FIRST
PACIFIC

First Pacific Company Limited

Stock Code: 00142

ANNUAL REPORT 2011

Delivering Long-term Growth in Asia

Celebrating 30 Years

2011 Increased investments in telecoms through PLDT's acquisition of Digitel, in Meralco through Beacon Electric, in hospitals through MPIC. Listed natural resources businesses through Philex Petroleum (oil and gas exploration) and SIMP (plantations)

2010 Increased investments in Meralco through Beacon Electric (PLDT and MPIC), in hospitals through MPIC and in Philex. Listed Indofood's consumer branded products businesses through ICBP

2009 Invested in electricity distribution (Meralco) through PLDT and MPIC. Increased investment in Philex

2008 First Pacific made its first investments in mining (Philex), and in toll roads (MPTC) through MPIC. MPIC increased investment in Maynilad. Indofood added dairy business through the acquisition of Indolakto

2007 Increased investment in PLDT. Invested in water distribution (Maynilad) and hospital (Makati Medical Center) through MPIC. Listed Indofood's plantations businesses through IndoAgri. IndoAgri acquired Lonsum (plantations)

2006 Relisted MPIC as an infrastructure company

From 1998 – 2000 Acquired PLDT in the Philippines and Indofood in Indonesia. Concluded acquisition of Smart by PLDT

From 1998 With the Asian crisis, First Pacific restructured and refocused in Asia with core investments in leading companies in telecoms, consumer food products and infrastructure sectors

1996 First Pacific became a constituent of the Hang Seng Index

From 1988 – 1996 First Pacific showed significant growth in marketing and distribution, property and banking divisions; and pioneered in regional telecoms investments

From 1993 – 1996 Smart Communications launched cellular services in the Philippines. NTT of Japan invested in Smart Communications as a strategic investor. Acquired PDCP Bank and First e-Bank in the Philippines

Invested in GSM networks in China's Fujian Province, Shenzhen, Dongguan and Huizhou and in Taiwan's Tuntex Telecom, rolled out GSM mobile networks in India through Escotel

1992 Acquired Far East Bank and merged it with Hong Nin Bank, renamed and listed as First Pacific Bank in Hong Kong

1989 Acquired a controlling interest in Imagineering Australia thereafter named Tech Pacific

1988 First Pacific Holdings and First Pacific International merged to form the currently listed First Pacific Company (using Shanghai Land of the Kadoorie Family as the listed shell)

First investment in telecoms with the purchase of a 50% interest in Pacific Link, Hong Kong. Acquired Dragon Seed Department Store in Hong Kong, set up retail operations (System One for electronic appliances and Sports Authority for sporting goods)

From 1982 – 1987 Acquired Hibernia Bank in San Francisco, a controlling interest in Hagemeyer, the Netherlands, invested in Berli Jucker in Thailand, First Pacific Davies in Hong Kong, United Savings Bank in California, Hong Nin Bank in Hong Kong and founded Metro Pacific Corporation in the Philippines

1981 First Pacific Finance Limited was founded as a financial services provider in Hong Kong (deposit-taking company or aka finance house). Start-up capital was HK$7 million (US$0.9 million) with a total staff of six (6) in a 500 square feet (50 square meters) office in Central, Hong Kong. Original name was Overseas Union Finance Limited (OUF)

Corporate Profile

First Pacific is a Hong Kong-based investment management and holding company with operations located in Asia. Our principal business interests relate to Telecommunications, Infrastructure, Consumer Food Products and Natural Resources.

Within these sectors, our **mission** is to unlock value in our investee companies to deliver three goals:

- Dividend returns to shareholders;
- Share price appreciation of First Pacific and the investee companies; and
- Further investment in our businesses.

Our investment criteria are clear:

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

Our strategies:

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

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

As at 20 March 2012, First Pacific's economic interest in PLDT is 25.6%, in MPIC 59.1%, in Indofood 50.1% and in Philex * 31.3%.

* Two Rivers Pacific Holdings Corporation, a Philippine affiliate of First Pacific, holds an additional 15.0% interest in Philex.

First Pacific's principal investments are summarized on the inside back cover.

Contents

Ten-year Statistical Summary

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Results (US$millions)										
Turnover	**5,684.1**	4,640.2	3,925.6	4,105.3	3,040.8	2,474.8	1,986.1	2,054.6	2,161.8	1,892.3
Profit for the year	**1,135.6**	775.5	661.4	336.6	665.6	221.7	138.8	168.2	134.9	79.6
Profit attributable to owners of the parent	**600.9**	403.7	401.6	200.8	504.8	164.5	103.0	123.9	74.1	38.2
Contribution from operations	**511.8**	474.0	335.2	304.4	244.8	173.7	142.5	142.5	110.2	65.6
Recurring profit	**423.0**	402.1	286.6	239.2	186.7	134.4	103.9	116.3	88.4	51.1
Ordinary share dividends	**109.8**	99.4	56.1	37.0	41.1	22.4	12.3	–	–	–
Per Ordinary Share Data (U.S.cents)										
Basic earnings	**15.51**	10.40	11.71	5.91	14.91	4.89	3.07	3.69	2.21	1.15
Basic recurring earnings	**10.92**	10.36	8.36	7.04	5.52	3.99	3.09	3.46	2.63	1.54
Dividends	**2.85**	2.55	1.54	1.15	1.28	0.70	0.39	–	–	–
Equity/(deficit) attributable to owners of the parent	**78.50**	65.99	49.64	35.17	35.09	18.18	12.00	7.14	1.60	(0.81)
Financial Ratios										
Return on average net assets (%)	**15.01**	16.11	15.20	18.88	18.96	20.95	21.21	32.38	31.03	26.30
Return on average equity attributable to owners of the parent (%)	**15.11**	17.91	18.82	21.16	21.79	27.84	34.05	83.52	696.06	N/A
Dividend payout ratio (%)	**25.96**	24.72	19.57	15.47	22.01	16.67	11.84	–	–	–
Dividend cover (times)	**3.85**	4.05	5.11	6.46	4.54	6.00	8.45	–	–	–
Interest cover (times)	**7.18**	5.02	3.67	4.76	3.89	3.35	2.64	2.93	2.59	2.41
Current ratio (times)	**1.57**	1.85	1.37	0.87	0.94	1.21	1.45	1.42	1.71	1.02
Gearing ratio (times)										
– Consolidated	**0.26**	0.33	0.67	1.06	0.68	0.83	1.12	1.45	2.12	2.46
– Company	**0.71**	0.46	0.36	0.47	0.35	0.16	0.11	0.10	0.12	0.15

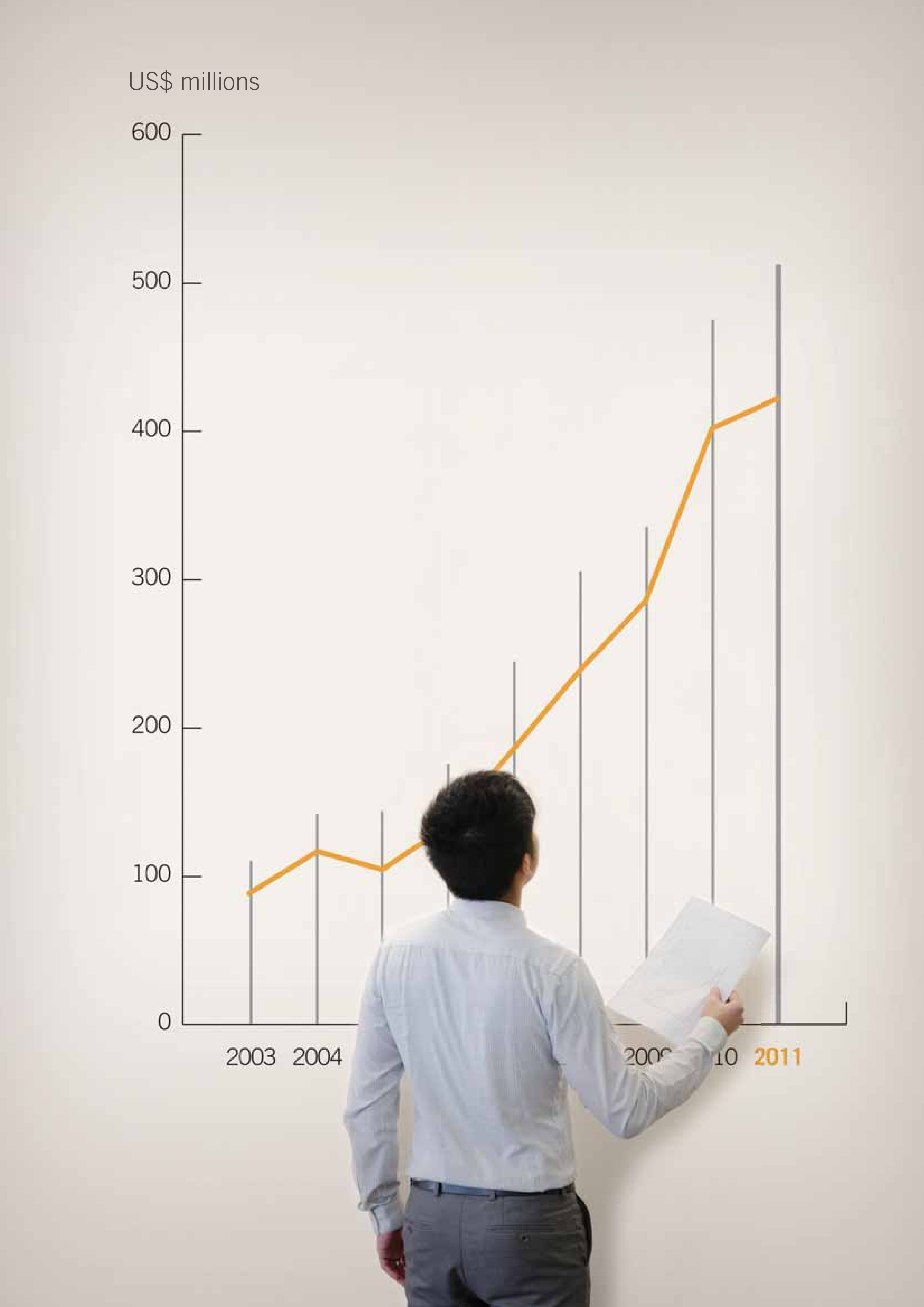
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Consolidated Statement of Financial Position Data (US$millions)										
Capital expenditure	**561.7**	513.7	389.8	300.5	106.3	46.3	56.6	105.1	72.6	92.2
Total assets	**12,611.8**	10,914.1	9,397.3	7,199.0	5,221.1	2,883.5	2,347.1	2,168.7	2,213.5	2,469.5
Net debt	**1,764.8**	1,847.0	2,719.5	2,520.8	1,443.8	857.2	788.5	854.3	907.7	1,136.7
Total liabilities	**5,732.6**	5,302.0	5,358.2	4,823.8	3,098.1	1,850.7	1,640.4	1,577.6	1,785.7	2,007.1
Net current assets/(liabilities)	**1,193.0**	1,278.4	594.3	(264.7)	(86.9)	175.0	292.8	251.9	443.6	20.6
Total assets less current liabilities	**10,508.8**	9,409.3	7,797.0	5,123.3	3,665.1	2,034.8	1,697.0	1,571.2	1,589.4	1,456.0
Equity/(deficit) attributable to owners of the parent	**3,022.7**	2,575.2	1,916.2	1,130.1	1,131.3	582.7	382.8	227.4	51.1	(25.7)
Total equity	**6,879.2**	5,612.1	4,039.1	2,375.2	2,123.0	1,032.8	706.7	591.1	427.8	462.4
Other Information (at 31 December)										
Company's net debt (US$millions)[(i)]	**1,170.3**	816.9	651.7	731.3	532.4	237.9	152.6	103.3	96.9	152.1
Number of shares in issue (millions)	**3,850.4**	3,902.4	3,860.3	3,213.4	3,224.1	3,204.8	3,188.8	3,186.0	3,186.0	3,186.0
Weighted average number of shares in issue during the year (millions)	**3,874.6**	3,880.4	3,428.5	3,397.7	3,384.9	3,365.5	3,358.9	3,358.1	3,358.1	3,322.5
Share price (HK$)										
– after rights issue	**8.080**	7.000	4.740	2.552	5.740	3.833	2.846	1.969	1.603	0.664
– before rights issue	**N/A**	N/A	N/A	2.690	6.050	4.040	3.000	2.075	1.690	0.700
Market capitalization (US$millions)	**3,988.6**	3,502.2	2,345.9	1,108.2	2,500.7	1,659.9	1,226.5	847.6	690.3	285.9
Number of shareholders	**4,503**	4,608	6,202	4,983	4,736	4,989	5,167	5,321	5,452	5,576
Number of employees	**73,582**	70,525	68,416	66,452	62,395	50,087	46,693	49,165	46,951	44,820

N/A: Not applicable

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

See pages 172 and 173 for a glossary of terms

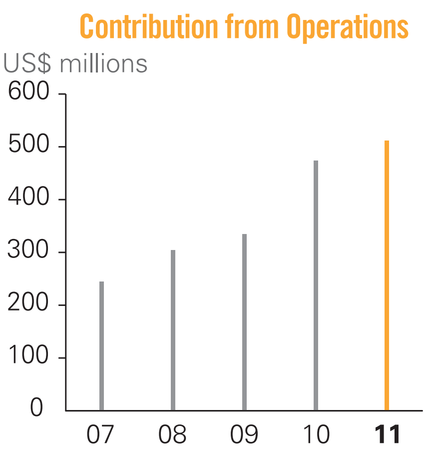
Note: In December 2009, the Company completed a rights issue, offering its shareholders one rights share for every five existing shares held at a subscription price of HK$3.40 per rights share. Accordingly, the comparative amounts of (i) basic earnings per share, (ii) basic recurring earnings per share, (iii) weighted average number of shares in issue during the year and (iv) share price (after rights issue) for 2002 to 2008 have been restated to reflect the effect of this rights issue in order to provide a more meaningful comparison.

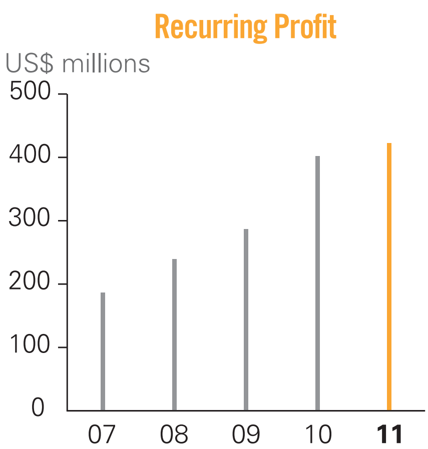

US$ millions
600
500
400
300
200
100
0
2003
2004
2011

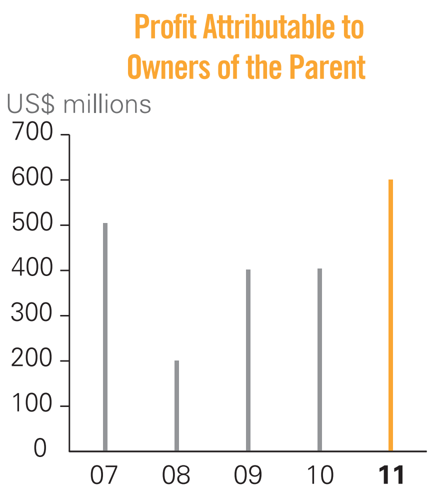
Financial Highlights

2011 recurring profit, contribution from operations, reported net profit, Head Office dividend income from operating companies and dividend payout at record highs

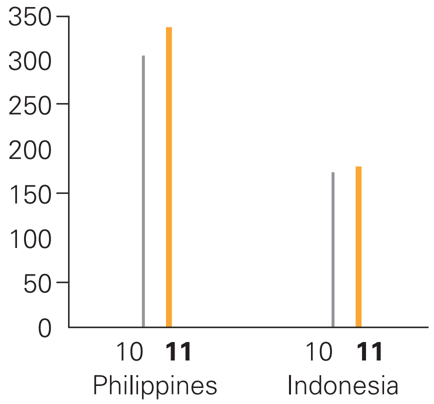
- **Recurring profit up 5.2% to US$423.0 million**
- **Contribution from operations up 8.0% to US$511.8 million**
- **Reported net profit up 48.8% to US$600.9 million**
- **Head Office dividend income from operating companies up 16% to US$322.0 million**
- **Dividend payout in cash terms up 10.5% to US$109.8 million**
- **Dividend payout of 26% of recurring profit reiterates commitment to 25% minimum**



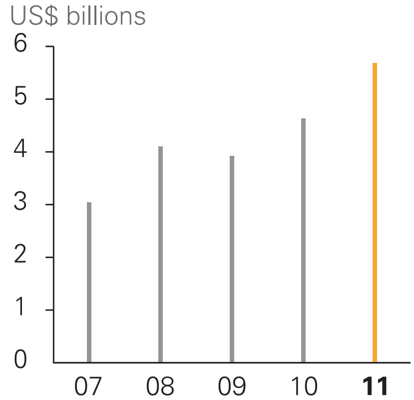




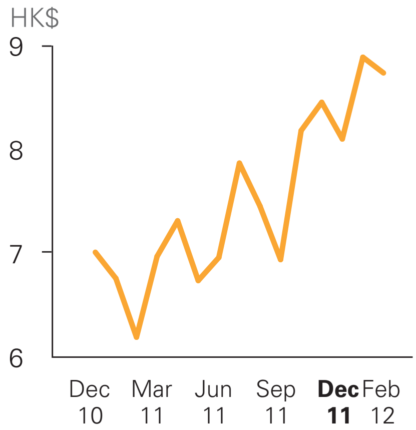
Contribution by Country



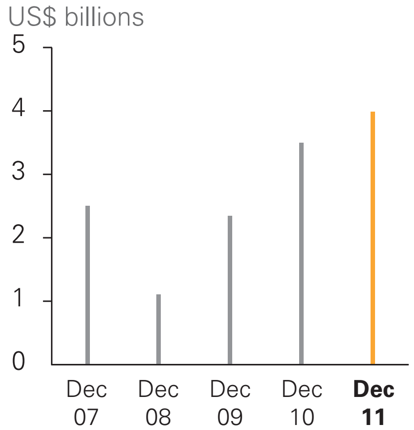
Turnover



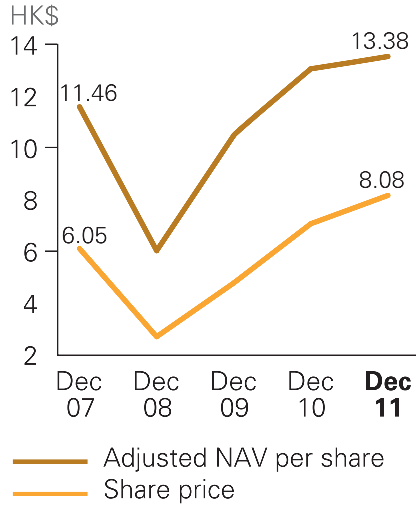
Share Price Performance



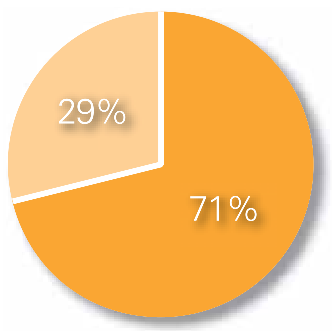
Market Capitalization



Share Price vs Adjusted NAV Per Share



Adjusted NAV by Country 31 December 2011



	US$ millions
Philippines	5,546.5
Indonesia	2,230.0
Total	**7,776.5**

Goals

FIRST PACIFIC

Review of 2011 Goals

Goal
Continue to explore investment opportunities in existing core businesses across the region

Achievement: Ongoing
Exploration of potential investments in each of the four core businesses (telecommunications, infrastructure, foods/consumer, and natural resources) in the economies of emerging Asia continues following additional investments in 2011 in PLDT and MPIC.

Goal
Fortify PLDT's position of market leadership in telecommunications

Achievement: Achieved and ongoing
Leading market position strengthened as PLDT group acquired the Philippines' number-three telecommunications provider, Digital Telecommunications Philippines, Inc. ("Digitel"). PLDT's broadband subscriber base improved by more than 900,000 to 2.9 million subscribers at the end of 2011. At the end of the year, combined SMART, TNT, Red Mobile and Sun subscriber base reached 63.7 million subscribers.

Goal
Invest in a new infrastructure project in the Philippines via MPIC

Achievement: On track
MPIC successfully raised Pesos 8.6 billion (US$201.5 million) in July 2011 to finance new projects and it continues to evaluate potential investments in infrastructure projects across the Philippines including participation in the Philippine Government's Public-Private Partnership initiatives. MPIC management is continuing to seek out infrastructure projects across the country.

Goal
Grow MPIC's toll road network by building roads and/or by investment in other toll road assets

Achievement: Ongoing
A Swiss Challenge to the Connector Road project is expected before end-2012, fulfilling a necessary step before work can begin. Construction of Segment 9, part of the Harbour Link to central Manila, is expected to begin in the fourth quarter of 2012 and evaluation of potential investment in other toll roads continues.

Goal
Continue moving into higher-margin products at Indofood

Achievement: Achieved and ongoing
During 2011 the CBP group continued to market its growing range of food products by utilizing its extensive distribution network.

Goal
Grow the plantation business so that Indofood become a net seller of crude palm oil ("CPO")

Achievement: Ongoing
The Agribusiness expanded its oil palm plantation area by 6% in 2011. Expansion of the oil palm and sugar cane plantations continues.

Goal
Expand sources of production at Philex from just one mine, Padcal, to others, through organic growth and/or via acquisition

Achievement: Achieved and ongoing
Padcal mine life was extended for a further three years to December 2020 following reassessment of its reserves and resources in June 2011. Philex invested US$25 million in the Kalayaan Project for a 5% stake rising to 60% with spending on the exploration phase of the planned mine, strategically located next to Philex's Silangan Project and potentially contributing to a significant increase in reserves at Silangan. Further investment of Pesos 1.4 billion (US$32.4 million) for 5% of Lepanto was also made. Evaluation continues of potential acquisitions of mines currently in operation. Exploration of Padcal environs and other license areas continues aggressively.

