Indofood significantly increased stock points allowing improved market penetration and a more efficient supply chain operation. Most business groups reported strong growth in sales volume and increase in market shares. Net sales grew by 16.9 per cent in rupiah terms or 24.7 per cent in U.S. dollar terms to Rupiah 21,941.6 billion or US\$2,398.5 million.
- Goal:** Continue to focus on branded products and expand revenue through domestic, regional and international business development
Achievement: Achieved. With the enhanced distribution network and segment specific marketing initiatives, total sales of the consumer branded products group improved by 18.6 per cent in rupiah terms to Rupiah 8,446.9 billion or 26.4 per cent in U.S. dollar terms to US\$923.4 million.
- Goal:** Continue to strengthen market leadership position
Achievement: Achieved. Indofood's major products remain market leaders in their respective segments; a 77 per cent share of the noodles market; a 67 per cent share of flour market, a 43 per cent share of branded cooking oil market and a 59 per cent share of the margarine and shortening market. The company's other products retained their market positions.
- Goal:** Continue to expand oil palm plantation areas to be able to meet the supply requirements of its edible oil refineries
Achievement: Achieved. The expansion of Indofood's plantation business will accelerate following the successful listing of the Edible Oils and Fats group on the Singapore Stock Exchange in February 2007. This raised approximately US\$270.8 million by issuing new placement shares representing 25 per cent of the enlarged capital of IndoAgri. At the end of 2006, the plantation land bank was approximately 224,100 hectares (including approximately 85,500 hectares received approval in 2006 and completed in March 2007), of which approximately 66,900 hectares are planted with oil palm trees and approximately 5,000 hectares with rubber trees.
- Goal:** Further reduce foreign currency exposure by reducing foreign currency debt
Achievement: Not achieved. Eurobonds totaling US\$143.7 million were fully refinanced through a combination of internal resources and foreign currency borrowings. Indofood plans to refinance its foreign currency debts by issuing 1.5 trillion rupiah bonds in the second quarter of 2007 in order to reduce foreign currency exposure.
- Goal:** Continue operational efficiency enhancement and cost reduction program
Achievement: Achieved. The enhancement of the distribution network, reengineering of supply chains, operating systems and procedures, and further manpower rationalization improved efficiency. EBIT margin improved to 9.0 per cent from 8.9 per cent.

Goals for 2007

- Leverage brand equity and market position to sustain growth and profitability
- Leverage stock point network to expand products distribution coverage
- Continue to implement cost control and operational efficiency programs
- Accelerate plantation expansion organically or through acquisition
- Strengthen balance sheet and reduce foreign currency exposure



Review of 2006 Goals

- Goal:** Complete reorganization and recapitalization plan
Achievement: Achieved. MPIC, a new investment holding and management company was listed on the Philippine Stock Exchange in December 2006. The reorganization and recapitalization of Metro Pacific Corporation (Metro Pacific)/MPIC included the introduction of a strategic investor, Ashmore Investment, a UK-based LSE-listed FTSE 250 company with US\$26.8 billion in assets under management.
- MPIC's assets include a 50.0 per cent interest in a joint venture, with DMCI Holdings, Inc. (DMCI), a diversified Philippine holding group, in the DMCI-MPIC Water Company Inc. which holds an 84 per cent interest in Maynilad Water Services, Inc. (Maynilad Water), a major water utility with a population of 8 million people in the western part of Metro Manila, and a directly held 51.0 per cent interest in Landco Pacific Corporation. Metro Pacific, the predecessor of MPIC, became a subsidiary of MPIC, with a 15.3 per cent interest in a domestic shipping company, Negros Navigation Company Inc. (Nenaco).
- Goal:** Strengthen Landco's position as a diversified property developer through support to key expansion projects
Achievement: Achieved. During the year, Landco expanded its offerings through its landmark Punta Fuego residential resort by offering an additional 278 new lots for sale in the Terrazas de Punta Fuego. The first phase of a major 200-hectare middle market integrated beach, leisure and tourist community, Playa Calatagan, commenced with more than 636 lots for sale. Sales from its popular Leisure Farms and Ponderosa Leisure Farms projects, weekend farming communities expanded amongst upper income Filipinos. The company began work on its first condominium development project in Metro Manila; "Tribeca" a development community of mid-rise apartment residences, restaurants and entertainment facilities with direct access to major Metro Manila expressways.
- Goal:** Continue to explore investment opportunities in the infrastructure sector
Achievement: Achieved. From an increasing number of opportunities in various infrastructure sectors, MPIC in partnership with DMCI secured an 84 per cent ownership of Maynilad Water, a company that has a 15-year concession to supply water to the western part of Metro Manila.

MPIC continues to actively evaluate and study many potential opportunities in various infrastructure sectors as demand for basic infrastructure and utilities increases with the higher economic growth rates.

- Goal:** Continue implementing a rehabilitation program for Nenaco
Achievement: Achieved. In view of the poor outlook for the domestic shipping industry, its over capacity and limited rehabilitation options, MPIC's subsidiary, Metro Pacific, sold 83.7 per cent of its interest in Nenaco in late 2006 for a nominal consideration to Negros Holdings and Management Corporation, a company comprising Nenaco's previous management team.

Goals for 2007

- Develop a comprehensive growth and enhanced profit strategy for Maynilad Water and Makati Medical Center
- Raise new capital to fund potential new investments and to comply with the Philippine Stock Exchange's listing rules regarding free float requirement
- Manage project developments at Landco to build profitable returns to the shareholders
- Continue to evaluate potential investment opportunities in various infrastructure sectors



Review of 2006 Goals

- Goal:** Diversify and expand games portfolio
Achievement: Substantially achieved. 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 game. In Brazil, Level Up added Gunz and Grand Chase, both are casual games, to its products portfolio in 2006. RF Online was launched in January 2007. In India, Ragnarok was commercially launched in March 2006 and Gunz is expected to be launched in the first half of 2007.
- Goal:** Grow subscriber base in higher growth markets in Brazil and India
Achievement: Not achieved. Level Up subscriber base in Brazil and India remains flat as a result of the delay of launching new games planned for the second half of 2006 and the slower than anticipated development of the Indian market.
- Goal:** Develop supplementary non-game revenue sources
Achievement: Partially achieved. In the Philippines, Level Up introduced market online advertising and in game advertisements in the first quarter of 2006. Growth opportunities remain positive in the medium term as the online advertising market continues to expand. Non-game revenue sources include in game and website advertising, sponsorships, events and merchandising.
- Goal:** Build alliances and a dominant distribution network
Achievement: Achieved. In its various territories, Level Up has expanded its distribution partnerships and networks and received marketing support from strategic distribution partners in the media and retail sectors, including Coca-Cola, Nestlé, and Blockbuster.
- Goal:** Further build the "Level Up!" brand
Achievement: Partially achieved. In the Philippines, "Level Up!" brand further strengthened by the launch of its new website in the fourth quarter of 2006 along with the continued marketing and promotion of its game titles. In Brazil, the company expanded its branding through the introduction of new games along with distribution deals with Blockbuster and UOL (a leading Brazilian internet portal). The development of the brand in India has been slower than planned given the relative slow development of the infrastructure to support the gaming offering.

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Goals for 2007

- Diversify and expand games portfolio
- Complete the merger of Level Up! Philippines with netGames, and maximize synergies in the Philippines with ePLDT
- Identify and procure compelling content
- Grow subscriber base
- Develop supplementary non-game revenue sources