Goals for 2012

- Continue to explore investment opportunities in existing core businesses across the region
- Fortify PLDT's position of market leadership in telecommunications, integrate Digitel, consolidate networks, position for return to earnings growth in 2013
- Invest in a new infrastructure project in the Philippines via MPIC
- Grow MPIC's toll road network by building roads and/or by investment in other toll road assets
- Reverse decline in EBIT margin at Indofood
- Grow the plantation business so that Indofood becomes a net seller of crude palm oil (CPO)
- Expand sources of production at Philex from just one mine, Padcal, to others, through organic growth and/or via acquisition

Review of 2011 Goals

Goal
Achieve core net income for 2011 of around Pesos 40.5 billion

Achievement: Not met
Core net income in 2011 declined 7% to Pesos 39.0 billion (US$901.9 million) from Pesos 42.0 billion (US$932.5 million) a year earlier as increased competition, particularly in the second half of 2011, reduced revenues while operating expenses, particularly selling, promotions and subsidies, rose as the Company responded to competition.

Goal
Achieve continued growth of the broadband business in terms of subscribers and revenues

Achievement: Achieved and ongoing
PLDT Group broadband subscriber base rose 45% in 2011 to 2.9 million. PLDT Group total broadband and internet revenues grew by 18% year-on-year to Pesos 18.8 billion (US$434.8 million) in 2011 and now account for 12% of total service revenues.

Goal
Fortify PLDT's position of undisputed market leadership in network quality and customer experience while focusing on margins and profitability

Achievement: Ongoing
Market leadership position boosted by acquisition of Digitel, the third-largest telecommunications firm in the Philippines.

Goal
Upgrade the fixed and wireless networks within a capital expenditure budget of Pesos 34.4 billion for increased capacity and coverage

Achievement: Ongoing
2011 capital expenditure amounted to Pesos 31.2 billion (US$721.6 million), 8% higher than Pesos 28.8 billion (US$639.4 million) in 2010. The 2011 capex expenditure is part of a Pesos 67.0 billion (US$1.53 billion) two-year network modernization program to reinforce PLDT's undisputed market leadership in the cellular business as well as with the emergence of data. The capital expenditure includes spending for the upgrade of Smart's mobile networks, including preparing to be 4G-ready, additional broadband and cellular coverage and capacity, and upgrade of IT systems. All this will result in operating cost efficiencies which will allow continued delivery of quality service to customers.

Goals for 2012

- Complete the integration of Digitel into the PLDT Group to produce savings in areas such as capital expenditure and marketing/distribution operating expenditures while improving yields
- Maintain double-digit growth in broadband subscribers and revenues
- Complete the two-year network modernization program

Review of 2011 Goals

Goal
At Maynilad, grow billed volume while cutting non-revenue water to 48% for the year and investigate opportunities to provide bulk water supply and distribution in other regions of the Philippines

Achievement: Achieved and ongoing
Non-revenue water decreased to 48% for the year from 54% a year earlier and is declining. Maynilad continues to evaluate new bulk water and distribution concessions.

Goal
For the electricity business, finalize plans to enter power generation and continue preparation for retail electricity sales

Achievement: Achieved and ongoing
Meralco purchased a majority interest stake in the US$1.28 billion Redondo Peninsula Energy, Inc. (RP Energy), which is building a 600 MW coal-fired power plant in Subic Bay with the first 300 MW power plant coming online in 2016. Additional projects are under negotiation or evaluation. In preparation for retail electricity sales, a team has been organized to prepare a strategy for implementation of Open Access later in 2012.

Goal
Conclude evidentiary hearings for the Third Regulatory Period for Meralco beginning in July 2011

Achievement: Achieved
Third Regulatory Period commenced in July 2011 with a new four-year regulatory regime establishing a stable operating environment.

Goal
Continue to expand the toll road portfolio at MPTC by targeting acquisitions and new builds in heavily trafficked areas

Achievement: Ongoing
MPTC executives continue to evaluate potential investments for growth by acquisition and organic expansion. MPIC's fund-raising in July 2011 is aimed in large part at financing MPTC's planned growth.

Goal
Continue to grow the hospital network through the acquisition of hospitals across the country

Achievement: Ongoing
The Hospital group continues to evaluate potential hospital acquisitions in all three main island groups of the Philippines following its acquisition of AHI.

Goal
Participate in further development of the country's infrastructure, such as airports or Manila's Metro Rail Transit ("MRT") 3 light rail system

Achievement: Ongoing
MPIC executives continue to explore potential infrastructure investment opportunities.

Goals for 2012

- Continue to grow the hospital network through the acquisition of hospitals across the country
- Continue to expand the toll road portfolio at MPTC by targeting acquisitions and new builds in heavily trafficked areas
- Participate in further development of the country's infrastructure, such as airports or Manila's Metro Rail Transit ("MRT") 3 light rail system

Indofood
THE SYMBOL OF QUALITY FOODS

Review of 2011 Goals

Goal
Expand business/product categories

Achievement: Ongoing
New varieties have been expanded in the traditional snacks category, such as Qtela Tempe, soybean chips and Bimbim, a biscuit for children.

Goal
Increase market share in some categories

Achievement: Ongoing
Higher sales volumes by certain divisions in the ICBP subsidiary – Dairy, Food Seasonings, Snack Foods and Nutrition & Special Foods – drove increases in market share in certain segments while price increases in the Noodles business mitigated higher input cost affecting market share.

Goal
Improve product and service quality

Achievement: Ongoing

Goal
Enhance R&D capabilities

Achievement: Ongoing

Goal
Optimize operational efficiencies

Achievement: Ongoing
Increasing competition on price has put pressure on margins at all business units except Agribusiness, which benefitted from higher prices for crude palm oil ("CPO") and rubber. Margins have also been put under pressure by rising prices of raw materials, particularly for wheat, skimmed milk powder and sugar.

Goals for 2012

- Increase investments in A&P and strengthen marketing capabilities
- Accelerate new products innovation
- Increase plantation area for main crop

PHILEX
MINING CORPORATION

Review of 2011 Goals

Goal
Extend Padcal's mine life beyond 2017

Achievement: Achieved
Philex extended the declared mine life for Padcal to December 2020 based on reserves of 85.6 million tonnes of economically exploitable ore as of 20 June 2011. Padcal's total resources are estimated at 147 million tonnes, indicating that 61.4 million tonnes of additional ore could be converted into reserves and extend Padcal's mine life even further if economic parameters permit.

Goal
Move forward on Silangan Project development

Achievement: Achieved and ongoing
Construction of the portal to the decline leading down to the Bayugo and Boyongan ore bodies was completed in August 2011 with tunnel construction following over the next 18 months to two years. Much of the early-stage above-ground infrastructure has been completed, such as housing for miners and storage for explosives and heavy equipment. The project aims to deliver first commercial quantities of ore in 2016.

Goal
Continue exploring opportunities to acquire new mining operations

Achievement: Achieved and ongoing
Investment of US$25 million in Kalayaan Project for a 5% stake rising to 60% with spending on pre-development phase of the planned mine. Further investment of US$32.4 million for 5% of Lepanto was also made. Evaluation continues on potential acquisitions of mines currently in operation.

Goal
Determine the feasibility and cost-effectiveness of reopening the Bulawan Gold Mine

Achievement: Ongoing
Philex engineers and geologists continue to evaluate the feasibility and cost-effectiveness of reopening the Bulawan Mine.

Goal
Intensify exploration of areas with permits in the environs of the Padcal Mine, Bulawan Mine, Silangan Project and Sibutad Project for further mining opportunities

Achievement: Ongoing
Exploration of Padcal environs and other license areas continues aggressively with go/no-go decisions on development seen likely in 2012 for several potential projects.

Goal
Improve public perception of the benefits of mining to the Philippine economy

Achievement: Ongoing
Working closely with all stakeholders concerned (including government agencies, non-government organizations, the Bureau of Mines as well as other public and private institutions) to improve the reputation of the mining industry.

Goals for 2012

- Move forward on Silangan development of the mine
- Continue exploring opportunities to acquire new mining operations
- Determine the feasibility and cost-effectiveness of reopening the Bulawan Gold Mine
- Intensify exploration of areas with permits in the environs of the Padcal Mine, Bulawan Mine, Silangan Project and Sibutad Project for further mining opportunities
- Improve public perception of the benefits of mining to the Philippines
- Establish the commerciality of the hydrocarbons in SC 72 Reed Bank, a petroleum exploration license area located offshore West Palawan, through seismic interpretation and drilling of the first wells in the area since the 1980's

Review of Operations

FIRST PACIFIC

First Pacific Group companies continued to grow and strengthened their market positions during the year. Consolidated contribution from operations increased 8% to US$511.8 million. PLDT, MPIC, Indofood and Philex declared dividends which enabled First Pacific's Board of Directors to recommend an increase in its final dividend of 8% in line with its improvement in recurring profit and its commitment to distribute at least 25% of recurring profit to shareholders as dividends.

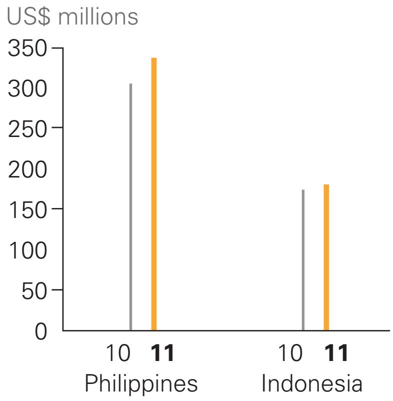
Below is an analysis of results by individual company.

Contribution Summary

For the year ended 31 December US$ millions	Turnover 2011	Turnover 2010	Contribution to Group profit[i] 2011	Contribution to Group profit[i] 2010
PLDT[ii]	**–**	–	**215.0**	224.1
MPIC	**510.4**	412.2	**68.2**	46.9
Indofood	**5,173.7**	4,228.0	**178.5**	172.1
Philex[ii]	**–**	–	**50.1**	30.9
Contribution from Operations[iii]	**5,684.1**	4,640.2	**511.8**	474.0
Head Office items:				
– Corporate overhead			**(22.1)**	(20.9)
– Net interest expense			**(64.2)**	(45.0)
– Other expenses			**(2.5)**	(6.0)
Recurring Profit[iv]			**423.0**	402.1
Foreign exchange and derivative (losses)/gains[v]			**(7.1)**	2.8
Gain on changes in fair value of plantations			**5.2**	7.6
Non-recurring items[vi]			**179.8**	(8.8)
Profit Attributable to Owners of the Parent			**600.9**	403.7

(i) After taxation and non-controlling interests, where appropriate
(ii) Associated companies
(iii) Contribution from operations represents the recurring profit contributed to the Group by its operating companies.
(iv) Recurring profit represents the profit attributable to owners of the parent excluding the effects of foreign exchange and derivative losses/gains, gain on changes in fair value of plantations and non-recurring items.
(v) Foreign exchange and derivative losses/gains represent the losses/gains on foreign exchange translation differences on the Group's unhedged foreign currency denominated borrowings and payables and the changes in the fair values of derivatives.
(vi) Non-recurring items represent certain items, through occurrence or size, which are not considered as usual operating items. 2011's non-recurring gains of US$179.8 million mainly represent the Group's gain on dilution of a 3.4% interest in PLDT as a result of PLDT's issuance of new shares to acquire Digitel in October 2011 (US$210.0 million), partly offset by PLDT's impairment provisions mainly as a result of Smart's network modernization (US$42.2 million). 2010's non-recurring losses of US$8.8 million mainly represent the Group's share of Meralco's non-recurring losses, and provision and write-off of certain assets, partly offset by the Group's gain on disposal of its interest in an associated company.

Contribution by Country



Turnover ↑23%	• to US$5,684.1 million from US$4,640.2 million • owing to increased turnover at Indofood and MPIC
Recurring profit ↑5%	• to US$423.0 million from US$402.1 million • due to increased contribution from MPIC, Philex and Indofood • offset by a decrease in contribution from PLDT owing to increased competition, particularly in the second half of 2011
Non-recurring gains	• US$179.8 million • principally reflecting a gain on 3.4% dilution of the Group's interest in PLDT, net of the Group's share of impairment provisions for Smart network assets of US$42.2 million
Reported profit ↑49%	• to US$600.9 million from US$403.7 million • reflecting an increase in recurring profit and non-recurring gain in 2011

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

Exchange rates against the U.S. dollar At 31 December	**2011**	2010	One year change
Closing			
Peso	**43.84**	43.84	–
Rupiah	**9,068**	8,991	-0.8%

Exchange rates against the U.S. dollar For the year ended 31 December	**2011**	2010	One year change
Average			
Peso	**43.24**	45.04	+4.2%
Rupiah	**8,762**	9,083	+3.7%

During 2011, the Group recorded net foreign exchange and derivative losses of US$7.1 million (2010: gains of US$2.8 million), which can be further analyzed as follows:

US$ millions	**2011**	2010
Head Office	**(2.7)**	(3.0)
PLDT	**(0.6)**	2.1
MPIC	**(2.1)**	0.1
Indofood	**(1.6)**	4.3
Philex	**(0.1)**	(0.7)
Total	**(7.1)**	2.8

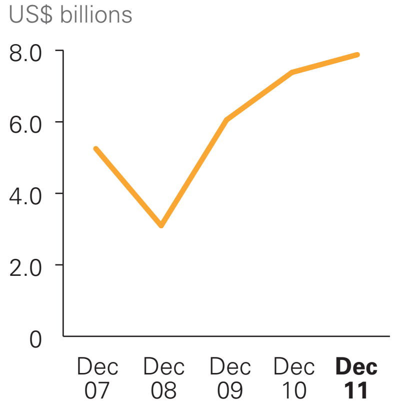
Additional Investments

Additional investments made or announced in 2011:

Telecommunications

- On 29 March, 2011, PLDT announced an agreement to acquire approximately 52% of Digital Telecommunications Philippines, Inc. ("Digitel"), its convertible bonds and certain advances for a consideration of Pesos 69.2 billion (US$1.6 billion) payable in shares of PLDT to J.G. Summit. The transaction was completed in October 2011.
- On 29 March 2011, Metro Pacific Resources, Inc., a Philippine affiliate of First Pacific, announced an agreement to buy 5.8 million shares in PLDT for a consideration of Pesos 14.5 billion (US$338.8 million) from J.G. Summit to limit the dilution of the Group's (including the Philippine affiliates) status as the largest shareholder in PLDT. This was completed in November 2011.

Value of Assets



Infrastructure

- Beacon Electric acquired an additional 10.6% of Meralco for a consideration of Pesos 30.3 billion (US$700.7 million).
- MPIC acquired 100% interest in Colinas Verdes Hospital Managers Corporation for a consideration of Pesos 300 million (US$6.9 million).
- MPIC acquired a 51.9% interest in Asian Hospital, Inc. ("AHI") for a consideration of Pesos 1.3 billion (US$30.5 million), accompanied by an offer from MPIC to all other AHI shareholders to buy their shares on similar terms.

Natural Resources

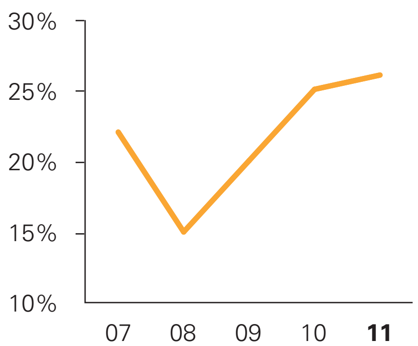
- Philex acquired 5% in Lepanto Consolidated Mining Corporation for a consideration of Pesos 1.4 billion (US$32.4 million). Lepanto has a 40% interest in the Far Southeast Gold Project.
- Philex acquired an initial 5% in Kalayaan Copper Gold Resources, Inc., a joint venture with Manila Mining Corporation, for a consideration of US$25.0 million. In addition, Philex expects to earn a further 55% interest in Kalayaan by sole-funding exploration all expenses for the Kalayaan project.

Capital Management

Dividend

First Pacific's Board of Directors recommended a final dividend of HK 13.00 cents (U.S. 1.67 cents) per share, up 8% from HK 12.00 cents (1.54 U.S. cents) per share a year earlier and bringing the regular dividend to HK 21 cents (U.S. 2.70 cents), up 17% from HK 18 cents (U.S. 2.31 cents) per share in 2010. The regular dividend represents a payout of 25% of recurring profit to shareholders, a commitment made two years ago when First Pacific announced its full-year 2009 results. A special dividend of HK 1.20 cents (U.S. 0.15 cents) per share was paid in a distribution in specie following the listing of PT Salim Ivomas Pratama Tbk (a plantation company controlled by Indofood) in the Indonesia Stock Exchange. Taken together, the special and full-year regular dividends amount to 26% of 2011 recurring earnings per share of HK 22.2 cents (U.S. 2.85 cents).

Dividend Payout Ratio



Looking ahead, the Board has confirmed that capital allocation will remain as a combination of dividends and share repurchases taking into consideration of Head Office's finances and investment plans.

Share Repurchase Program

In June 2010, the Board approved a two-year program to buy back up to US$130 million of First Pacific shares by way of "on-market repurchases". As at 20 March 2012, a total of US$107.3 million has been invested in the repurchases for a total of 116.9 million shares at an average price of HK$7.12 (US$0.9) per share since the program was announced.

Going forward, the Board renewed its commitment to shareholder value by building on the existing two-year share repurchase program with an ongoing commitment of 10% of recurring profit be allocated to share repurchases in each financial year. Like the two-year program it replaces, the renewed share buyback is conditional on the state of financial markets, economic conditions affecting Group companies, and on potential opportunities for mergers and acquisitions.

Debt Profile

At 31 December 2011, gross debt at the Head Office stood at US$1.3 billion, of which approximately 70% is fixed-rate or hedged borrowing and the average maturity is approximately 5.3 years.

Net interest expense increased 43% during the year to US$64.2 million as a result of a higher average debt level and higher interest rates on debts with longer average maturities.

Interest Cover

For the year, Head Office's recurring operating cash inflow before interest expenses was approximately US$304 million and cash interest payments were approximately US$71 million. Cash interest cover stood at approximately 4.3 times.

Foreign Currency Hedging

The Company actively reviews the potential benefits of hedging based on forecast dividend flows and enters into hedging arrangements (including the use of forward exchange contracts) for managing its foreign currency exposure in respect of dividend income and payments in foreign currency on a transactional basis.

Interest Rate Hedging

As at 31 December 2011, approximately 30% of the Head Office's borrowings were on a floating rate basis after all hedging arrangements. Fixed rate borrowings comprise approximately 54% of Head Office borrowings. To manage the interest rate risk for the other floating rate debts, interest rate swap contracts were entered to hedge another 16% of the Head Office borrowings.

2012 Outlook

Each of First Pacific's operating companies expressed varying degrees of cautious optimism regarding the outlook for 2012. PLDT is focused on the simultaneous tasks of integrating Digitel into its business and rolling out a Pesos 67 billion capital expenditure program. Profitability at PLDT is expected to remain under severe pressure in 2012 before returning to growth a year later. MPIC continues to explore for opportunities to invest in infrastructure in the Philippines but has been hampered by high asking prices and a slower-than-expected rollout of the Philippine Government's public-private partnership programs in infrastructure. Indofood looks forward to increasing sales growth but remains under strong competitive pressures as its Agribusiness focuses on growth. Philex continues to investigate new investment possibilities as it proceeds with the development of the Silangan copper and gold mining project and further exploring its existing tenements for growth.

Contribution -4.1%

US$215.0 million

Share Price Performance

Review of Operations – PLDT

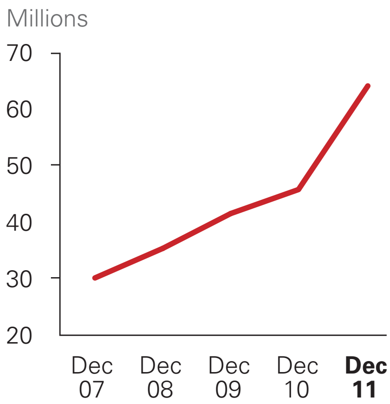
An analysis of PLDT's contribution to the First Pacific Group, adjusted for Hong Kong GAAP and translated into U.S. dollars, follows.

US$ millions	Turnover 2011	Turnover 2010 (Restated)(i)	Turnover % change	Profit 2011	Profit 2010 (Restated)(i)	Profit % change
Wireless	**2,360.5**	2,309.6	+2.2	**966.3**	1,033.1	–6.5
Fixed Line	**1,359.5**	1,312.7	+3.6	**299.1**	282.4	+5.9
Business Process Outsourcing	**198.6**	180.1	+10.3	**26.3**	29.7	–11.4
Others	**–**	–	–	**(3.2)**	(4.5)	–28.9
Inter-segment elimination	**(358.1)**	(335.0)	+6.9	–	–	–
Total	**3,560.5**	3,467.4	+2.7			
Segment Result				**1,288.5**	1,340.7	–3.9
Net borrowing costs				**(115.6)**	(120.9)	–4.4
Share of profits less losses of associates and joint ventures				**58.1**	44.9	+29.4
Profit Before Taxation				**1,231.0**	1,264.7	–2.7
Taxation				**(399.6)**	(406.8)	–1.8
Profit for the Year				**831.4**	857.9	–3.1
Non-controlling interests				**1.4**	(0.9)	–
Profit Attributable to Equity Holders				**832.8**	857.0	–2.8
Preference dividends				**(7.8)**	(10.2)	–23.5
Profit Attributable to Common Shareholders				**825.0**	846.8	–2.6
Average shareholding (%)				**26.1**	26.5	–
Contribution to Group Profit				**215.0**	224.1	–4.1

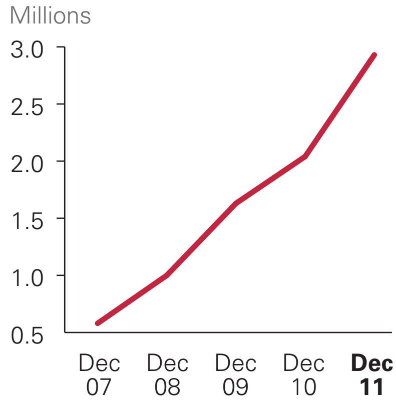
(i) 2010's comparative figures for segment turnover and profit have been restated to reflect a change in the presentation of outbound revenues and a reclassification of data center, internet and online gaming, and business solutions and applications services revenues and results from the previous business segment of Information and Communications Technology (now Business Process Outsourcing) to the Fixed Line business segment.

PLDT contributed a profit of US$215.0 million to the Group (2010: US$224.1 million). This represents approximately 42% (2010: 47%) of First Pacific's aggregate contribution derived from the operations of subsidiary and associated companies for 2011. The 4% decline in profit contribution (after the impact of an approximately 4% appreciation of the average Peso rate against the U.S. dollar) was principally due to lower service revenues in peso terms, partly offset by higher equity share in earnings of Meralco/Beacon Electric and lower provision for income tax.

Cellular Subscriber Numbers



Broadband Subscriber Numbers



PLDT

Consolidated core net income ↓7%	• to Pesos 39.0 billion (US$901.9 million) from Pesos 42.0 billion (US$932.5 million) • largely on account of lower services revenues • higher operating expenses • partially offset by higher equity share in earnings of Meralco/Beacon Electric and lower provision for income taxes
Reported net income ↓21%	• to Pesos 31.7 billion (US$733.1 million) from Pesos 40.2 billion (US$892.5 million) • largely due to decline in core net income by Pesos 3.0 billion (US$30.6 million) • asset impairment higher by Pesos 5.0 billion (US$117.9 million) • net forex and derivative gains lower by Pesos 0.5 billion (US$10.9 million)
Consolidated service revenues ↓2%	• to Pesos 154.0 billion (US$3.6 billion) from Pesos 156.2 billion (US$3.5 billion) • mainly in the wireless business due to heightened industry competition • partly offset by higher revenues from the business process outsourcing business • and the Pesos 3.8 billion (US$87.9 million) contribution representing two months of Digitel • 2011 and 2010 service revenues were adjusted to reflect the change in the presentation of outbound revenues
EBITDA ↓4%	• to Pesos 80.0 billion (US$1.9 billion) from Pesos 83.7 billion (US$1.9 billion) • due to lower service revenues • higher operating expenses, primarily wireless selling and promotions and subsidies as part of PLDT's response to the competitive environment
EBITDA margin	• to 52% from 54% reckoned against the revised presentation of consolidated service revenues • largely due to the decline in EBITDA • impacted by the consolidation of Digitel's EBITDA margin of 28% from 26 October 2011
Consolidated free cash flow ↑8%	• to Pesos 47.2 billion (US$1,091.6 million) from Pesos 43.7 billion (US$970.2 million) • resulting from higher cash from operations of Pesos 79.2 billion (US$1.8 billion) compared with Pesos 77.3 billion (US$1.7 billion) in 2010 • due in part to a decline in net interest expenses to Pesos 4.0 billion (US$92.5 million) from Pesos 4.4 billion (US$97.7 million) • partly offset by an increase in capex to Pesos 31.2 billion (US$721.6 million) from Pesos 28.8 billion (US$639.4 million)
Consolidated debt (gross)	• at US$2.7 billion from US$2.1 billion as at 31 December 2010 • due to the consolidation of US$0.5 billion of Digitel debt
Consolidated net debt	• at US$1.7 billion from US$1.3 billion
Net debt/EBITDA	• at 0.9 times

Capital Management

Dividend

For the fifth consecutive year in fiscal 2011, PLDT's dividends are equivalent to 100% of its core net income. PLDT's Board of Directors declared a final regular dividend of Pesos 63 (US$1.46) per share, fulfilling PLDT's commitment to pay out a minimum ratio of 70% of core net income. In addition, the Board of PLDT, consistent with its year-end "look back" approach, approved a special dividend of Pesos 48 (US$1.11) per share thus making for a total of Pesos 111 (US$2.57) per share with a payment date of 20 April 2012. Added to the interim dividend of Pesos 78 (US$1.80) per share paid in August 2011, total dividends for the year will amount to Pesos 189 (US$4.37) per share, representing a payout of 100% of 2011 core net income.

Share Buyback

In 2008, PLDT's board approved a share buyback program of up to 5 million shares. As of 31 December 2011, PLDT had bought back 2.7 million shares into treasury at an average cost of Pesos 2,388 (US$55) per share. Under the approved share buyback program, PLDT may still acquire up to 2.3 million shares from the market on an opportunistic basis.

Acquisition of Digitel

On 29 March 2011, PLDT announced an agreement to acquire JG Summit's ("JGS") ownership in Digital Telecommunications Philippines, Inc. ("Digitel"), the third-largest telecommunications company in the Philippines, which operates wireless and fixed line businesses. The acquisition included 51.6% of the issued common stock of Digitel, as well as zero-coupon convertible bonds issued by Digitel and its subsidiary to JGS, which are convertible into approximately 18.6 billion common shares of Digitel assuming a conversion date of 30 June 2011 and at an exchange rate of Pesos 43.405 per US dollar; and intercompany advances made by JGS to Digitel in the total principal amount plus accrued interest of P34.1 billion (US$0.8 billion) as at 31 December 2010, for a total of Pesos 69.1 billion (US$1.6 billion). The transaction closed on 26 October 2011 and a tender offer was undertaken wherein PLDT offered the same terms to all minority shareholders in Digitel, offering to pay them with cash or new PLDT shares. The tender offer completed on 16 January 2012.

With the acquisition of Digitel, PLDT has fortified the platform which will allow it to leverage the combined expertise of the PLDT Group and Digitel to expand and enhance its products offerings which should allow PLDT's revenues to grow.

PLDT owns approximately 99.4% of Digitel as at 20 March 2012.

Wireless

PLDT Group's combined cellular subscriber base grew by 40% to 63.7 million (31 December 2010: 45.6 million) representing approximately 68% of the total cellular market in the Philippines based on subscribers and approximately 67% in terms of revenues at the end of 2011. Smart and Digitel's combined postpaid subscriber base stood at 1.9 million, the biggest in the Philippine market.

At the end of December 2011, the cellular SIM penetration rate in the Philippines was approximately 97%. About 97% of PLDT Group's subscribers are prepaid. Smart's net blended prepaid and postpaid average revenue per user ("ARPU") decline 11% year-on-year to Pesos 155 (US$3.58).

Combined broadband subscribers – Digital Subscriber Line ("DSL") fixed and wireless – grew 45% year-on-year to over 2.9 million, inclusive of about 0.6 million Digitel broadband subscribers. This accounted for approximately 52% of the broadband market in the Philippines. Total DSL, wireless broadband and internet service revenues were up 18% to Pesos 18.8 billion (US$434.8 million) with DSL ARPU at approximately Pesos 1,132 (US$26.18) and net blended wireless ARPU at Pesos 362 (US$8.37).

Wireless service revenues ↓2%

- to Pesos 102.1 billion (US$2.4 billion) from Pesos 104.0 billion (US$2.3 billion)
- due largely to a 7% decline in Smart's voice revenues to Pesos 42.3 billion (US$978.3 million) from Pesos 45.7 billion (US$1.0 billion)
- a 3% decline in cellular data revenues to Pesos 46.0 billion (US$1.1 billion) from Pesos 47.2 billion (US$1.0 billion)
- offset in part by the addition of Pesos 3.1 billion (US$71.7 million) in revenues from Digitel from 26 October 2011
- and a 91% increase in mobile internet browsing revenues to Pesos 1.6 billion (US$37.0 million) from Pesos 0.9 billion (US$20.0 million)

Wireless EBITDA ↓6%

- to Pesos 55.4 billion (US$1.3 billion) from Pesos 59.0 billion (US$1.3 billion)
- mainly due to lower revenues and higher cash operating expenditure, consisting of selling and promotions and subsidies, in response to competition, particularly in the second half of 2011
- offset in part by the addition of Pesos 1.1 billion (US$25.4 million) in EBITDA from Digitel from 26 October 2011

EBITDA margin

- to 54% from 57%
- resulting from decline in EBITDA
- partially owing to Digitel's EBITDA margin of 28% on consolidation

Net blended ARPU ↓11%

- to Pesos 155 (US$3.58) from Pesos 175 (US$3.89)

Smart continues to invest in its cellular and multi-platform broadband networks while upgrading its existing transmission, core and access facilities. Smart's 3G and fixed wireless broadband networks now cover 70% of the country's population.

Fixed Line

The number of PLDT fixed line subscribers grew 19% to 2.2 million at the end of 2011, inclusive of approximately 0.3 million Digitel fixed line subscribers.

PLDT continues to lead in fixed line as it has the largest share in each of the retail and corporate segments of the market.

Fixed line service revenue ↓1%

- to Pesos 58.8 billion (US$1.4 billion) from Pesos 59.1 billion (US$1.3 billion)
- the strong peso impacted the business unfavorably with approximately 30% of fixed line service revenues being dollar-denominated or dollar-linked. Had the Peso remained stable, service revenues would have been higher by Pesos 0.7 billion (US$16.2 million).
- service revenues from local exchange, national long distance and international long distance revenues declined 3% to Pesos 31.9 billion (US$737.7 million) from Pesos 32.9 billion (US$730.5 million)
- DSL service revenues rose 17% to Pesos 9.7 billion (US$224.3 million) from Pesos 8.3 billion (US$184.3 million)
- third-party corporate data revenues rose 13% to Pesos 7.1 billion (US$164.2 million) from Pesos 6.3 billion (US$139.9 million)
- inclusive of Pesos 706 million (US$16.3 million) from Digitel for the period from 26 October 2011 to 31 December 2011

Fixed line EBITDA ↓1%

- to Pesos 22.7 billion (US$525.0 million) from Pesos 23.0 billion (US$510.7 million)
- due to higher cash operating expenditure

EBITDA margin

- stable at 39%

The fixed line network is being upgraded to an all-IP next generation network (NGN) which will enable PLDT to offer improved voice, data, and other services.

Business Process Outsourcing (BPO)

In 2011, PLDT consolidated at SPi Global its business process outsourcing (BPO) operations consisting of knowledge process solutions (KPS) and customer interaction solutions (CIS), previously under ePLDT. All other information and communications technology businesses of ePLDT including data center operations, internet and online gaming services and business solutions and applications were transferred to and are now reported under PLDT's fixed line business.

Service revenues ↑6%
- to Pesos 8.6 billion (US$198.6 million) from Pesos 8.1 billion (US$180.1 million)
- due largely to a 8% rise in KPS service revenues to Pesos 5.7 billion (US$131.8 million) from Pesos 5.3 billion (US$117.7 million)

EBITDA ↑23%
- to Pesos 1.6 billion (US$37.0 million) from Pesos 1.3 billion (US$28.9 million)
- mainly due to the increase in service revenues
- partly offset by a 3% increase in cash operating expenses

EBITDA margin
- to 18% from 16%
- driven by better seat utilization, more automation and tighter focus on cost-cutting

SPi is focusing on creating end-to-end BPO solutions through consolidation, with the end of accelerating growth in all three of its verticals – call center, healthcare and content solutions.

Meralco

PLDT Communications and Energy Ventures, Inc. ("PCEV"), a 99.5% owned subsidiary of Smart, owns 50% of Beacon Electric, a special purpose company jointly owned with MPIC. In turn, Beacon Electric owns about 48% of Meralco as at 20 March 2012, an increase from approximately 45% at the end of 2011. Meralco, the largest electricity distribution utility in the Philippines, has a franchise that allows it to distribute electricity in most of Luzon until 2028. The franchise area produces nearly half of the Philippines' gross domestic product. Meralco accounts for approximately 56% of total electricity sales in the Philippines. To help manage the high cost of power and in search of new sources of growth, Meralco is investing in power generation. It recently entered into a joint venture with the Aboitiz unit Therma Power Inc. and Taiwan Cogeneration Corp. to build two 300 MW of coal-fired base load plants with operations commencing in 2016.

Details of Meralco's performance in 2011 can be found in the MPIC section of this report.

2012 Outlook

The assimilation of Digitel/Sun Cellular into the PLDT Group and the benefits that will arise from such integration will take some time to complete because of the PLDT Group's size and complexity. PLDT is encouraged by the opportunities for both synergy and growth following the acquisition. There will be quick wins in 2012 which could help efficiencies and productivity in the short-term. The more significant benefits, especially to the bottom line, will take time to realize. 2012 is expected to be a year of alignment where PLDT will implement a number of requisite changes amid heightened competition as broadband continues to grow strongly. Core net income guidance for 2012 is lower at Pesos 37.0 billion (US$844.0 million), with return to the upward growth curve starting 2013.

Reconciliation of Reported Results Between PLDT and First Pacific

PLDT's operations are principally denominated in peso, which averaged Pesos 43.24 (2010: 45.04) to the U.S. dollar. Its financial results are prepared under Philippine GAAP and reported in peso. First Pacific's financial results are prepared under Hong Kong GAAP and reported in U.S. dollars. Philippine GAAP and Hong Kong GAAP are largely based on IFRSs, however, certain adjustments need to be made to PLDT's reported peso results to ensure full compliance with Hong Kong GAAP. An analysis of these adjustments follows.

Peso millions	**2011**	2010
Net income under Philippine GAAP	**31,697**	40,217
Preference dividends[(i)]	**(599)**	(458)
Net income attributable to common shareholders	**31,098**	39,759
Differing accounting and presentational treatments[(ii)]		
– Reclassification of non-recurring items	**7,212**	2,169
– Others	**(2,765)**	(3,429)
Adjusted net income under Hong Kong GAAP	**35,545**	38,499
Foreign exchange and derivative losses/(gains)[(iii)]	**126**	(358)
PLDT's net income as reported by First Pacific	**35,671**	38,141
US$ millions		
Net income at prevailing average rates for 2011: Pesos 43.24 and 2010: Pesos 45.04	**825.0**	846.8
Contribution to First Pacific Group profit, at an average shareholding of 2011: 26.1% and 2010: 26.5%	**215.0**	224.1

(i) First Pacific presents net income after deduction of preference dividends.

(ii) Differences in accounting treatment under Philippine GAAP, compared with Hong Kong GAAP, and other presentational differences. The principal adjustments include:
- Reclassification of non-recurring items: Certain items, through occurrence or size, are not considered usual operating items which are reallocated and presented separately. Adjustment for 2011 of Pesos 7.2 billion (2010: Pesos 2.2 billion) represents asset impairment provisions of Pesos 7.0 billion (2010: Pesos 1.5 billion) and share of Meralco's non-recurring losses of Pesos 0.5 billion (2010: Pesos 0.7 billion), partly offset by gains on disposal of subsidiaries of Peso 0.3 billion (2010: Nil).
- Others: The adjustment principally relates to the accrual of withholding tax on PLDT's net income in accordance with the requirements of HKAS 12 "Income Taxes".

(iii) To illustrate the underlying operational results and profit contributions, foreign exchange and derivative losses/gains (net of related tax) are excluded and presented separately.

Contribution +45.4%

US$68.2 million

Share Price Performance

Review of Operations – MPIC

An analysis of MPIC's contribution to the First Pacific Group, adjusted for Hong Kong GAAP and translated into U.S. dollars, follows.

		Turnover			Profit	
US$ millions	**2011**	2010	% change	**2011**	2010	% change
Water distribution	**318.4**	267.5	+19.0	**165.0**	134.3	+22.9
Toll roads	**149.5**	130.1	+14.9	**73.4**	62.3	+17.8
Hospitals	**42.5**	14.6	+191.1	**4.6**	1.4	+228.6
Corporate overhead	**–**	–	–	**(14.9)**	(2.8)	+432.1
Total	**510.4**	412.2	+23.8			
Segment Result				**228.1**	195.2	+16.9
Net borrowing costs				**(68.4)**	(86.9)	–21.3
Share of profits less losses of associates and joint ventures				**75.2**	29.8	+152.3
Profit Before Taxation				**234.9**	138.1	+70.1
Taxation				**(46.7)**	1.8	–
Profit for the Year				**188.2**	139.9	+34.5
Non-controlling interests				**(120.0)**	(93.0)	+29.0
Contribution to Group Profit				**68.2**	46.9	+45.4

MPIC's infrastructure portfolio comprises the following assets offering water distribution, electricity distribution, toll roads and hospital services: (Note: Below are ownership levels as of February 2012)

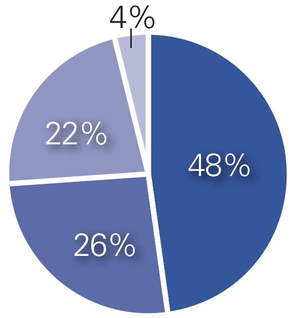
- 56.8% in Maynilad Water Services, Inc. ("Maynilad')
- 50.0% in Beacon Electric Asset Holdings Inc ("Beacon Electric") which owns 48.0% of Manila Electric Company ("Meralco")
- 99.8% in Metro Pacific Tollways Corporation ("MPTC") which owns 67.1% of Manila North Tollways Corporation ("MNTC") and 45.9% of Tollways Management Corporation ("TMC")
- 34.5% in Medical Doctors, Inc. ("MDI")
- 100% of Colinas Verdes Hospital Managers Corporation ("CVHMC"), the operator of Cardinal Santos Medical Center ("CSMC")
- 34.9% in Davao Doctors Hospital, Inc. ("DDH")
- 51.0% in Riverside Medical Center, Inc. ("RMCI")
- 100% in East Manila Hospital Managers Corporation ("EMHMC"), the operator of Our Lady of Lourdes Hospital ("OLLH")
- 56.5% in Asian Hospital, Inc. ("AHI"), which owns 100% of Asian Hospital and Medical Center

MPIC's contribution to the Group rose 45.4% to US$68.2 million (2010: US$46.9 million) reflecting higher contribution from all its businesses.

Consolidated core net income ↑32%

- to Pesos 5.1 billion (US$118.0 million) from Pesos 3.9 billion (US$85.6 million)
- Maynilad, Meralco, MPTC and Hospitals accounted for 48%, 26%, 22% and 4%, respectively, of MPIC consolidated profit contribution from operations
- reflecting a 30% rise in contribution from Maynilad to Pesos 3.1 billion (US$71.7 million) from Pesos 2.4 billion (US$53.2 million) on higher tariffs and water sales
- a 13% increase in contribution from Meralco to Pesos 1.7 billion (US$39.0 million) from Pesos 1.5 billion (US$33.0 million) on higher tariffs
- a 2% rise in contribution from MPTC to Pesos 1.5 billion (US$33.6 million) from Pesos 1.4 billion (US$31.8 million)
- and a 44% rise in contribution from Hospitals to Pesos 248 million (US$5.7 million) from Pesos 172 million (US$3.8 million)

Contribution from Operations 2011



	US$ millions
Maynilad	71.7
Meralco	39.0
MPTC	33.6
Hospitals	5.7
Total	**150.0**

Revenues ↑19%

- to Pesos 22.1 billion (US$510.4 million) from Pesos 18.6 billion (US$412.2 million)
- reflecting improved performances from Maynilad and acquisitions in the hospital division

Consolidated reported net income ↑76%

- to Pesos 5.1 billion (US$117.0 million) from Pesos 2.9 billion (US$63.7 million)
- due largely to a higher profit contribution from operations and a 63% decline in head office interest expense to Pesos 416 million (US$9.6 million) from Pesos 1.1 billion (US$25.1 million)
- offset in part by a 95% increase in head office expense to Pesos 973 million (US$22.5 million) from Pesos 498 million (US$11.1 million)

Consolidated debt ↑23%

- to Pesos 40.0 billion (US$912.9 million) from Pesos 32.5 billion (US$741.9 million)
- largely due to increased borrowings at Maynilad and MPTC to fund expansion projects

Dividend

The MPIC Board of Directors declared a final cash dividend of Peso 0.015 (U.S. 0.034 cent) per share, bringing full-year dividends to Peso 0.025 (U.S. 0.057 cent) per share.

Maynilad

Maynilad operates a concession that runs until 2037 for water distribution and sewerage for the western half of Metro Manila, with a population of 9.5 million. During MPIC's operation of Maynilad, pipeline network expansion and leak repair have reduced the unserved population in the concession area to 8% and cut the underserved population to 4%.

Total billed water volume ↑8%
- to 405 million cubic meters from 374 million cubic meters

Total billed customers ↑11%
- to 1,005,350 from 903,682
- reflecting new pipeline connections

Average non-revenue water ↓11%
- to 47.8% from 53.5%
- 42.2% in December 2011
- repaired 38,832 leaks during the year, coupled with pipe rehabilitation and more efficient management of water pressure and supply, resulted in the recovery of over 155 million liters per day (MLD) of water compared with 2010

Revenues ↑14%
- to Pesos 13.8 billion (US$318.4 million) from Pesos 12.0 billion (US$267.5 million)
- reflecting an 8% rise in billed volume to 405 million cubic meters from 374 million cubic meters, additional water service connections, a higher average tariff and increased income from sewerage services

Core net income ↑24%
- to Pesos 6.0 billion (US$138.8 million) from Pesos 4.8 billion (US$106.6 million)
- owing largely to higher tariffs and revenues
- reduction in interest expense to Pesos 1.9 billion (US$43.9 million) from Pesos 2.1 billion (US$46.6 million)

Core EBITDA ↑19%
- to Pesos 9.4 billion (US$217.4 million) from Pesos 7.9 billion (US$175.4 million)

Reported net income ↑23%
- to Pesos 5.9 billion (US$136.4 million) from Pesos 4.8 billion (US$106.6 million)

Putatan is the first alternative water source to the Angat Dam and is the largest membrane-based water treatment plant in the Philippines. It is a vital part of Maynilad's plan to develop alternative sources of water to ensure long-term water security for its customers. Putatan's daily water treatment capacity has been increased to 100 MLD from 25 MLD in July 2010.

Meralco

The volume of electricity sold by Meralco rose 1.1% to 30,592 GWh with growth driven by the commercial and industrial segments offset by lower residential electricity demand, reflecting cooler weather for most of the year. System loss declined to a record low of 7.35%, resulting from Meralco's continuing efforts to institutionalize loss-reduction initiatives by improving pilferage management and expanding its partnership with local government units as part of system loss management in high-density residential areas.

Revenues ↑7%	• to Pesos 256.8 billion (US$5.9 billion) from Pesos 240.9 billion (US$5.3 billion) • reflecting higher average transmission and distribution charges and a 1.1% increase in energy sales to 30,592 GWh • slightly offset by lower generation charge, taxes, universal and system loss charges
Core net income ↑22%	• to record high Pesos 14.9 billion (US$344.6 million) from Pesos 12.2 billion (US$270.9 million) • due largely to higher tariffs
Core EBITDA margin	• increase from 10.2% to 10.5% • on higher average tariffs
Consolidated debt ↑15%	• to Pesos 24.4 billion (US$556.6 million) from Pesos 21.2 billion (US$483.6 million) • reflecting increased borrowings to finance capital expenditure

Meralco's wholly-owned subsidiary Meralco PowerGen Corp. has taken a majority interest in Redondo Peninsula Energy, Inc. with partners Aboitiz unit Therma Power Inc. and Taiwan Cogeneration Corp. RP Energy will build two 300 MW coal-fired base-load power generation plants with the first expected to start operation in 2016.

Looking ahead, Meralco is focused on capturing a greater share of the electricity business and providing greater service efficiencies to all consumers – commercial, residential and industrial. This will be achieved through its relentless pursuit of efficiency as an electricity distributor and entry into power generation and retail electricity sales.

MPTC

MPTC, through its 67.1% interest in MNTC and 45.9% interest in TMC, operates the North Luzon Expressway ("NLEX"), the Subic Clark Tarlac Expressway ("SCTEX") and the Subic Freeport Expressway. The concession for NLEX runs until 2037 and for SCTEX until 2043.

Revenues ↑10%	• to Pesos 6.5 billion (US$149.5 million) from Pesos 5.9 billion (US$130.1 million) • owing to a 12% tariff increase in the NLEX closed system and a 14% increase for most of the vehicles in the NLEX open system in January 2011 • partially offset by a decline in average daily vehicle entries to 158,342 from 159,882 in NLEX • and a decline in average daily kilometers travelled to 3.01 million km from 3.12 million km in the NLEX closed system
Core net income ↑1%	• to Pesos 1.48 billion (US$34.2 million) from Pesos 1.47 billion (US$32.6 million) • due largely to increase in revenues reflecting higher tariffs, partly offset by the impact of the expiration of income tax holiday in December 2010
Core EBITDA ↑12%	• to Pesos 4.1 billion (US$94.8 million) from Pesos 3.7 billion (US$82.1 million) • due to control of operating and maintenance costs along with increase in share in earnings of TMC
Reported net income ↑26%	• to Pesos 1.3 billion (US$30.1 million) from Pesos 996 million (US$22.1 million) • due largely to a 53% decline in non-recurring expenses to Pesos 222 million (US$5.1 million) from Pesos 469 million (US$10.4 million) reflecting a reversal of prior year provision for input value added taxes

Completion of a detailed engineering study in December 2010 for the building of Segments 9 and 10 – collectively called the Harbour Link – paves the way for the extension of NLEX to the Port Area of Manila, with construction beginning by the fourth quarter of 2012 and expected to be completed at the end of 2015. The Harbour Link will promote commerce by allowing 24-hour access for commercial vehicles to the Port Area to and from NLEX, while reducing travel time for motorists accessing NLEX from Western Metro Manila.

Segment 11, or the Connector Road Project, aims to improve convenience for all motorists by slashing the travel time between the Northern and Southern toll road systems to no more than 20 minutes from well over an hour today. In detail, Segment 11 is a 13.5-kilometer, four-lane elevated expressway that will be routed over the existing Philippine National Railway tracks to reduce right-of-way issues. It will connect the Harbour Link to South Luzon Expressway/Skyway via Buendia Avenue in Makati City.

The Harbour Link and Connector Road projects will see MPTC invest a total of Pesos 34 billion (US$775.5 million) to complete construction. The integration of SCTEX with NLEX is on track for taking place within 12 months of turnover. Once SCTEX is integrated with NLEX, motorists traveling between the two toll roads will enjoy seamless travel to Northern Luzon.

Hospitals

MPIC is developing the Philippines' first premier portfolio of hospitals to deliver world-class services including diagnostic, therapeutic and preventive medicine services through all three major island groupings of the country. The Hospital group now comprises Makati Medical Center, Cardinal Santos Medical Center, Our Lady of Lourdes Hospital and Asian Hospital in Metro Manila, as well as Riverside Medical Center in Bacolod and Davao Doctors Hospital in Davao.

The MPIC hospital division's total bed capacity rose 13% to 1,812 beds at the end of 2011 compared to a year earlier. There were a total of 4,333 accredited medical doctors and consultants as well as 3,705 students at the end of the year.

Revenues ↑21%
- to Pesos 8.5 billion (US$196.6 million) from Pesos 7.0 billion (US$155.4 million)
- due to a 23% increase in revenues from CSMC, 6% from MDI and 2% from DDH
- owing to the consolidation of RMCI from May 2010 and OLLH from October 2010

Core EBITDA ↑28%
- to Pesos 1.6 billion (US$37.0 million) from Pesos 1.3 billion (US$28.9 million)
- due to the full-year accounting of contribution from RMCI and OLLH
- partially offset by reduced earnings at MMC and DDH due to an 18% decline in enrollees in schools to 3,705 students from 4,545

Core net income ↑16%
- to Pesos 559 million (US$12.9 million) from Pesos 480 million (US$10.7 million)
- growth restrained in part because of higher income tax as a result of inability to claim tax deductions for Senior Citizens' discounts

The hospital division continues to invest in improving infrastructure, equipment and facilities, leveraging its technical and professional expertise to expand services and enhance operational efficiency across its hospitals. It continues to evaluate opportunities for expansion through the acquisition of additional hospitals in strategic areas of the Philippines, aiming for a size of 3,000 beds across 15 hospitals.

MPIC

2012 Outlook

Earnings at MPIC are expected to continue growing in 2012 as each of the four operating groups deliver increases in revenues and core net income. In addition, MPIC continues to investigate investment opportunities in the infrastructure space, including but not limited to toll roads and light rail.

In 2012 Meralco expects to see a 3% rise in electricity sales and a flat distribution tariff with capital expenditure rising to Pesos 11.9 billion (US$271.4 million) from Pesos 8.7 billion (US$201.2 million) in 2011. Of the 600 MW in already-announced power generation projects, the first coal-fired power plant is expected to come on stream by 2016 followed by the second in 2017. Meralco is also negotiating a 460 MW plant coming on line by 2017 and evaluating projects amounting to 1,500 MW that would be online by 2018. Meralco is also studying the acquisition of surrounding distribution concessions and is finalizing power supply contracts.

Maynilad has implemented a 9.7% increase in the all-in tariff effective January 2012 that is expected to help support earnings growth. In addition, it is forecasting an 8% growth in billed volume as well as Pesos 8.4 billion (US$191.6 million) of capital expenditure. Maynilad is also evaluating potential acquisitions in bulk water and distribution. Looking further ahead, Maynilad management are preparing for a new rate rebasing scheduled to begin in January 2013 following submission of a business plan by Maynilad, regulatory review and public consultation.

The toll roads division forecasts a 3% traffic growth for NLEX in 2012 and a 6% for SCTEX. The latter highway will see a 19% tariff increase effective from April 2012. Overall, the division forecasts capital expenditure of Pesos 1.1 billion (US$25.1 million), including the beginning of construction on Segment 9 in the fourth quarter of 2012. MPTC is currently awaiting a Swiss Challenge as early as the fourth quarter of 2012 to its proposal to build a 13.5-km Connector Road between the North Luzon and South Luzon Expressways at an estimated cost of Pesos 23 billion (US$524.6 million) with completion targeted by 2016. It is evaluating acquisition opportunities in the Southern toll road system and is actively studying bidding for the CALA Expressway project. MPTC is also pursuing other potential toll road investments in the Philippines.

The hospital division will be boosted by the full-year impact of CSMC and AHI on its earnings. It aims to acquire one or two additional hospitals in 2012 and spend Pesos 1.8 billion (US$41.1 million) on capital expenditure to ensure all hospitals within the division are equipped to the same standards and use economies of scale in the acquisition of capital equipment and perishable supplies.

Reconciliation of Reported Results Between MPIC and First Pacific

MPIC's operations are principally denominated in peso, which averaged Pesos 43.24 (2010: 45.04) to the U.S. dollar. Its financial results are prepared under Philippine GAAP and reported in peso. First Pacific's financial results are prepared under Hong Kong GAAP and reported in U.S. dollars. Philippine GAAP and Hong Kong GAAP are largely based on IFRSs, however, certain adjustments need to be made to MPIC's reported peso results to ensure full compliance with Hong Kong GAAP. An analysis of these adjustments follows.

Peso millions	**2011**	2010
Net income under Philippine GAAP	**5,059**	2,871
Differing accounting and presentational treatments[(i)]		
– Reclassification of non-recurring items	**(109)**	994
– Others	**(7)**	(58)
Adjusted net income under Hong Kong GAAP	**4,943**	3,807
Foreign exchange and derivative losses/(gains)[(ii)]	**151**	(9)
MPIC's net income as reported by First Pacific	**5,094**	3,798
US$ millions		
Net income at prevailing average rates for 2011: Pesos 43.24 and 2010: Pesos 45.04	**117.8**	84.3
Contribution to First Pacific Group profit, at an average shareholding of 2011: 57.9% and 2010: 55.6%	**68.2**	46.9

(i) Differences in accounting treatment under Philippine GAAP, compared with Hong Kong GAAP, and other presentational differences. The principal adjustments include:

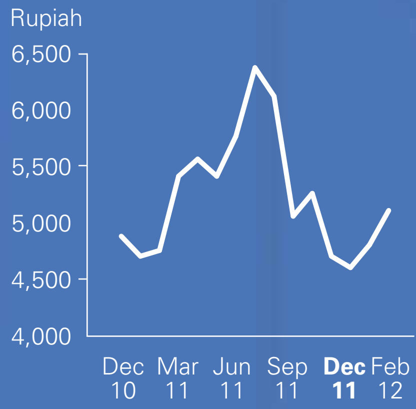
- Reclassification of non-recurring items: Certain items, through occurrence or size, are not considered usual operating items which are reallocated and presented separately. Adjustment for 2011 of Pesos 109 million principally represents share of Meralco's actuarial gains on defined benefit pension plans of Pesos 758 million, partly offset by share of Meralco's non-recurring losses of Pesos 289 million, MPTC's loan pre-termination expenses of Pesos 221 million and expenses in relation to Maynilad's early retirement program of Pesos 113 million. Adjustment for 2010 of Pesos 994 million principally represents share of Meralco's non-recurring losses.
- Others: The adjustment principally relates to revenue recognition regarding pre-completion contracts for sale of development properties. Under Philippine GAAP, MPIC recognizes revenue from pre-completion contracts for sale of development properties based on the percentage of completion method. HKAS 18 "Revenue" and HK (IFRIC)-Int 15 "Agreements for the Construction of Real Estate" requires the recognition of revenue for such contracts based on the satisfaction of certain conditions, which includes the transfer of significant risks and rewards of ownership of the properties to the buyers and the absence of continuing managerial involvement to the degree usually associated with ownership and effective control over the properties sold.

(ii) To illustrate the underlying operational results and profit contributions, foreign exchange and derivative losses/gains (net of related tax) are excluded and presented separately.

Indofood
THE SYMBOL OF QUALITY FOODS

Contribution +3.7%
US$178.5 million

Share Price Performance

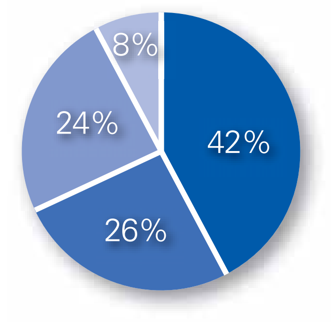


Review of Operations – Indofood

An analysis of Indofood's contribution to the First Pacific Group, adjusted for Hong Kong GAAP and translated into U.S. dollars, follows.

	Turnover			Profit		
US$ millions	**2011**	2010	% change	**2011**	2010	% change
Consumer Branded Products						
– Noodles	**1,542.3**	1,381.9	+11.6	**284.5**	220.0	+29.3
– Dairy	**421.5**	372.3	+13.2	**23.9**	46.6	–48.7
– Food Seasonings	**107.9**	84.6	+27.5	**4.3**	2.6	+65.4
– Snack Foods	**134.1**	107.9	+24.3	**7.7**	6.8	+13.2
– Nutrition & Special Foods	**55.5**	53.3	+4.1	**5.5**	5.3	+3.8
– Inter-segment elimination	**(64.7)**	(49.4)	+31.0	**–**	–	–
Subtotal	**2,196.6**	1,950.6	+12.6	**325.9**	281.3	+15.9
Bogasari	**1,683.2**	1,399.7	+20.3	**111.8**	187.3	–40.3
Agribusiness						
– Plantations	**968.0**	768.5	+26.0	**333.5**	269.8	+23.6
– Edible Oils and Fats	**1,034.0**	736.6	+40.4	**17.2**	(2.0)	–
– Inter-segment elimination	**(565.2)**	(460.9)	+22.6	**–**	–	–
Subtotal	**1,436.8**	1,044.2	+37.6	**350.7**	267.8	+31.0
Distribution	**398.4**	326.0	+22.2	**15.5**	11.8	+31.4
Inter-segment elimination	**(541.3)**	(492.5)	+9.9	**–**	–	–
Total	**5,173.7**	4,228.0	+22.4			
Segment Result				**803.9**	748.2	+7.4
Net borrowing costs				**(49.3)**	(111.1)	–55.6
Share of profits less losses of associates and joint ventures				**(0.1)**	(2.2)	–95.5
Profit Before Taxation				**754.5**	634.9	+18.8
Taxation				**(181.6)**	(175.7)	+3.4
Profit for the Year				**572.9**	459.2	+24.8
Non-controlling interests				**(394.4)**	(287.1)	+37.4
Contribution to Group Profit				**178.5**	172.1	+3.7

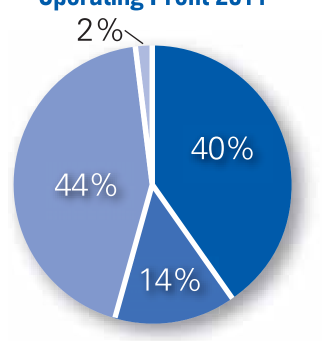
Turnover 2011*



	US$ millions
CBP	2,186.9
Bogasari	1,337.1
Agribusiness	1,251.3
Distribution	398.4
Total	**5,173.7**

* After inter-segment elimination

Operating Profit 2011



	US$ millions
CBP	325.9
Bogasari	111.8
Agribusiness	350.7
Distribution	15.5
Total	**803.9**

Indofood reported a seventh consecutive year of record results as it recorded increased contributions from all four complementary strategic businesses: Consumer Branded Products ("CBP"), Bogasari, Agribusiness and Distribution. Indofood is a vertically integrated food company with production operations ranging from raw materials through to consumer branded products to the distribution of these products to a market of more than 230 million people across the Indonesian archipelago.

Indofood's contribution to the Group increased 4% to US$178.5 million (2010: US$172.1 million) principally reflecting a 4% appreciation of the average Rupiah rate against the dollar.

Consolidated net sales ↑18%	• to Rupiah 45.3 trillion (US$5.2 billion) from Rupiah 38.4 trillion (US$4.2 billion) • resulting from higher sales across the Strategic Business Groups (CBP, Bogasari, Agribusiness and Distribution)
Gross profit margin	• to 27.8% from 32.5% • mainly due to higher input costs
Consolidated operating expenses ↓7%	• to Rupiah 5.7 trillion (US$650.5 million) from Rupiah 6.2 trillion (US$689.6 million) • mainly as goodwill is no longer amortized in relation to the implementation of new accounting standards in Indonesia effective on 1 January 2011
EBIT margin	• to 15.1% from 16.4% • mainly due to higher input costs despite lower operating expense
Core net income ↑6%	• to Rupiah 3.2 trillion (US$360.3 million) from Rupiah 3.0 trillion (US$328.1 million)
Net income ↑4%	• to Rupiah 3.1 trillion (US$351.2 million) from Rupiah 3.0 trillion (US$325.1 million)
Net gearing	• to 0.02 times from 0.16 times at the end of 2010 on receipt of proceeds from the listing of SIMP

Debt Profile

As at the end of December 2011, Indofood recorded a gross debt of Rupiah 13.7 trillion (US$1.5 billion), down from Rupiah 14.3 trillion (US$1.6 billion) as at the end of 2010. Of this total, Rupiah 8.0 trillion (US$0.9 billion) matures within one year. The remaining Rupiah 5.7 trillion (US$0.6 billion) matures between 2013 and 2018.

Consumer Branded Products (CBP)

The CBP group comprises Noodles, Dairy, Food Seasonings, Snack Foods (including Biscuits) and Nutrition & Special Foods.

Indofood's Noodles division is one of the world's largest producers of instant noodles. It has 15 production plants in Indonesia and one in Malaysia with a combined annual production capacity of around 15.7 billion packs per year. Indomie, Supermi, Sarimi, Sakura, Pop Mie, Pop Bihun and Mi Telur Cap 3 Ayam are popular Indofood brands.

The Dairy division, Indolakto, is one of the largest dairy products manufacturers in Indonesia with the flagship brand Indomilk encompassing sweetened condensed milk, UHT milk, sterilized bottled milk, pasteurized liquid milk as well as powdered milk, ice cream, yogurt drinks and butter. Consumption per capita for dairy products in Indonesia remains low at around 11 liters per year. In conjunction with increasing consumer awareness of the nutritional value of dairy products, demand continued to grow during the year. To meet increasing demand, Indolakto is building a new factory with completion coming in stages starting in 2012.

The Food Seasonings division manufactures a wide range of culinary products, of which instant seasonings and chili sauce are the most popular. The division also produces soy sauce, tomato sauce and other condiments.

The Snack Foods division maintained its leadership position through its leading brands Chitato and Lays (potato chips), and Qtela (cassava & soybean chips), and the introduction of new products and packaging. Biscuits are marketed under the brand names Trenz, Wonderland and Bimbim. Sales continued to increase across the snack foods and biscuits categories, stimulated by focused marketing programs, new product launches, enhanced product visibility in modern and traditional outlets as well as by increased distribution penetration in traditional outlets.

The Nutrition & Special Foods division produces food for babies, children, and milk for expectant and lactating mothers under two brands: Promina caters to higher-income groups, while SUN is marketed to the lower-middle segment.

Sales ↑9%
- to Rupiah 19.2 trillion (US$2.2 billion) from Rupiah 17.7 trillion (US$2.0 billion)
- driven by increase in volume across the division, except for Noodles, as well as higher average selling prices

Sales volume
- Noodles down 3.5% to 11.1 billion packs from 11.5 billion packs
- Dairy up 4.2% to 281.8 thousand tonnes from 270.5 thousand tonnes
- Food Seasonings up 5.9% to 77.9 thousand tonnes from 73.5 thousand tonnes
- Snack Foods up 16.5% to 23.5 thousand tonnes from 20.1 thousand tonnes

EBIT margin
- to 13.5% from 14.1% mainly reflecting overall higher raw materials prices
- the Noodle division's margins decreased slightly to 16.3% from 16.4%
- the Dairy division's margins decreased to 7.6% from 12.5%
- the Food Seasoning division's margins rose to 4.5% from 2.5%
- the Snack Foods division's margins decreased to 5.7% from 6.4%
- the Nutrition & Special Foods division's margins decreased slightly to 10.1% from 10.3%

Bogasari

Bogasari has been operating in Indonesia for more than three decades and has long been a member of the Indofood group, with flour mills located in Jakarta and Surabaya. Bogasari produces wheat flour as well as pasta for both domestic and international markets. Its brands, among others, are Cakra Kembar, Segitiga Biru, Kunci Biru and Lencana Merah for wheat flour, and La Fonte for pasta. It also has its own maritime unit which has two Panamax and four Handymax vessels that are used mainly to transport wheat from suppliers in Australia and the northern hemisphere. In addition, it also operates a packaging factory that produces polypropylene bags.

Sales ↑16%	• to Rupiah 14.7 trillion (US$1.7 billion) from Rupiah 12.7 trillion (US$1.4 billion) • due to higher volume and average selling prices in response to higher global wheat prices
Sales volume of food flour ↑4%	• to 2.4 million tonnes from 2.3 million tonnes • reflecting the division's strategy to focus on volume
EBIT margin	• to 6.6% from 14.3% • reflecting the division's strategy shift from margin to volume

The flour industry is expected to continue growing, as wheat consumption at around 20 kg per capita annually is still low in comparison with neighboring countries. Urbanization will also catalyze the industry's growth in light of the growing popularity of modern fast-food franchises and associated lifestyle changes, primarily within younger generations. However, competition will likely to intensify with the continuing entrance of new players.

Agribusiness

The Agribusiness group consists of two divisions: "Plantations" and "Edible Oils and Fats", which operate through Indofood's 58.2%– owned Singapore-listed subsidiary Indofood Agri Resources Ltd. ("IndoAgri") and IndoAgri's 72.0% owned Indonesia-listed subsidiary PT Salim Ivomas Pratama Tbk ("SIMP") which in turn owns 59.5% of Indonesia-listed subsidiary PT PP London Sumatra Indonesia Tbk ("Lonsum"). The Agribusiness group is a market leader in Indonesia's branded cooking oil segment, and is one of the lowest-cost palm oil producers in the world.

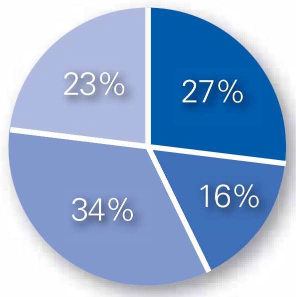
The Agribusiness group is vertically integrated, producing a number of leading food products derived from palm oil. Its operations cover the entire value chain from research and development, oil palm seed breeding and oil palm cultivation to milling, refining, branding and marketing of cooking oil, margarine, shortening and other palm oil derivative products. It also operates rubber, sugarcane, cocoa, coconut and tea plantations.

Plantations

SIMP and Lonsum have a combined planted area of 254,989 hectares, up 5.3% from 242,107 hectares at the end of 2010. Oil palm is the dominant crop, and 43% of the oil palms are younger than seven years old. Total planted area of oil palm was 216,837 hectares, up 6% from 205,064 hectares due to new planting of 13,884 hectares in 2011, partly offset by replanting and re-measurement resulting from the implementation of a new block management system by Lonsum. Fresh fruit bunch nucleus and CPO production grew 9% and 13% year-on-year to 2,797 thousand tonnes and 838 thousand tonnes, respectively.

The division also operates 38,152 hectares of planted area planted with other crops including rubber, sugarcane, cocoa, tea and coconut. At the end of 2011, the total planted area of rubber was 22,185 hectares, the planted area of sugarcane was 12,255 hectares and the planted area of remaining crops was 3,712 hectares. The group operates 20 palm oil mills with a total annual processing capacity of 4.6 million tonnes of fresh fruit bunches. The North and South Sumatra oil palm estates and mills, which produce 195 thousand tonnes of sustainable CPO annually, have attained certification from the Roundtable on Sustainable Palm Oil.

Age Profile of Oil Palm Plantations



	Hectares
Immature area	58,674
4-6 years	35,750
7-20 years	73,150
Above 20 years	49,263
Total	**216,837**

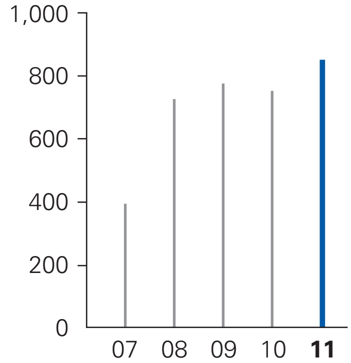
Edible Oils and Fats

This division manufactures cooking oils and fats and markets products under various brands for both export and domestic consumption. Bimoli and Simas Palmia are leading cooking oil and margarine brands in Indonesia. The division also produces crude coconut oil and derivative products, most of which are exported to the United States, Europe, and Asia. The division has refinery capacity of 1.4 million tonnes per annum as of 31 December 2011 and most of this division's needs are sourced from the plantation division's CPO production.

Sales ↑33%	• to Rupiah 12.6 trillion (US$1.4 billion) from Rupiah 9.5 trillion (US$1.0 billion)
EBIT margin	• to 23.6% from 23.4%
Sales volume of CPO ↑14%	• rose to 829 thousand tonnes from 728 thousand tonnes • reflecting increase in demand for our products, supported by the increase in refining capacity at the new Jakarta refinery

Crude Palm Oil (CPO) Production

Thousand tonnes



The Agribusiness group's expansion focus is on new oil palm and sugar cane plantings. It is building two palm oil mills, in Kalimantan and South Sumatra, each capable of processing 40 tonnes of fresh fruit bunches per hour. In August 2011, the Agribusiness group completed construction of a sugar refinery in South Sumatra capable of processing 8,000 tonnes per day of sugarcane. The new Jakarta refinery in Tanjung Priok will add a bottling and margarine plant this year.

Distribution

The Distribution group is a major component of Indofood's Total Food Solutions chain of operations as it has the most extensive distribution network of stock points in Indonesia. It distributes the majority of Indofood's consumer products and third-party products across the archipelago. Indofood increased its market penetration and service standard through its stock points which are located in areas with a high density of retail outlets, ensuring high product availability. To further improve product visibility and increase availability, the group engaged merchandisers and canvassers, in conjunction with marketing efforts and promotions with its principals.

Sales ↑18%	• to Rupiah 3.5 trillion (US$398.4 million) from Rupiah 3.0 trillion (US$326.0 million) • reflecting higher sales volumes from CBP Group
EBIT margin	• to 3.6% from 3.2%

The Distribution group will further leverage its distribution system for increasing penetration in rural areas. Internal controls will continue to ensure higher cost efficiency. Its sales force will enhance communication with retail outlets to better understand and respond to customers' needs, while its team of merchandisers will ensure high product visibility in retail outlets.

2012 Outlook

The Indonesian economy continues to expand at a strong rate while inflation rate is expected at manageable level. Per capita income is rising consistently and is now estimated at US$3,600, up from US$3,000 in only a year, a milestone for the next wave of consumerism. The middle class increased, and now accounts for more than 50% of the population. The conducive macro economic conditions presents huge potential but at the same time new challenges will also emerged. Indofood will continue to assess its strategies to address new challenges and to better position the Company in capturing new opportunities. Focus will be directed toward maintaining market leadership by enhancing operations across the divisions to ensure competitiveness, increasing investment in marketing initiatives and sharpening strategies to strengthen our brand equity and image as well as enhance consumer loyalty and bonding. Indofood will also continue to expand its plantation area, particularly in oil palm and sugar cane to sustain its Agribusiness growth.

Reconciliation of Reported Results Between Indofood and First Pacific

Indofood's operations are principally denominated in rupiah, which averaged Rupiah 8,762 (2010: 9,083) to the U.S. dollar. Its financial results are prepared under Indonesian GAAP and reported in rupiah. First Pacific's financial results are prepared under Hong Kong GAAP and reported in U.S. dollars. Accordingly, certain adjustments need to be made to Indofood's reported rupiah results to ensure compliance with Hong Kong GAAP. An analysis of these adjustments follows.

Rupiah billions	**2011**	2010
Net income under Indonesian GAAP	**3,077**	2,953
Differing accounting and presentational treatments(i)		
– Reclassification of non-recurring items	**51**	104
– Gain on changes in fair value of plantations	**91**	139
– Foreign exchange accounting	**54**	54
– Others	**(87)**	88
Adjusted net income under Hong Kong GAAP	**3,186**	3,338
Foreign exchange and derivative losses/(gains)(ii)	**29**	(77)
Gain on changes in fair value of plantations(ii)	**(91)**	(139)
Indofood's net income as reported by First Pacific	**3,124**	3,122
US$ millions		
Net income at prevailing average rates for 2011: Rupiah 8,762 and 2010: Rupiah 9,083	**356.5**	343.7
Contribution to First Pacific Group profit, at an average shareholding of 2011: 50.1% and 2010: 50.1%	**178.5**	172.1

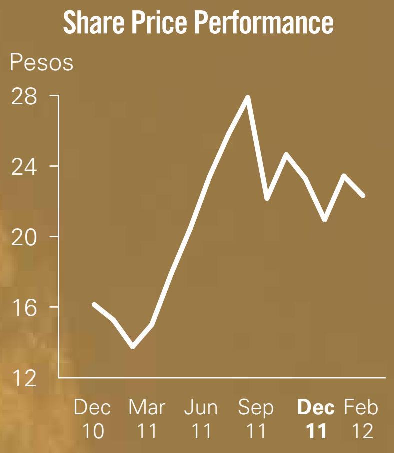
(i) Differences in accounting treatment under Indonesian GAAP, compared with Hong Kong GAAP, and other presentational differences. The principal adjustments include:

- Reclassification of non-recurring items: Certain items, through occurrence or size, are not considered usual operating items which are reallocated and presented separately. Adjustment for 2011 of Rupiah 51 billion represents Rupiah 42 billion of founder's tax in relation to the spin-off of its Plantation businesses and Rupiah 9 billion of asset impairment provisions. Adjustment for 2010 of Rupiah 104 billion represents Rupiah 126 billion of founder's tax in relation to the spin-off of its Consumer Branded Product businesses and Rupiah 6 billion of asset impairment provisions, partly offset by Rupiah 28 billion of gain on divestment of interest in subsidiary companies.
- Gain on changes in fair value of plantations: Under Indonesian GAAP, Indofood measures its plantations (biological assets) on a historical cost basis. HKAS 41 "Agriculture" requires the measurement of plantations at fair value less costs to sell. The adjustment relates to the change in fair value of plantations during the year.
- Foreign exchange accounting: The adjustment relates to the reversal of the amortization of foreign exchange losses that were previously capitalized by Indofood on certain fixed assets under construction, as the originating capitalized foreign exchange losses have already been written off by First Pacific.
- Others: The adjustments principally relate to the reversal of amortization of plantations and accrual of withholding tax on Indofood's net income in accordance with the requirements of HKAS 12 "Income Taxes". Under Indonesian GAAP, Indofood amortizes plantations over their estimated useful lives. HKAS41 "Agriculture" requires the measurement of plantations at fair value less costs to sell.

(ii) To illustrate the underlying operational results and profit contributions, foreign exchange and derivative losses/gains (net of related tax) and gain on changes in fair value of plantations are excluded and presented separately.

Contribution +62.1%

US$50.1 million



Review of Operations – Philex

An analysis of Philex's contribution to the First Pacific Group, adjusted for Hong Kong GAAP and translated to U.S. dollars, follows.

US$ millions	Turnover 2011	Turnover 2010	Turnover % change	Profit 2011	Profit 2010	Profit % change
Mining	**363.3**	289.4	+25.5	**164.6**	104.3	+57.8
Oil and gas	**12.9**	7.3	+76.7	**8.7**	2.7	+222.2
Total	**376.2**	296.7	+26.8			
Segment Result				**173.3**	107.0	+62.0
Net interest income				**1.2**	0.1	+1,100.0
Share of profits less losses of associates and joint ventures				**(1.1)**	(0.8)	+37.5
Profit Before Taxation				**173.4**	106.3	+63.1
Taxation				**(63.8)**	(40.1)	+59.1
Profit for the Year				**109.6**	66.2	+65.6
Non-controlling interests				**(1.4)**	1.1	–
Profit Attributable to Shareholders				**108.2**	67.3	+60.8
Average shareholding (%)				**46.3**	45.9	–
Contribution to Group Profit				**50.1**	30.9	+62.1

Philex's natural resources portfolio comprises:

Metals Group

- Philex Mining Corporation.
- Philex Gold Philippines, Inc.
- Silangan Mindanao Mining Co., Inc.

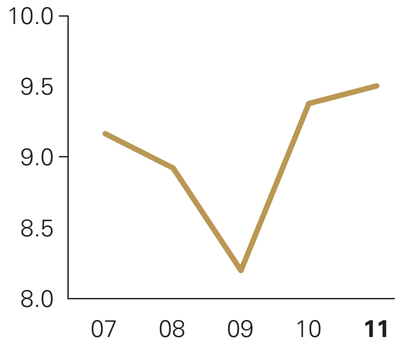
Energy Group

- Philex Petroleum Corporation, a holding company of Forum Energy Plc, FEC Resources, Inc., Pitkin Petroleum Plc and Brixton Energy and Mining Corporation

Philex's contribution to the Group increased 62.1% to US$50.1 million (2010: US$30.9 million) on higher realized gold and copper prices and increased ore output at the Padcal Mine.

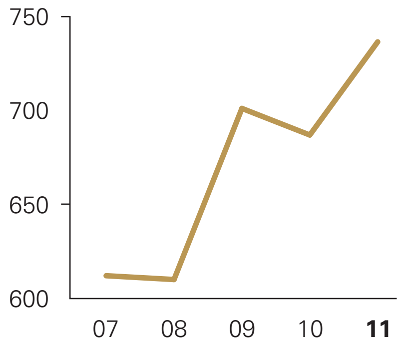
Ore Milled

Million tonnes

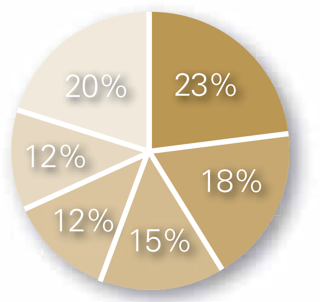


Operating Cost Per Tonne of Ore Milled

Pesos



Operating Cost Per Tonne of Ore Milled



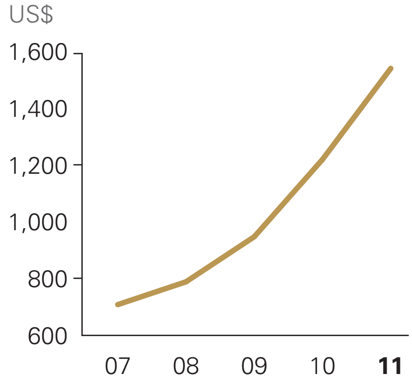
	US$ per tonne
Materials & supplies	3.92
Power	3.11
Labor	2.48
Excise tax and royalties	2.08
Marketing expenses	1.97
Others	3.42
Total	**16.98**

Philex is currently the largest mining company operating a gold-copper mine in the Philippines. It has been operating the Padcal Mine since 1958 and was the first operator of an underground block cave mine in the Far East. Philex's copper concentrate is mainly shipped to Pan Pacific Copper Company Limited, a smelter based in Saganoseki, Japan. The Padcal Mine has a work force of 2,271. In August 2011, the Padcal Mine's operating life was extended to December 2020 following a recertification of total reserves as at 30 June 2011 at 85.6 million tonnes.

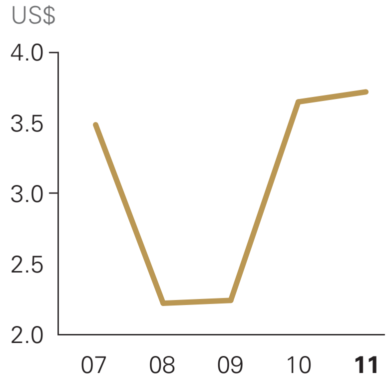
Total ore milled in 2011 increased 1% to 9.5 million tonnes (2010: 9.4 million tonnes), the highest since 1986, at an average grade of 0.564 grams of gold per tonne (2010: 0.552 grams per tonne) and copper average grade at 0.221% (2010: 0.210%). Concentrate production increased 7% to 69,613 dry metric tonnes (2010: 65,340 dry metric tonnes). Gold production rose 5% to 140,113 ounces (2010: 133,516 ounces) and copper production increased 7% to 38.0 million pounds (2010: 35.6 million pounds).

During the year, the average realized price for gold increased 26% to US$1,536 per ounce (2010: US$1,217 per ounce) and the average realized copper price increased 2% to US$3.70 per pound (2010: US$3.63 per pound). The operating costs per tonne of ore milled was Pesos 734 (US$16.98) versus Pesos 686 (US$15.23) in 2010. Operating revenue increased 20% to Pesos 16.1 billion (US$372.3 million) from Pesos 13.4 billion (US$297.5 million) in 2010. Revenue from gold contributed 58% of total, with copper accounting for 38% and the balance of 4% attributable to silver and petroleum.

Average Gold Price Per Ounce



Average Copper Price Per Pound



Philex

As at 31 December 2011, Philex had Pesos 3.9 billion (US$90.1 million) of cash and Pesos 350 million (US$8.0 million) of short-term bank loans.

Core net income ↑34%	• to Pesos 5.6 billion (US$128.8 million) from Pesos 4.2 billion (US$92.1 million)
Net income ↑46%	• to Pesos 5.8 billion (US$133.5 million) from Pesos 4.0 billion (US$88.8 million) • largely as a result of a 29% increase in gold revenue to Pesos 9.3 billion (US$215.1 million) from Pesos 7.2 billion (US$159.9 million) • reflecting also an increase in copper revenue of 6% to Pesos 6.1 billion (US$141.1 million) from Pesos 5.7 billion (US$126.6 million)
Operating costs and expenses ↑12%	• to Pesos 8.2 billion (US$189.6 million) from Pesos 7.3 billion (US$162.1 million) • due to higher volumes of ore produced and higher energy costs
Capital expenditure (including exploration costs) ↑29%	• to Pesos 3.4 billion (US$78.6 million) from Pesos 2.6 billion (US$57.7 million) • due largely to deferred exploration cost from the acquisition of interest in the Kalayaan Project amounting to Pesos 1.1 billion (US$25.0 million) • reflecting additional capital expenditure for the existing operating in Padcal Mine • reflecting additional pre-development expenditures for the Silangan Project • reflecting deferred oil and gas exploration costs for SC 72 and SC 40 under Forum Energy Plc

Dividend

The board of directors of Philex declared a final dividend of Pesos 0.42 (U.S. 0.97 cent), consisting of a regular final dividend of Pesos 0.14 (U.S. 0.32 cent) and a special dividend of Pesos 0.28 (U.S. 0.65 cent), bringing the full-year payout to approximately 50% of core net income. In addition, Philex shareholders as of record date of 8 June 2011 were distributed on 18 August 2011 a special dividend composed of a dividend in specie amounting to one share in Philex Petroleum Corporation for every eight shares of Philex and in cash of Pesos 0.052 (U.S. 0.12 cent) per share for each Philex share.

Silangan Project

The development project is located in Surigao del Norte, Northern Mindanao in the Philippines, and comprises two gold and copper deposits.

The mineral resource estimate of the Silangan Project's combined Boyongan-Bayugo deposit, conducted in compliance with the Philippine Mineral Reporting Code, was completed in early August 2011, following the independent mineral resources estimate prepared by SRK Perth, Australia released in June 2011, reported at a cutoff of 0.5% copper equivalent, based on metal prices of US$2.75 per pound copper and US$900 per ounce gold. In October 2008, Independent Resources Estimations ("IRES") of South Africa completed a pre-feasibility study on Boyongan, concluding that, based on the assumptions used in their report, the Boyongan deposit is technically and financially feasible, with proven mineral reserves of 65.8 million tonnes containing 1.39 grams of gold and 0.87% copper per tonne. The Silangan project is currently undergoing a feasibility study.

Listed below are the resources and proved reserves of the Padcal Mine and Silangan Project based on the latest status:

		Silangan Project (as of 5 August 2011)	
	Padcal Mine (as of 31 December 2011)	Boyongan	Bayugo
Resources (million tonnes)	142(i)	273(ii)	125(ii)
Gold (gram/tonne)	0.49	0.72	0.66
Copper (%)	0.24	0.52	0.66
Contained copper (thousand lbs)	760,000	3,120,000	1,820,000
Contained gold (ounces)	2,200,000	6,300,000	2,700,000
Copper equivalent(iii) cutoff (%)	0.30	–	–
Copper equivalent cutoff (%)	–	0.50	0.50
Proved reserves (million tonnes)	81		
Gold (gram/tonne)	0.40		
Copper (%)	0.21		
Recoverable copper (thousand lbs)	313,600		
Recoverable gold (ounces)	739,000		
Copper equivalent(iii) cutoff (%)	0.246		

(i) Measured
(ii) Measured and indicated
(iii) Copper equivalent = % copper + 0.43 x grams/tonne gold; Metal prices: US$3.00/lb copper, US$1,000/oz gold; Metal resources: 82% copper, 72% gold

2012 Outlook

Philex will continue to explore for new mining projects in the vicinities of the Padcal Mine, Bulawan Mine, Silangan Project and Sibutad Project for further mining opportunities. To offset expected declines in ore grades from the Padcal Mine, Philex's Business Development Team is continuing to explore for potential mining acquisitions. Development of the Silangan Project continues with the build-out of infrastructure aiming for production to begin in 2016.

Reconciliation of Reported Results Between Philex and First Pacific

Philex's operations are principally denominated in peso, which averaged Pesos 43.24 (2010: Pesos 45.04) to the U.S. dollar. Its financial results are prepared under Philippine GAAP and reported in peso. First Pacific's financial results are prepared under Hong Kong GAAP and reported in U.S. dollars. Philippine GAAP and Hong Kong GAAP are largely based on IFRSs, however, certain adjustments need to be made to Philex's reported peso results to ensure full compliance with Hong Kong GAAP. An analysis of these adjustments follows.

Peso millions	2011	2010
Net income under Philippine GAAP	**5,771**	3,963
Differing accounting and presentational treatments[(i)]		
– Reclassification of non-recurring items	**(213)**	120
– Depreciation of revaluation increment of assets	**(386)**	(570)
– Revenue recognition regarding sale of mine products	**50**	(22)
– Others	**(557)**	(526)
Adjusted net income under Hong Kong GAAP	**4,665**	2,965
Foreign exchange and derivative losses[(ii)]	**10**	67
Philex's net income as reported by First Pacific	**4,675**	3,032
US$ millions		
Net income at prevailing average rates for 2011: Pesos 43.24 and 2010: Pesos 45.04	**108.1**	67.3
Contribution to First Pacific Group, at an average shareholding of 2011: 46.3% and 2010: 45.9%	**50.1**	30.9

(i) Differences in accounting treatments under Philippine GAAP, compared with Hong Kong GAAP, and other presentational differences. The principal adjustments include:
- Reclassification of non-recurring items: Certain items, through occurrence or size are not considered usual operating items which are reallocated and presented separately. Adjustment for 2011 of Pesos 213 million (2010: Pesos 120 million) mainly represents a gain of Pesos 397 million (2010: a loss of Pesos 120 million) arising from a reclassification of an investment from an associated company to available-for-sale assets due to loss of significant influence in this investment, partly offset by asset impairment and other provisions of Pesos 184 million (2010: Nil).
- Depreciation of revaluation increment of assets: A fair value assessment was performed at the date of acquisition of Philex and certain revaluation increment adjustments have been made to property, plant and equipment. The adjustment relates to the recognition of additional depreciation based on the revalued fair value of property, plant and equipment.
- Revenue recognition regarding sale of mine products: Philex recognizes revenue based on the production of mine products. HKAS 18 "Revenue" requires the recognition of revenue based on the satisfaction of certain conditions, which includes the transfer of significant risks and rewards of ownership of the products to the buyers and the absence of continuing managerial involvement to the degree usually associated with ownership and effective control over the products sold.
- Others: The adjustments principally relate to the accrual of withholding tax on Philex's net income in accordance with the requirements of HKAS 12 "Income Taxes".

(ii) To illustrate the underlying operational results and profit contributions, foreign exchange and derivative losses (net of related tax) are excluded and presented separately.

Chairman's Letter

Dear Shareholders

2011 was a year of several records: contribution from operations, net and recurring profit, dividend income to First Pacific and dividend payments to you, our shareholders.

In the past eight (8) years, First Pacific has seen its gross asset value rise with a compound annual growth rate of 27% from US$1.28 billion in 2003 to US$7.88 billion at the end of 2011. Your Company, the premier investment management and holding company for emerging Asia, been fortuitous in making investments which have delivered strong returns to our shareholders, whilst improving the lives of millions of Indonesians and Filipinos.

2012 may well be a year of taking a step back in order to leap forward in the coming years for the First Pacific Group. PLDT is focusing on integrating Digitel and Sun Cellular as it builds out a 4G-ready network in its cellular business and a Next Generation Network in its fixed-line operations. Its information technology platform is being upgraded with the goal of making permanent reductions in operating costs and capital expenditures while raising margins. Earnings will be down slightly at PLDT in 2012 but they are nevertheless likely to be their third-best ever, before returning to growth after a year.

Indofood faces similar conditions. Increasing wealth in Indonesia, while providing opportunities has also exacerbated competitive environment, particularly for its Consumer Branded Products and Bogasari Groups. However, supported by its competitive advantages and its ability to respond swiftly to market changes, Indofood will continue to evolve dynamically in pursuing growth and enhancing the Company's value.

Philex had its best year ever in 2011 but now faces a likelihood of declining ore grades at its Padcal mine. We are hopeful that Philex will make up for any decline in production by acquiring an ongoing or brown field mining operation so it can deliver an immediate increase in gold and copper output before its Silangan mining project comes online in a few years' time.

After an extremely strong year at MPIC, we are likewise hopeful of making new investments, perhaps in the toll road space, or in rail or airport redevelopment. Its current toll road, water distribution, electricity distribution and healthcare businesses all expect healthy growth in 2012 but the significant growth at MPIC will come from acquisitions.

With careful management of existing operations and the possibility of value-enhancing new investments, we are confident that 2012 will bring exciting and rewarding developments for our shareholders.

Sincerely,

Anthoni Salim
Chairman

20 March 2012

Managing Director and Chief Executive Officer's Letter

To our Shareholders

I am pleased to report that your Company delivered another year of strong results in 2011, setting records in recurring profit, contribution from operations, net profit, dividend income and record dividend payout.

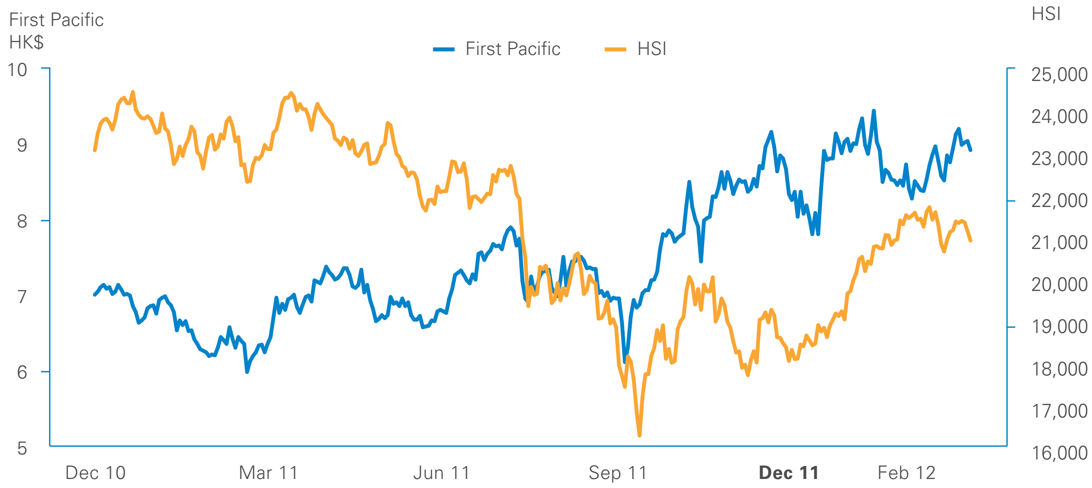
Recurring profit at First Pacific rose 5% to US$423.0 million as three (3) of our four (4) major operating companies produced record high earnings. In turn, First Pacific has declared its highest-ever dividend payment – as a share of recurring profit (26%), on a per-share basis (22.2 HK cents), and in absolute terms US$109.8 million. 2011 was the second year in a row that your Company paid out at least 25% of recurring profit in dividends to shareholders.

In addition to this, the Company's two-year program to repurchase up to US$130 million has had been well received as it heads towards its expiration on 31st May 2012. After seeing First Pacific's share price rise 61% from the launch of the program through the end of 2011, we are extending these repurchases with a new commitment: to set aside up to 10% of recurring profit devoted to share repurchases. This will bring your Company's return to shareholders to a level as high as 35% of recurring profit.

However, our strong performance was accompanied by premonitions of difficulties ahead. First Pacific's two largest investments, PLDT and Indofood, saw their 2011 financial performance held back by increasing competition. While Indofood can expect continuing growth in sales and earnings in 2012, PLDT will see a year of alignment as it continues to integrate Digitel and Sun Cellular into its operations, and finalizes a major capital expenditure program to modernize its networks and information technology. The goal is to bring permanent reductions in operating expenses and future capital expenditures. Eventually, these efforts will place PLDT back on an upward earnings growth curve starting 2013.

MPIC will continue investing in infrastructure as it builds on a 2011 best-ever performance, driven by the water and electricity distribution businesses. Areas of potential investment include toll roads, railways, airports, and water distribution outside our existing franchise area. It is our belief that the participation in public-private partnerships in infrastructure development will bring strong returns on investment while delivering improvements the country badly needs.

First Pacific Share Price vs Hang Seng Index (HSI)



In 2011 ore production at Philex was the highest in a quarter-century and thanks also to historic high gold prices it turned in its best financial performance ever, and rewarded shareholders with a dividend payout of approximately 50%. Work is proceeding apace on developing the Silangan project, a new mining development which contains measured and indicated reserves of 4.94 billion pounds of copper and 9.0 million ounces of gold. Philex is also seeking to invest in an on-going mining business in emerging Asia to offset expected declines in ore volumes in later years from Padcal, its current mining operation.

This ambition is firmly in line with First Pacific's own investment vision. Investment for growth and value-creation is a fundamental element of your Company's capital allocation philosophy. In 2012 First Pacific's investment priorities will be in the fields of infrastructure and natural resources in emerging Asia. We expect steady economic growth in Asia over the medium term. We are sanguine about the need in our markets for new infrastructure and raw materials in the years ahead.

We expect 2012 to be a more demanding year but we are confident in the soundness of our assets and the skill of our management teams to bring out the best in our businesses.

Most cordially

Manuel V. Pangilinan
Managing Director and Chief Executive Officer

20 March 2012

Board of Directors and Senior Executives

Board of Directors

Anthoni Salim

Chairman

Age 63, born in Indonesia. Mr. Salim graduated from Ewell County Technical College in Surrey, England. He is the President and CEO of the Salim Group, President Director and CEO of PT Indofood Sukses Makmur Tbk. and PT Indofood CBP Sukses Makmur Tbk., and holds positions as Commissioner and Director in various companies.

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

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

Manuel V. Pangilinan

Managing Director and Chief Executive Officer

Age 65, born in the Philippines. Mr Pangilinan received a BA from Ateneo de Manila University and an MBA from the Wharton School at the University of Pennsylvania before working in the Philippines and Hong Kong for the PHINMA Group, Bancom International Limited and American Express Bank. He served as First Pacific's Managing Director after founding the Company in 1981, was appointed Executive Chairman in February 1999 and re-assumed the role of Managing Director and CEO in June 2003.

Mr. Pangilinan has also served as President, CEO and a Director of Philippine Long Distance Telephone Company (PLDT) since November 1998, and of Manila Electric Company (Meralco) since July 2010. He was appointed Chairman of PLDT in February 2004. He is the Chairman of Metro Pacific Investments Corporation, ePLDT, Inc., Smart Communications, Inc., PLDT Communications and Energy Ventures, Inc. (formerly named Pilipino Telephone Corporation), Digital Telecommunications Philippines Inc., Maynilad Water Services, Inc., Metro Pacific Tollways Corporation, Manila North Tollways Corporation, Philex Mining Corporation, Philex Petroleum Corporation, Landco Pacific Corporation, Medical Doctors, Inc. (Makati Medical Center), Davao Doctors, Inc. and Colinas Verdes Corporation (Cardinal Santos Medical Center), Mediaquest Holdings, Inc., and Associated Broadcasting Corporation (TV 5). Mr. Pangilinan is also the President Commissioner of PT Indofood Sukses Makmur Tbk.

In May 2006, the Office of the President of the Philippines awarded Mr. Pangilinan the Order of Lakandula, rank of Komandante in recognition of his contributions to the country. He was named Management Man of the Year 2005 by the Management Association of the Philippines. Mr. Pangilinan was awarded Honorary Doctorates in Science by Far Eastern University in 2010, in Humanities by Holy Angel University in 2008, by Xavier University in 2007 and by San Beda College in 2002 in the Philippines. He was formerly Chairman of the Board of Trustees of the Ateneo de Manila University and was a member of the Board of Overseers of the Wharton School. Mr. Pangilinan is a member of the ASEAN Business Advisory Council. He holds chairmanships of the Board of Trustees of San Beda College, non-profit organizations Philippine Business for Social Progress (PBSP), the MVP Sports Foundation, Inc. and the Philippine Disaster Recovery Foundation, Inc. (PDRF). Mr. Pangilinan is also the President of the Basketball Federation of the Philippines (SBP) and is Chairman of the Amateur Boxing Association of the Philippines (ABAP).

Edward A. Tortorici

Executive Director

Age 72, born in the United States. Mr. Tortorici received a Bachelor of Science from New York University and a Master of Science from Fairfield University. Mr. Tortorici has served in a variety of senior and executive management positions, including Corporate Vice President for Crocker Bank and Managing Director positions at Olivetti Corporation of America and Fairchild Semiconductor Corporation.

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

In 1987 Mr. Tortorici joined First Pacific as an Executive Director for strategic planning and corporate restructuring, and launched the Group's entry into the telecommunications and technology sectors. Presently, he oversees corporate strategy for First Pacific and guides the Group's strategic planning and corporate development activities. Mr. Tortorici serves as a Commissioner of PT Indofood Sukses Makmur Tbk and as Director of Metro Pacific Investments Corporation, Philex Mining Corporation, Maynilad Water Services, Inc., FEC Resources Inc. of Canada and AIM-listed Forum Energy Plc. Mr. Tortorici serves as a Trustee of the Asia Society Philippines, is on the Board of Advisors of the Southeast Asia Division of the Center for Strategic and International Studies, a Washington D. C. non partisan think tank. He also serves as a Commissioner of the U.S. ASEAN Strategy Commission.

Robert C. Nicholson

Executive Director

Age 56, born in Scotland. Mr. Nicholson is a graduate of the University of Kent, qualified as a solicitor in England and Wales and in Hong Kong. He is an Executive Chairman of Forum Energy Plc, a Commissioner of PT Indofood Sukses Makmur Tbk and a Director of Metro Pacific Investments Corporation, Philex Mining Corporation and Philex Petroleum Corporation. Mr. Nicholson is also an Independent Non-executive Director of QPL International Holdings Limited and Pacific Basin Shipping Limited. Previously, he was a senior partner of Richards Butler from 1985 to 2001 where he established the corporate and commercial department, and was also a senior advisor to the board of directors of PCCW Limited between August 2001 and September 2003.

Mr. Nicholson has wide experience in corporate finance and cross-border transactions, including mergers and acquisitions, regional telecommunications, debt and equity capital markets, corporate reorganizations and privatization in China. Mr. Nicholson joined First Pacific's Board in 2003.

Napoleon L. Nazareno

Non-executive Director

Age 62, born in the Philippines. Mr. Nazareno holds a Bachelor of Science degree in Mechanical Engineering from the University of San Carlos in Cebu and a Master's degree in Business Management from the Asian Institute of Management (AIM). He has also completed the INSEAD Executive Program at the European Institute of Business Administration in Fontainebleau, France.

In 1973, Mr. Nazareno worked as an Assistant Product Manager at the Flexible Packaging Division in Phimco Industries, Inc. and in 1981, he joined the international firm Akerlund & Rausing as Acting Production Manager. In 1989, he was named President and CEO of Akerlund & Rausing (Philippines). Mr. Nazareno served as President and CEO of Metro Pacific Corporation from 1995 to 1999.

In 1998, Mr. Nazareno became President and CEO of PLDT Communications and Energy Ventures, Inc. (formerly named Pilipino Telephone Corporation, a cellular subsidiary of Smart Communications, Inc. (Smart)). He became President and CEO of Smart in 2000 and subsequently assumed the presidency at parent firm Philippine Long Distance Telephone Company in 2004, positions he continues to hold today. Mr. Nazareno is a Director of Manila Electric Company and Digital Telecommunications Philippines Inc., and a board member of the GSM Association Worldwide since November 2004. He joined First Pacific's Board in 2008.

Professor Edward K.Y. Chen

GBS, CBE, JP

Independent Non-executive Director

Age 67, born in Hong Kong and educated at the University of Hong Kong and Oxford University. Professor Chen is an Independent Non-executive Director of Asia Satellite Telecommunications and Wharf Holdings Limited. He was a trustee for Eaton Vance Management Funds. Professor Chen has served as President of Lingnan University; Professor and Director of the Centre of Asian Studies of the University of Hong Kong; Chairman of Hong Kong's Consumer Council; as an Executive Councillor of the Hong Kong Government; and as a Legislative Councillor. He is now a Distinguished Fellow of the Centre of Asian Studies at the University of Hong Kong. Professor Chen joined First Pacific's Board in 1993.

Dr. Christine K. W. Loh

JP, OBE, Chevalier de l'Ordre National du Merite

Independent Non-executive Director

Age 56, born in Hong Kong. Dr. Loh graduated with a Bachelor of Law degree from the University of Hull, England, and later on received her Master of Law in Chinese and Comparative Law from the City University of Hong Kong. Dr. Loh is the founder and CEO of Civic Exchange, an independent, non-profit public policy think tank in Hong Kong, an Independent Non-executive Director of the Hong Kong Mercantile Exchange, and serves on a number of foundations and non-profit organizations in Hong Kong and abroad.

Trained as a lawyer, Dr. Loh spent 14 years in the commercial world, holding top regional posts in a U.S. multinational company in commodities trading, and subsequently served in a strategic management capacity for a Hong Kong company. She was appointed to the Hong Kong Legislative Council in 1992, and then ran in two successful elections in 1995 and 1998.

Dr. Loh is well known for her work on environmental protection, energy and climate change. She also writes and comments extensively on economics and public affairs, and has become a leading voice in public policy in Hong Kong. Dr. Loh has been widely acknowledged for her community work, and was named a Hero of the Environment by TIME in 2007. She joined First Pacific's Board in 2011.

Graham L. Pickles

Independent Non-executive Director

Age 55, born in Australia. Mr. Pickles holds a Bachelor of Business degree (majoring in accounting). Mr. Pickles has significant experience in the distribution and technology sectors, running several distribution businesses in Asia and Australasia in the IT and telecommunications industries over a career spanning more than 20 years.

He serves as a Commissioner of PT Indofood Sukses Makmur Tbk and was appointed Chairman of Asia Pacific Brands India Limited in 2005. Mr. Pickles was previously CEO of Tech Pacific Holdings Limited, a wholly-owned subsidiary of First Pacific Company Limited until it was sold in 1997. He was also a member of the executive committee of Hagemeyer N.V. in which First Pacific had a controlling interest until 1998. Mr. Pickles joined First Pacific's Board in 2004.

Jun Tang

Independent Non-executive Director

Age 49, born in China. Mr. Tang is the President and CEO of New Huadu Group Company Limited and the Honorary President of Microsoft China Company Limited.

Mr. Tang was previously the President of Nasdaq-listed Shanda Interactive Entertainment Company Limited. He served as the President of Microsoft China from 2002 to 2004 and the General Manager of Microsoft Global Technology Center from 1997 to 2002. Mr. Tang also served as the CEO of Wicresoft, a joint venture between Microsoft and the Shanghai government established in 2002. Mr. Tang joined First Pacific's Board in 2009.

Tedy Djuhar

Non-executive Director

Age 60, born in Indonesia. Mr. Djuhar received a Bachelor of Economics degree from the University of New England in Australia. Mr. Djuhar is Vice Commissioner of PT Indocement Tunggal Prakarsa Tbk, Director of Pacific Industries and Development Limited, and Director of a number of other Indonesian companies. He joined First Pacific's Board in 1981.

Ibrahim Risjad

Non-executive Director

Age 78, born in Indonesia. Mr. Risjad served as a Commissioner of PT Indofood Sukses Makmur Tbk. He joined First Pacific's Board in 1981. Mr. Risjad passed away in February 2012.

Benny S. Santoso

Non-executive Director

Age 54, born in Indonesia. Mr. Santoso graduated from Ngee Ann College in Singapore. He serves as a Commissioner of PT Indofood Sukses Makmur Tbk, the President Commissioner of PT Indofood CBP Sukses Makmur Tbk and PT Nippon Indosari Corpindo Tbk, a Director of PT Indocement Tunggal Prakarsa Tbk and a member of the Advisory Board of Philippine Long Distance Telephone Company. He joined First Pacific's Board in 2003.

Soedono Salim

Honorary Chairman and Advisor to the Board

Age 97, born in China. Mr. Salim served as First Pacific's Chairman from 1981 until February 1999, when he assumed his current titles. He serves as Chairman of the Salim Group.

Senior Executives


Richard L. Beacher


Richard P.C. Chan


Maisie M.S. Lam


Sara S.K. Cheung


Joseph H.P. Ng


Nancy L.M. Li


John W. Ryan


Peter T.H. Lin

Richard L. Beacher

Executive Vice President, Group Financial Controller

Age 53, born in United Kingdom. Mr. Beacher received a BA (Hons) in Economics and Accounting from University of Newcastle Upon Tyne in the U.K. He is a member of the Institute of Chartered Accountants in England and Wales and a member of the Hong Kong Institute of Certified Public Accountants. Mr. Beacher moved to Hong Kong in 1984 with PriceWaterhouse and most recently served in financial positions with Hagemeyer Cosa Lieberman and latterly with Siemens Building Technologies as Global Business Line Controller. He is a Non-executive Director of Forum Energy Plc. Mr. Beacher joined First Pacific in 2006.

Maisie M.S. Lam

Executive Vice President, Group Human Resources

Age 57, born in Hong Kong. Ms. Lam received a Diploma from the Hong Kong Polytechnic University/Hong Kong Management Association. She joined First Pacific in 1983.

Joseph H.P. Ng

Executive Vice President, Group Finance

Age 49, born in Hong Kong. Mr. Ng received an MBA and a Professional Diploma in Accountancy from Hong Kong Polytechnic University. He is a member of the Hong Kong Institute of Certified Public Accountants, the Association of Chartered Certified Accountants and the Institute of Chartered Accountants in England and Wales. Mr. Ng joined First Pacific in 1988 from PriceWaterhouse's audit and business advisory department in Hong Kong. Prior to his appointment as Executive Vice President, Group Finance in May 2002, Mr. Ng was Group Treasurer of the First Pacific Group and served in several senior finance positions within the Group.

John W. Ryan

Executive Vice President, Group Corporate Communications

Age 46, born in the U.K. Mr. Ryan received a Bachelor of Arts degree from the University of Connecticut and completed a Master of Philosophy course on Slavonic and East European Studies at St. Antony's College, Oxford University. He spent several years as a financial journalist, opening and leading Bloomberg's Moscow bureau for five years in the early 1990s and later joining Dow Jones as Bureau Chief over the period 1998–2004 in Moscow and Hong Kong. Mr. Ryan earlier served as Head of Corporate Communications, Asia Pacific for HSBC's wholesale bank. He joined First Pacific in 2010.

Richard P.C. Chan

Vice President, Group Finance

Age 42, born in Hong Kong. Mr. Chan received a BBA (Hons) degree from Hong Kong Baptist University and an MBA from the Chinese University of Hong Kong. He is a Certified Public Accountant (Practising), a CFA charterholder and a Fellow of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. He has experience in auditing, accounting, finance and management spanning a diverse range of business activities. Mr. Chan joined First Pacific in 1996 from KPMG.

Sara S.K. Cheung

Vice President, Group Corporate Communications

Age 48, born in Hong Kong. Ms. Cheung received a BA in Business Economics from the University of California, Los Angeles and an MBA from Southern Illinois University, Carbondale. She is a member of the National Investor Relations Institute and the Hong Kong Investor Relations Association. She joined First Pacific in 1997 from the Public Affairs department of Wharf Limited and Wheelock and Company Limited.

Nancy L.M. Li

Vice President, Company Secretary

Age 54, born in Hong Kong. Ms. Li received a BA from McMaster University in Canada and a MSc in Corporate Governance and Directorship from Hong Kong Baptist University. She is a Fellow of the Hong Kong Institute of Company Secretaries and The Institute of Chartered Secretaries & Administrators of Great Britain. Ms. Li joined First Pacific in 1987 from the Hong Kong Polytechnic University's academic secretariat. Prior to that, she worked in the company secretarial department of Coopers & Lybrand. Ms. Li was appointed as First Pacific's Company Secretary in May 2003.

Peter T.H. Lin

Vice President, Group Tax and Treasury

Age 42, born in Hong Kong. Mr. Lin received a MSc in Management Sciences from the University of Southampton and a BSc in Economics and Statistics from Coventry University. He is a Fellow of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. He is also a member of the Institute of Chartered Accountants in England and Wales and the Taxation Institute of Hong Kong. Mr. Lin joined First Pacific in 1998 from KPMG where he was a Tax Manager.

Corporate Social Responsibility Report

Barn owls are used as a rat control measure in Indofood's plantation estates, an extremely effective mean of using nature's solutions to fight pests while sustaining the environment.

First Pacific Group companies continue to "Deliver Long-term Growth in Asia" through our extensive and award-winning community service programs, primarily geared toward education, protecting the environment and enhancing health as well as improving livelihoods and emergency response in their home countries. The Group's companies conduct business with the highest regard for ethical responsibility while protecting and enhancing the interests of their shareholders.

In addition, the First Pacific Group established the multi-million-dollar NGO IdeaSpace Foundation, Inc. to help Filipino entrepreneurs develop technologies through partnerships with global IT companies, to share and learn from our management and transform their ideas into successful commercial products.

PLDT, one of the largest corporations in the Philippines, continues its efforts to improve lives through leveraging its expertise in wireless technologies, such as developing a flood forecasting network by installing more than 70 solar-powered automatic rain gauges in Smart's cell sites across the Philippines, and offering healthcare education and services. PLDT Group companies provide relief, health and financial supports to typhoon victims in various cities. PLDT also conducted disaster risk management training to high risk communities.

In a key initiative in the education of future generations, PLDT donated computers and internet connection facilities for community mobile e-centers; implemented educational programs and helped upgrade the cyber-skills of high school students and their teachers through internet use and basic IT education; and granted scholarships and training to qualified persons for studying mobile application development as well as English, Mathematics and Science across the country. Its Philippine Digital Literacy for Women Program aims to provide digital training to 1 million women at the grassroots level.

MPIC complemented its mission to develop infrastructure with a wide variety of corporate social responsibility ("CSR") initiatives through the 3Es of the MPIC Foundation: Education, Environment and Economic Empowerment. The Foundation aims to provide education and support to the most deserving but the least privileged children. In addition to MPIC's educational outreach and scholarships, its employees voluntarily offer coaching and inspiration to Foundation participants. Coastal and underwater cleanup campaigns and sustainable programs in partnership with the Philippine Business for Social Progress to promote community growth and development continued in 2011 and were well received by the public.

In Indonesia, **Indofood's** corporate social responsibility remains in:

- Building human capital
- Outreaching to the community
- Strengthening economic values
- Protecting the environment
- Solidarity for humanity

In addition to operating school facilities located around its plantation areas, Beasiswa Indofood Sukses Makmur provides scholarships, additional funding and mentoring for students ranging from the elementary level through to university undergraduates. Over 15,000 children of its employees had received scholarships.

In 2011, Indofood Riset Nugraha received 700 research proposals in relation to food diversification and food securities and granted funding to 38 eligible research programs. It also offers healthcare services, consultation and nutrition education to local communities. Community outreach included housing development and rehabilitation, and social and religious activities.

Under its program to strengthen economic values, Indofood sponsors entrepreneurship training for the spouses of partnering farmers and families of its employees at plantations, as well as the provision of tools, assistance in obtaining bank loans and insurance for fire, health and accidents for its small medium enterprise partners.

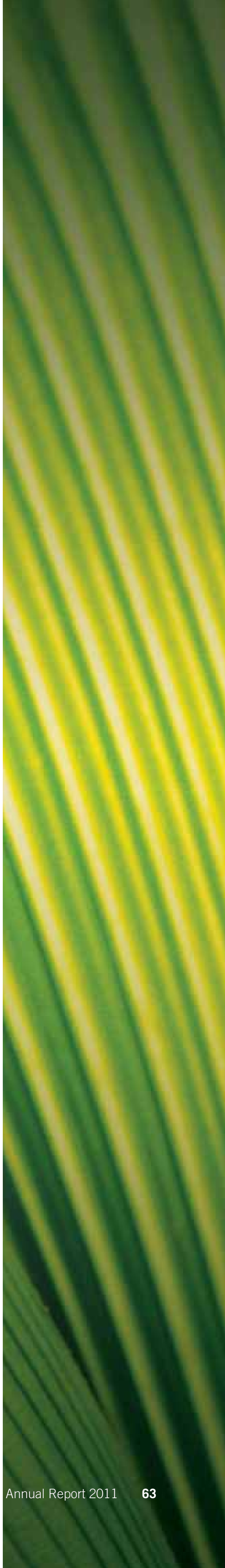
In its environmental protection programs, Indofood supported the planting of over 13,000 trees in 2011. Its production facilities are equipped with waste-processing.

To commit to building sustainable agriculture businesses, Indofood's plantation operating units enforce:

- zero-burning policy for land clearing during replanting and development of new plantations
- energy conservation practices and promoting recycling of mill effluent and by-products as inorganic fertilizers
- protecting biodiversity and preserving High Conservation Value areas

Its plantation operating units are member of both the Roundtable on Sustainable Palm Oil (RSPO) and Indonesian Sustainable Palm Oil (ISPO). Approximately 23% of Indofood Group's CPO production of 838,000 tonnes in 2011 was RSPO certified. The RSPO certification contains 39 criteria and 139 objectives indicators which are grouped under eight overriding principles listed in the table below. Indofood Group is committed to have all of its CPO production certified.

Principle	**Number of criteria**	**Indonesian National Interpretation indicators**	
		Major	**Minor**
Commitment to transparency	2	5	0
Compliance with applicable laws and regulations	3	8	4
Commitment to long-term economic and financial viability	1	1	1
Use of appropriate best practices by growers and millers	8	13	25
Environmental responsibility and conservation of natural resources and biodiversity	6	12	10
Responsible consideration of employees and of individuals and communities affected by growers and mills	11	13	23
Responsible development of new plantings	7	12	10
Commitment to continuous improvement in key areas of activity	1	1	1
Total	**39**	**65**	**74**



Indofood's solidarity for humanity programs kick into gear when disaster strikes, providing food from its public kitchens to survivors as well as to officials and volunteers responding to natural disasters. During the year, its blood donor program had collected over 12,000 bags of blood to support the community's needs.

Philex's CSR programs focus on operational excellence, environmental stewardship and community empowerment. Its mining projects are operating with the highest ethical business practices and occupational health and safety standards in the mining industry.

With a target of leaving a better environment upon the closing of its mining projects, the company takes a long-term commitment to environmental management and protection. In addition to management of the mine, milling, and tailings impoundment facilities, the programs also cover the conservation of water and watershed, air quality, and the forests within its tenement areas. Since 1989, Philex has planted over seven million tress on 2,000 hectares at the Padcal Mine. It has been awarded the "Best in Mining Forest" at the Annual National Mine Safety and Environment Conference in the Philippines a total of seven times.

Philex has an excellent record of supporting the communities it is a part of. The relationship with community members, indigenous peoples and local government units is crucial to maintaining sustainability. Philex's education programs include building and improving school facilities, financing educational scholarships and vocational training, providing free medical services, stabilizing slopes and erosion prevention as well as construction and enhancement of farm-to-market infrastructure and flood prevention.

At the Head Office level, **First Pacific** provided support for:

- Hope for Children
- Scholarships at Lingnan University
- Scholarship scheme of the Hong Kong Management Association

First Pacific conducts recycling of paper waste and energy conservation where applicable and replaces executive travel with tele- and video-conferencing where possible, saving CO_2 emissions in the process.

First Pacific Head Office and its operating companies engage in continuous CSR programs as well as ad-hoc response to emergencies and natural disasters. Senior executives are responsible for ensuring that their businesses provide regular funding and support for the CSR activities within the communities they serve and operate in.

Corporate Governance Report

Governance Framework

First Pacific is committed to building and maintaining high standards of corporate governance. The Company has adopted its own Code on Corporate Governance Practices (the First Pacific Code), which incorporates the principles and requirements set out in the Code on Corporate Governance Practices (CG Code) contained in Appendix 14 of the Listing Rules.

First Pacific has applied these principles and complied with all the CG Code mandatory provisions throughout the current financial year. Following the resignation of Ambassador Albert F. del Rosario on 25 March 2011, the appointment of Dr. Christine K.W. Loh and the retirement of Sir David W.C. Tang on 1 June 2011, and the passing away of Mr. Ibrahim Risjad on 16 February 2012, the First Pacific Board is comprised of 11 members, of whom 4 are Independent Non-executive Directors. In this respect, First Pacific is in compliance with the revised Listing Rule requirement of appointing Independent Non-executive Directors representing at least one-third of the Board. First Pacific has also met all of the other recommended best practices in the CG Code throughout the current financial year, except for the following:

1. The announcement and publication of quarterly financial results within 45 days after the end of the relevant quarter.
2. The disclosure of details of remuneration payable to members of senior management on an individual and named basis in the annual reports and accounts.

The Company does not issue quarterly financial results as most of our major operating units based in the Philippines, Indonesia and Singapore already issue quarterly reports. As such, we believe that the relevant information is already available in the public domain. The disclosure of details of remuneration payable to members of senior management on an individual and named basis would not provide, in our view, any pertinent information to the readers in assessing the performance of the Company.

Board of Directors

The Company is led and controlled through the Board of Directors which comprised 12 Directors as at 31 December 2011 and they are collectively responsible for promoting the success of the Company by directing and supervising the Company's affairs. The Board of Directors has a balance of skill and experience appropriate for the requirements of the Group's businesses. At 31 December 2011, three of the Directors are Executive and nine of the Directors are Non-executive, of whom four are Independent. The Company has received annual confirmations of independence from Mr. Graham L. Pickles, Prof. Edward K.Y. Chen, Mr. Jun Tang and Dr. Christine K.W. Loh and considers them to be independent. Non-executive Directors have the same duties of care and skill and fiduciary duties as Executive Directors. The biographies of the Directors are set out on pages 54 to 57.

The Board of Directors usually meets formally at least four times a year to review operational performance and financial plans, monitors the implementation of strategy and any other significant matters that affect the operations of the Group, and approves matters specifically reserved to the Board of Directors for its decision. Dates of the regular board meetings are scheduled in the prior year (subject to amendment) to provide sufficient notice to Directors enabling them to attend. For special board meetings, reasonable notice is given. Directors are consulted as to matters to be included in the agenda for regular board meetings. Directors have access to the advice and services of the Company Secretary to ensure that Board procedures, and all applicable rules and regulations, are followed. Adequate and appropriate information, in the form of agendas, board papers and related materials, are prepared and provided to the Directors prior to the scheduled dates for the Board meetings in a timely manner. Minutes of the Board meetings and meetings of the Audit Committee, the Remuneration Committee, the Nomination Committee and other Board Committees are kept by the Company Secretary. Minutes are open for inspection at any reasonable time on reasonable notice by any Director.

Minutes of the Board meetings and Board Committee meetings have been recorded in sufficient details the matters considered by the Board and the Board Committees, decisions reached, including any concerns raised by the Directors or dissenting views expressed. Draft and final versions of minutes of the Board meetings and meetings of the Board Committees are sent to all Directors for their comments and records respectively within a reasonable time after the meeting. The Executive Directors, led by the Managing Director and Chief Executive Officer, are responsible for the day-to-day management of the Company's operations. In addition, there are regular meetings with the senior management of subsidiary and associated companies, at which operating strategies and policies are formulated and communicated.

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

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

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

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

At the Company's 2011 AGM, Mr. Robert C. Nicholson, Mr. Benny S. Santoso, Mr. Graham L. Pickles and Mr. Napoleon L. Nazareno, who had been longest in office since their appointment, together with Mr. Tedy Djuhar and Mr. Ibrahim Risjad, retired by rotation but being eligible, offered themselves for re-election. Mr. Robert C. Nicholson, Mr. Benny S. Santoso, Mr. Graham L. Pickles and Mr. Napoleon L. Nazareno were re-elected for a fixed term of approximately three years, commencing on the date of the 2011 AGM and expiring at the conclusion of the Company's AGM to be held in the third year following the year of their re-election (being 2014). Mr. Tedy Djuhar and Mr. Ibrahim Risjad were re-elected as Directors of First Pacific for a fixed term of approximately one year, commencing on the date of the 2011 AGM and expiring at the conclusion of the Company's AGM to be held one year following the year of their re-election (being 2012). Sir David Tang retired from the Board at the conclusion of the 2011 AGM due to his other personal commitments. Dr. Christine K.W. Loh was elected as a new Independent Non-executive Director of the Company at the 2011 AGM for a fixed term of approximately three years, commencing on the date of the 2011 AGM and expiring at the conclusion of the Company's AGM to be held in the third year following the year of her election (being 2014).

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

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

During 2011, there were five Board meetings and four teleconferences and those Directors who attended the Board meetings and teleconferences are set out below.

	Number of Meetings Attended	
	Board	Teleconference
Chairman		
Anthoni Salim	4/5	1/4
Executive Directors		
Manuel V. Pangilinan, *Managing Director and CEO*	5/5	3/4
Edward A. Tortorici	5/5	3/4
Robert C. Nicholson	5/5	4/4
Non-executive Directors		
Ambassador Albert F. del Rosario[(i)]	1/1	1/1
Benny S. Santoso	5/5	4/4
Napoleon L. Nazareno	5/5	3/4
Tedy Djuhar	5/5	3/4
Ibrahim Risjad[(iv)]	0/5	0/4
Independent Non-executive Directors		
Graham L. Pickles	5/5	4/4
Prof. Edward K.Y. Chen, *GBS, CBE, JP*	5/5	4/4
Sir David W.C. Tang, *KBE*[(ii)]	0/3	1/2
Jun Tang	5/5	3/4
Dr. Christine K.W. Loh, *JP, OBE, Chevalier de l'Ordre National du Merite*[(iii)]	2/2	2/2

(i) Ambassador Albert F. del Rosario resigned from the Board of Directors of the Company with effect from 25 March 2011.
(ii) Sir David W. C. Tang retired from the Board of Directors of the Company with effect from 1 June 2011.
(iii) Dr. Christine K.W. Loh was appointed as an Independent Non-executive Director of the Company on 1 June 2011.
(iv) The late Mr. Ibrahim Risjad passed away in February 2012.

Audit Committee

The Audit Committee is currently composed of four Non-executive Directors, three of whom are Independent Non-executive Directors, with Mr. Graham L. Pickles, who possesses appropriate professional qualifications and experience in financial matters, acting as chairman of the Audit Committee. This is in compliance with Rule 3.21 of the Listing Rules.

The Audit Committee's written terms of reference, which describe its authority and duties, are regularly reviewed and updated by the Board of Directors. Reporting to the Board of Directors, the Audit Committee reviews matters within the purview of audit, such as financial statements and internal controls, to protect the interests of the Company's shareholders. The Audit Committee also performs an independent review of the interim and annual financial statements.

The Audit Committee meets regularly with the Company's external auditors to discuss the audit process and accounting issues, and reviews the effectiveness of internal controls and risk evaluation. Special meetings are also convened, where appropriate, to review significant financial or internal control issues. During 2011, there were two Audit Committee meetings and those Audit Committee members who attended are set out below.

	Number of Meetings Attended
Graham L. Pickles	2/2
Prof. Edward K. Y. Chen, *GBS, CBE, JP*	2/2
Sir David W. C. Tang, *KBE* (i)	0/1
Jun Tang(ii)	1/1
Benny S. Santoso(ii)	1/1

(i) Sir David W. C. Tang retired from the Board of Directors of the Company with effect from 1 June 2011.
(ii) Mr. Jun Tang and Mr. Benny S. Santoso were appointed as members of the Audit Committee on 1 June 2011.

Remuneration Committee

The Remuneration Committee, which comprises a majority of Independent Non-executive Directors, with Prof. Edward K.Y. Chen (who acts as the chairman), Mr. Graham L. Pickles and Mr. Manuel V. Pangilinan as members, has specific written terms of reference which deal clearly with its authority and duties. The terms of reference of the Remuneration Committee have included the specific duties set out in paragraphs B.1.3 (a) to (f) of the CG Code, with appropriate modifications where necessary.

The Remuneration Committee makes recommendations to the Board of Directors regarding the remuneration of the Executive Directors, senior executives and the fees and emoluments of Non-executive Directors, based on advice from compensation and benefits consultants. No Director or any of his associates is involved in deciding his own remuneration. During 2011, one meeting of the Remuneration Committee was held and those Remuneration Committee members who attended are set out below.

	Number of Meetings Attended
Ambassador Albert F. del Rosario(i)	0/0
Prof. Edward K. Y. Chen, *GBS, CBE, JP*	1/1
Sir David W. C. Tang, *KBE* (ii)	0/0
Graham L. Pickles(iii)	1/1
Manuel V. Pangilinan(iii)	1/1

(i) Ambassador Albert F. del Rosario resigned from the Board of Directors of the Company with effect from 25 March 2011.
(ii) Sir David W. C. Tang retired from the Board of Directors of the Company with effect from 1 June 2011.
(iii) Mr. Graham L. Pickles and Mr. Manuel V. Pangilinan were appointed as members of the Remuneration Committee on 1 June 2011.

Nomination Committee

The Nomination Committee, which comprises a majority of Independent Non-executive Directors, with Mr. Anthoni Salim, Prof. Edward K.Y. Chen (who acts as chairman), Mr. Graham L. Pickles, Mr. Jun Tang and Dr. Christine K.W. Loh as members, has specific written terms of reference which deal clearly with its authority and duties. The terms of reference of the Nomination Committee have included the specific duties set out in paragraphs A.4.5 (a) to (d) of the CG Code, with appropriate modifications where necessary.

The Nomination Committee performs the following duties:

- reviews the structure, size and composition (including the skills, knowledge and experience) of the Board of Directors on a regular basis and makes recommendations to the Board of Directors regarding any proposed changes;
- establishes recruitment, selection and nomination strategies to attract the right individuals to become Executive, Non-executive or Independent Non-executive Directors; and
- makes recommendations to the Board of Directors on relevant matters relating to the appointment or re-appointment of Directors and succession planning for Directors.

The selection of individuals to become Executive or Non-executive Directors is based on assessment of their professional qualifications and experience. During 2011, one meeting of the Nomination Committee was held and those Nomination Committee members who attended are set out below.

	Number of Meetings Attended
Anthoni Salim	0/1
Ambassador Albert F. del Rosario[(i)]	0/0
Prof. Edward K. Y. Chen, *GBS, CBE, JP*	1/1
Graham L. Pickles	1/1
Sir David W. C. Tang, *KBE*[(ii)]	0/0
Dr. Christine K.W. Loh, *JP, OBE, Chevalier de l'Ordre National du Merite*[(iii)]	1/1
Jun Tang[(iv)]	1/1

(i) Ambassador Albert F. del Rosario resigned from the Board of Directors of the Company with effect from 25 March 2011.
(ii) Sir David W. C. Tang retired from the Board of Directors of the Company with effect from 1 June 2011.
(iii) Dr. Christine K.W. Loh was appointed as a member of the Nomination Committee on 1 June 2011.
(iv) Mr. Jun Tang was appointed as a member of the Nomination Committee on 1 June 2011.

Independent Board Committee

Where there are matters involving connected or continuing connected transactions or other transactions, so far as required under the Listing Rules, an Independent Board Committee, comprising wholly the Independent Non-executive Directors, are established with specific written terms of reference which deal clearly with the Independent Board Committee's authority and duties and independent financial advisers will be appointed to provide advices to the Independent Board Committee. When appropriate, the Independent Board Committee will then advise shareholders on how to vote after considering advices (if any) from the independent financial advisers.

During 2011, the Independent Board Committee held two meetings with other board members and those committee members who attended are set out below.

	Number of Meetings Attended
Prof. Edward K. Y. Chen, *GBS, CBE, JP*	2/2
Graham L. Pickles	2/2
Sir David W. C. Tang, *KBE*[(i)]	0/1
Jun Tang	1/2
Dr. Christine K.W. Loh, *JP, OBE, Chevalier de l'Ordre National du Merite*[(ii)]	1/1

(i) Sir David W. C. Tang retired from the Board of Directors of the Company with effect from 1 June 2011.
(ii) Dr. Christine K.W. Loh was appointed as an Independent Non-executive Director of the Board of Directors of the Company on 1 June 2011.

Directors' Service Contract

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

Model Code for Securities Transactions

Having made specific enquiry, the Company can confirm that all of the Directors have complied with the Company's code of conduct regarding directors' securities transactions, prepared and adopted on terms no less exacting than the required standard set out in the Model Code.

Financial Reporting

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

Directors' Responsibility for the Financial Statements

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

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

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

Directors' Training

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

Voting by Poll

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

At the 2011 AGM, the chairman demanded a poll on all resolutions. The procedures for demanding a poll by the shareholders were incorporated in the AGM circular sent to the shareholders in the time stipulated. Computershare Hong Kong Investor Services Limited, the Company's Hong Kong Branch Registrar, was engaged as scrutineer to ensure the votes were properly counted.

Remuneration Policy

Details of Directors' remuneration for the year are set out in Note 34(A) to the consolidated financial statements. The remuneration of senior executives, including Directors, consists of the following:

Salary and Benefits

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

Bonus and Long-term Incentives

Bonuses are based on the achievement of individual performance targets, and do not necessarily correlate with annual profit movements. Long-term incentives comprise monetary payments and/or share options that link reward to the achievement of pre-determined objectives. The value of the long-term incentive offered to each executive is related to job grade and contribution to the management of the business.

Fees

It is the Company's policy that it pays no fees to the Company's Executive Directors.

Pension Contributions

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

Share Options

Share options are granted to certain Directors and senior executives as part of the long-term incentive arrangements. Details of the Company's share options granted to Directors and senior executives are set out in Note 34(D)(a) to the consolidated financial statements.

Communications with Shareholders

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

The formal channels of communicating with shareholders are the annual and interim reports, press releases, published announcements, shareholders' circulars and the AGM. The annual and interim reports seek to communicate, both to shareholders and the wider investment community, developments in the Company's businesses. In addition, the annual report sets out strategic goals for the coming year and management's performance against predetermined objectives are reported and assessed. All of these initiatives are designed to better inform shareholders and potential investors about the Company's activities and strategic direction.

The AGM is the principal forum for formal dialogue with shareholders, where the Board is available to answer questions about specific resolutions being proposed at the meeting and also about the Group in general. In addition, where appropriate, the Company convenes an SGM to approve transactions in accordance with the Listing Rules and the Company's corporate governance procedures. These provide further opportunities for shareholders to comment and vote on specific transactions.

At the 2011 AGM, a separate resolution was proposed by the chairman in respect of each separate issue, including proposals relating to re-election of the retiring Directors and the fixing of remuneration of the Non-executive Directors of the Company.

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

Continuing Connected Transactions

During the year, the Independent Non-executive Directors discussed with the Directors in relation to the following continuing connected transactions and approved the disclosure of those transactions in the form of published announcements:

- 14 February 2011 announcement: entering into of (1) a new continuing connected transaction in relation to the plantations business transaction between PT Salim Ivomas Pratama Tbk (a subsidiary of Indofood) and Shanghai Resources International Trading, Co. Ltd. (an associate of Mr. Anthoni Salim); (2) an Amendment Agreement between the Bogasari Flour Mills Division of Indofood (Bogasari) and PT Fast Food Indonesia Tbk. (FFI) for the purpose of amending and supplementing the terms of an existing Flour Business transaction between these parties; (3) revision of annual caps in relation to its Existing Flour Business Transaction No. 2 to take into account the supply of flour by Bogasari to FFI in addition to the supply of spaghetti; and (4) increase in the annual caps for 2011–2013 in respect of the existing Flour Business transactions.

- 22 March 2011 announcement: entering into of (1) a trademark licensing agreement in relation to the plantations business transaction between Indofood and PT Lajuperdana Indah; and (2) a carton boxes supply agreement in relation to the Packaging Business transaction between PT Surya Rengo Containers and FFI; as well as the announcement of the aggregate annual caps for the Plantations Business transactions and the revised aggregate annual caps for the Packaging Business transactions.

- 31 October 2011 announcement: entering into of (1) a new lease agreement between Bogasari and PT Tarumatex in relation to the flour business of the Indofood Group; and (2) a new consultant services contract between Indofood and PT Indotek Konsultan Utama in relation to the various categories of businesses of the Indofood Group.

I. Details of those continuing connected transactions relating to the Indofood Group, which are required to be specified by Rule 14A.45 of the Listing Rules are set out below:

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

Parties to the agreement/arrangement			Period covered by the agreement/arrangement		Transaction amount for the year ended 31 December 2011 (US$ millions)
Name of entity of the group	Name of connected party and relationship between the parties	Nature of agreement/arrangement	From	To	
PT Indofood Sukses Makmur Tbk (ISM) PT Indofood CBP Sukses Makmur Tbk (ICBP)	De United Food Industries Ltd. (Dufil), an associate of Mr. Anthoni Salim	(1) Trademark licensing for the exclusive use by Dufil of the "Indomie" trademark owned by ISM in the Nigerian market; (2) provision of related technical services in connection with Dufil's instant noodle manufacturing operations in Nigeria; and (3) sale and supply of food ingredients, noodle seasonings and packaging used for the production of instant noodles	1 January 2011	31 December 2013	24.7
ISM/ICBP	Pinehill Arabian Food Ltd. (Pinehill), an associate of Mr. Anthoni Salim	(1) Trademark licensing for the exclusive use by Pinehill of the "Indomie", "Supermi" and "Pop Mie" trademarks owned by ISM in certain countries in the Middle East; (2) provision of related technical services in connection with Pinehill's instant noodle manufacturing operations in certain countries in the Middle East; and (3) sale and supply of food ingredients, noodle seasonings and packaging used for the production of instant noodles	1 January 2011	31 December 2013	70.9
ISM/ICBP	Salim Wazaran Brinjikji Co. (SAWAZ), an associate of Mr. Anthoni Salim	(1) Trademark licensing for the non-exclusive use by the SAWAZ Group of the "Indomie" trademark owned by ISM in certain countries in the Middle East and Africa; (2) provision of related technical services in connection with the SAWAZ Group's instant noodle manufacturing operations in certain countries in the Middle East and Africa; and (3) sale and supply of food ingredients, noodle seasonings and packaging used for the production of instant noodles	1 January 2011	31 December 2013	4.8
Aggregated transactions amount					**100.4**

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

Parties to the agreement/arrangement			Period covered by the agreement/arrangement		Transaction amount for the year ended 31 December 2011 (US$ millions)
Name of entity of the group	Name of connected party and relationship between the parties	Nature of agreement/arrangement	From	To	
PT Salim Ivomas Pratama Tbk (SIMP)	PT Adithya Suramitra (ADS), an associate of Mr. Anthoni Salim	SIMP entered into a 20-year lease contract with ADS for the use of land property which is the factory site of SIMP	1 June 1996	31 May 2016	0.1
SIMP and its subsidiaries	PT Sarana Tempa Perkasa (STP), an associate of Mr. Anthoni Salim	STP provides pumping services to SIMP and its subsidiaries to load crude palm oil (CPO) and its derivative products to the shipping vessels	1 January 2011	31 December 2013	0.6
SIMP and its subsidiaries	PT Rimba Mutiara Kusuma (RMK), an associate of Mr. Anthoni Salim	SIMP and its subsidiaries purchase heavy equipment and building materials from RMK, rent trucks, office space, buildings and heavy equipment from RMK and use transportation services from RMK	1 January 2011	31 December 2013	0.4
SIMP and its subsidiaries	IndoInternational Green Energy Resources Pte. Ltd. (IGER Group), an associate of Mr. Anthoni Salim	SIMP and its subsidiaries provide research services, sale of seeds, lease office space to IGER Group, and purchase of fresh fruit bunches/CPO/palm kernel from IGER Group	1 January 2011	31 December 2013	12.0
PT Lajuperdana Indah (LPI), an associate of Mr. Anthoni Salim	PT Indotek Konsultan Utama (IKU), an associate of Mr. Anthoni Salim	IKU provides consultancy services to LPI on specific technical aspect in respect of project development	1 January 2011	31 December 2013	0.0
SIMP	PT Fast Food Indonesia, Tbk (FFI), an associate of Mr. Anthoni Salim	SIMP sells deep frying oil to FFI	1 January 2011	31 December 2013	4.9
ISM	LPI, an associate of Mr. Anthoni Salim	ISM has agreed to grant an exclusive license to LPI to use, manufacture, sell, distribute, advertise and promote its sugar products under ISM's "INDOSUGAR" trademark in Indonesia	22 March 2011	31 December 2013	0.2
SIMP	Shanghai Resources International Trading, Co. Ltd. (Shanghai Resources)	SIMP sells palm oil products, such as margarine and shortening to Shanghai Resources	14 February 2011	31 December 2013	10.0
ISM and its subsidiaries	IKU, an associate of Mr. Anthoni Salim	IKU provides consultant services to ISM and its subsidiaries which were related to the plantations business	31 October 2011	31 December 2013	–
Aggregated transactions amount					**28.2**

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

Parties to the agreement/arrangement: Name of entity of the group	Parties to the agreement/arrangement: Name of connected party and relationship between the parties	Nature of agreement/arrangement	Period covered by the agreement/arrangement: From	Period covered by the agreement/arrangement: To	Transaction amount for the year ended 31 December 2011 (US$ millions)
ISM and its subsidiaries	PT Asuransi Central, Asia (ACA), an associate of Mr. Anthoni Salim	ACA provides vehicle, property and other assets insurance services to ISM and its subsidiaries	1 January 2011	31 December 2013	3.7
ISM and its subsidiaries	PT Central Asia Raya (CAR), an associate of Mr. Anthoni Salim	CAR provides personal accident and health insurance coverage to ISM and its subsidiaries	1 January 2011	31 December 2013	2.1
ISM and its subsidiaries	PT Indosurance Broker Utama (IBU), an associate of Mr. Anthoni Salim	IBU provides insurance services to ISM and its subsidiaries	1 January 2011	31 December 2013	0.2
Aggregated transactions amount					**6.0**

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

Parties to the agreement/arrangement: Name of entity of the group	Parties to the agreement/arrangement: Name of connected party and relationship between the parties	Nature of agreement/arrangement	Period covered by the agreement/arrangement: From	Period covered by the agreement/arrangement: To	Transaction amount for the year ended 31 December 2011 (US$ millions)
PT Surya Rengo Containers (SRC)	PT Pepsi Cola Indobeverages (PCIB), an associate of Mr. Anthoni Salim	SRC sells carton box packaging to PCIB for product packaging	1 January 2011	31 December 2013	3.1
ICBP	PCIB, an associate of Mr. Anthoni Salim	ICBP sells lids to PCIB for product packaging	1 January 2011	31 December 2013	–
SRC	FFI, an associate of Mr. Anthoni Salim	SRC sells carton packaging to FFI	22 March 2011	31 December 2013	0.1
ISM and its subsidiaries	IKU, an associate of Mr. Anthoni Salim	IKU provides consultant services to ISM and its subsidiaries which were related to the packaging business	31 October 2011	31 December 2013	–
Aggregated transactions amount					**3.2**

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

Parties to the agreement/arrangement: Name of entity of the group	Parties to the agreement/arrangement: Name of connected party and relationship between the parties	Nature of agreement/arrangement	Period covered by the agreement/arrangement: From	Period covered by the agreement/arrangement: To	Transaction amount for the year ended 31 December 2011 (US$ millions)
PT Indomarco Adi Prima (IAP)	PT Lion Superindo (LS), an associate of Mr. Anthoni Salim	IAP distributes various consumer products to LS	1 January 2011	31 December 2013	10.9
IAP	PT Buana Distrindo (BD), an associate of Mr. Anthoni Salim	As a sub-distributor of BD, IAP purchases PCIB products in can, cup and PET packaging for sale to its trade outlets in Indonesia	1 January 2011	31 December 2013	33.4
IAP	FFI, an associate of Mr. Anthoni Salim	IAP sells sauces, seasonings and dairy products to FFI	3 January 2011	31 December 2013	3.2
PT Putri Daya Usahatama (PDU)	LS, an associate of Mr. Anthoni Salim	PDU distributes various consumer products to LS	1 January 2011	31 December 2013	1.0
ISM and its subsidiaries	IKU, an associate of Mr. Anthoni Salim	IKU provides consultant services to ISM and its subsidiaries which were related to the distribution business	31 October 2011	31 December 2013	–
Aggregated transactions amount					**48.5**

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

Parties to the agreement/arrangement: Name of entity of the group	Parties to the agreement/arrangement: Name of connected party and relationship between the parties	Nature of agreement/arrangement	Period covered by the agreement/arrangement: From	Period covered by the agreement/arrangement: To	Transaction amount for the year ended 31 December 2011 (US$ millions)
Bogasari Flour Mills division of ISM (Bogasari)	PT Nippon Indosari Corpindo Tbk (NIC)	Bogasari sells flour to NIC	23 February 2010	31 December 2013	18.0
Bogasari	FFI, an associate of Mr. Anthoni Salim	Bogasari sells flour and spaghetti to FFI	1 January 2011	31 December 2013	0.9
Bogasari	PT Tarumatex (Tarumatex), an associate of Mr. Anthoni Salim	Bogasari rents warehouse from Tarumatex	31 October 2011	31 December 2013	0.1
ISM and its subsidiaries	IKU, an associate of Mr. Anthoni Salim	IKU provides consultant services to ISM and its subsidiaries which were related to the flour business	31 October 2011	31 December 2013	–
Aggregated transactions amount					**19.0**

II. Details of those continuing connected transactions entered into between Maynilad Water Services Inc. (Maynilad) and DMCI Holdings Inc. (DMCI), which are required to be specified by Rule 14A.45 of the Listing Rules are set out below:

Parties to the agreement/arrangement			Period covered by the agreement/arrangement		Transaction amount for the year ended 31 December 2011 (US$ millions)
Name of entity of the group	Name of connected party and relationship between the parties	Nature of agreement/arrangement	From	To	
Maynilad	D.M. Consunji, Inc. (DMCIC), a subsidiary of DMCI	DMCIC provided engineering, procurement and construction services to Maynilad	23 March 2009	31 December 2011	24.8
Maynilad	DMCI Project Developers, Inc. (DMCIPD), a subsidiary of DMCI	Lease agreement entered between Maynilad and DMCIPD	1 February 2009	31 January 2012	0.1
Aggregated transactions amount					**24.9**

In respect of the financial year ended 31 December 2011, each of the continuing connected transactions has been subject to annual review by the Independent Non-executive Directors of the Company pursuant to Rule 14A.37 of the Listing Rules and confirmation of the auditors of the Company pursuant to Rule 14A.38 of the Listing Rules.

The Independent Non-executive Directors of the Company have concluded that each continuing connected transaction has been entered into:

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

Ernst & Young, the Company's auditors, were engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. Ernst & Young have issued their unqualified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed by the Group in accordance with Rule 14A.38 of the Listing Rules. A copy of the auditors' letter has been provided by the Company to SEHK.

Risk Management and Internal Control

The Board is responsible for maintaining an adequate system of internal controls in the Group and reviewing its effectiveness through the Audit Committee.

In addition, during the year ended 31 December 2011, the Audit Committee reviewed and advised that:

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

The Board has commissioned a third party report on the Company's risk management practices.

Financial Review

Liquidity and Financial Resources

Net Debt and Gearing

(A) Head Office Net Debt

The increase in net debt is mainly attributable to the payments for additional investments in PLDT and MPIC. The Head Office's borrowings at 31 December 2011 comprise bonds of US$690.6 million (with an aggregate face value of US$700.0 million) which are due for redemption in July 2017 and September 2020 and bank loans of US$582.2 million (with an aggregated face value of US$594.0 million) which are due for repayment between December 2012 and August 2016.

Changes in Head Office Net Debt

US$ millions	Borrowings	Cash and cash equivalents	Net debt
At 1 January 2011	1,103.9	(287.0)	816.9
Movement	168.9	184.5	353.4
At 31 December 2011	**1,272.8**	**(102.5)**	**1,170.3**

Head Office Cash Flow

US$ millions	**2011**	2010
Dividend income	**322.0**	277.5
Corporate overhead, net interest expense and taxes	**(89.1)**	(44.8)
Net cash inflow from operating activities	**232.9**	232.7
Net investments	**(544.5)**	(83.9)
Financing activities		
– Net borrowings/(loan repayments)	**291.1**	(595.0)
– Proceeds from the issue of shares upon the exercise of share options	**11.0**	18.9
– Dividends paid	**(105.6)**	(79.0)
– Repurchase of shares	**(69.4)**	(22.1)
– Advances to a subsidiary company	**–**	(143.5)
– Proceeds from the issue of secured bonds, net	**–**	689.2
(Decrease)/Increase in Cash and Cash Equivalents	**(184.5)**	17.3

(B) *Group Net Debt and Gearing*

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

Consolidated

US$ millions	**Net debt[(i)] 2011**	**Total equity 2011**	**Gearing (times) 2011**	Net debt[(i)] 2010	Total equity 2010	Gearing (times) 2010
Head Office	**1,170.3**	**1,647.1**	**0.71x**	816.9	1,787.9	0.46x
MPIC	**524.2**	**1,953.2**	**0.27x**	597.8	1,465.3	0.41x
Indofood	**70.3**	**4,018.4**	**0.02x**	432.3	3,247.9	0.13x
Group adjustments[(ii)]	**–**	**(739.5)**	**–**	–	(889.0)	–
Total	**1,764.8**	**6,879.2**	**0.26x**	1,847.0	5,612.1	0.33x

Associated

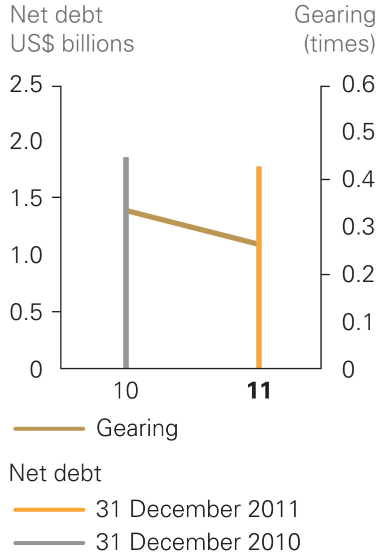
US$ millions	**Net debt/ (cash) 2011**	**Total equity 2011**	**Gearing (times) 2011**	Net debt/ (cash) 2010	Total equity 2010	Gearing (times) 2010
PLDT	**1,624.8**	**3,472.1**	**0.47x**	1,209.2	2,221.4	0.54x
Philex	**(82.1)**	**617.0**	**–**	(82.8)	473.5	–

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

Head Office's gearing increased principally because of additional investments in PLDT and MPIC. MPIC's gearing decreased principally due to a growth of its equity as a result of the net proceeds from share placements, conversion of bonds into equity and its profit recorded for the year. Indofood's gearing decreased principally because of the net proceeds from the spin-off of SIMP and a growth of its equity mainly as a result of its profit recorded for the year. PLDT's gearing decreased principally because of a growth of its equity as a result of its issuance of shares for the acquisition of Digitel. Philex's net cash remained broadly unchanged, reflecting strong operating cash flow offset by payments for investments and capital expenditure.

The Group's gearing improved to 0.26 times principally because of a lower net debt level and a growth of the Group's total equity principally as a result of the spin-off of SIMP as well as the profit recorded for the year.

Net Debt and Gearing



Maturity Profile

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

Consolidated

	Carrying amounts		Nominal values	
US$ millions	**2011**	2010	**2011**	2010
Within one year	**1,119.3**	645.4	**1,120.0**	646.5
One to two years	**126.0**	650.6	**126.7**	657.8
Two to five years	**1,125.8**	1,062.7	**1,136.6**	1,064.5
Over five years	**1,323.9**	1,080.5	**1,343.0**	1,099.0
Total	**3,695.0**	3,439.2	**3,726.3**	3,467.8

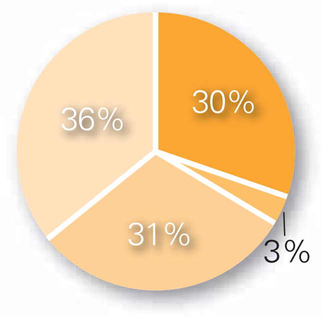
The change in the Group's debt maturity profile from 31 December 2010 to 31 December 2011 principally reflects (a) Head Office's new borrowings of US$200 million to partly finance its additional investment in PLDT and refinancing of (i) its vendor financing arranged for the purchase of interest in Philex in January 2010 and (ii) a short-term borrowing with long-term borrowings, (b) Indofood's reclassification of Rupiah 2.0 trillion (US$228.1 million) of bonds maturing in May 2012 and repayment of borrowings principally by using the proceeds from the spin-off of SIMP and (c) MPIC's net borrowings to finance the payments for capital expenditure and refinancing of short-term borrowings with long-term borrowings.

Associated

	PLDT				Philex			
	Carrying amounts		Nominal values		Carrying amounts		Nominal values	
US$ millions	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010
Within one year	**593.3**	314.8	**595.8**	318.6	**8.0**	3.4	**8.0**	3.4
One to two years	**239.7**	408.9	**275.0**	442.7	**–**	–	**–**	–
Two to five years	**1,055.3**	894.2	**1,066.1**	923.2	**–**	–	**–**	–
Over five years	**787.1**	427.9	**787.2**	428.5	**–**	–	**–**	–
Total	**2,675.4**	2,045.8	**2,724.1**	2,113.0	**8.0**	3.4	**8.0**	3.4

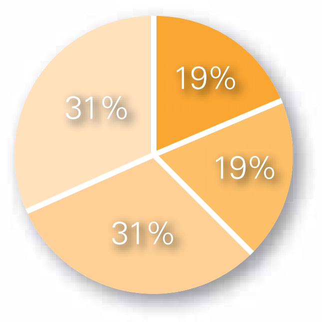
The change in PLDT's debt maturity profile from 31 December 2010 to 31 December 2011 principally reflects the consolidation of Digitel and loan repayments and new borrowings arranged to finance capital expenditure and/or refinance its loan obligations which were utilized for service improvements and expansion programs.

Maturity Profile of Consolidated Debt 2011



	US$ millions
Within one year	1,119.3
One to two years	126.0
Two to five years	1,125.8
Over five years	1,323.9
Total	**3,695.0**

Maturity Profile of Consolidated Debt 2010



	US$ millions
Within one year	645.4
One to two years	650.6
Two to five years	1,062.7
Over five years	1,080.5
Total	**3,439.2**

Financial Risk Management

Foreign Currency Risk

(A) Company Risk

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

The Company actively reviews the potential benefits of hedging based on forecast dividend flows and enters into hedging arrangements (including the use of forward exchange contracts) for managing its foreign currency exposure in respect of dividend income and payments in foreign currency on a transactional basis. In December 2009, a wholly-owned subsidiary company of the Company entered into a two-year Peso/U.S. dollar forward exchange contract, with several interim settlements, to hedge a portion of the peso-denominated dividend income from PLDT. However, the Company does not actively seek to hedge risks arising on the translation of foreign currency denominated investments due to (i) the non-cash nature of such exposure until the values of the investments are realized and (ii) the high costs associated with such hedging. Accordingly, the Company is exposed to the impact of foreign currency fluctuations on the translated U.S. dollar value of its foreign currency denominated investments.

With the exception of the Head Office, the principal components of the Group's NAV relate to investments denominated in the peso and rupiah. Accordingly, any change in these currencies, against their respective 31 December 2011 exchange rates, would have an effect on the Group's NAV in U.S. dollar terms.

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

Company	Basis	**Effect on adjusted NAV** US$ millions	**Effect on adjusted NAV per share** HK cents
PLDT	(i)	32.0	6.49
MPIC	(i)	12.1	2.45
Indofood	(i)	22.3	4.52
Philex	(i)	10.9	2.20
Philex Petroleum	(i)	0.5	0.09
Total		**77.8**	**15.75**

(i) Based on quoted share prices as at 31 December 2011 applied to the Group's economic interest

(B) Group Risk

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

Net Debt by Currency

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

Consolidated

US$ millions	US$	Rupiah	Peso	Others	**Total**
Total borrowings	1,768.8	1,136.1	790.1	–	**3,695.0**
Cash and cash equivalents[i]	(353.4)	(1,121.8)	(393.0)	(62.0)	**(1,930.2)**
Net Debt/(Cash)	1,415.4	14.3	397.1	(62.0)	**1,764.8**
Representing:					
Head Office	1,177.0	–	(5.7)	(1.0)	**1,170.3**
MPIC	121.4	–	402.8	–	**524.2**
Indofood	117.0	14.3	–	(61.0)	**70.3**
Net Debt/(Cash)	1,415.4	14.3	397.1	(62.0)	**1,764.8**

Associated

US$ millions	US$	Peso	Others	**Total**
Net Debt/(Cash)				
PLDT	1,217.2	413.0	(5.4)	**1,624.8**
Philex	(78.8)	(3.3)	–	**(82.1)**

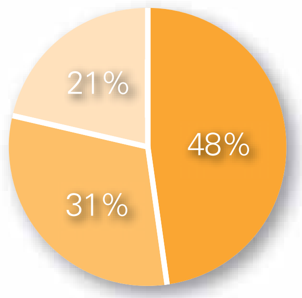
(i) Includes pledged deposits and restricted cash

Details of changes in Head Office net debt are set out on page 77.

PLDT carries U.S. dollar debts primarily because international vendors of telecommunications equipment quote prices and require payment in U.S. dollars. In addition, large funding requirements often cannot be satisfied in local currency due to inherent constraints within the financial markets in the Philippines. As a result, financing frequently needs to be sourced from the international capital market, principally in U.S. dollars. PLDT has actively hedged approximately 22% of its U.S. dollar net borrowings. In addition, substantial revenues of PLDT are either denominated in, or linked to, the U.S. dollar. For example, PLDT's U.S. dollar denominated international inbound revenue accounted for approximately US$236.3 million or 7% of PLDT's total service revenues in 2011. In addition, under certain circumstances, PLDT is able to adjust the rates for its fixed line service by one per cent for every Peso 0.1 change in the U.S. dollar exchange rate.

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

Analysis of Total Borrowings by Currency



	US$ millions
US$	1,768.8
Rupiah	1,136.1
Peso	790.1
Total	**3,695.0**

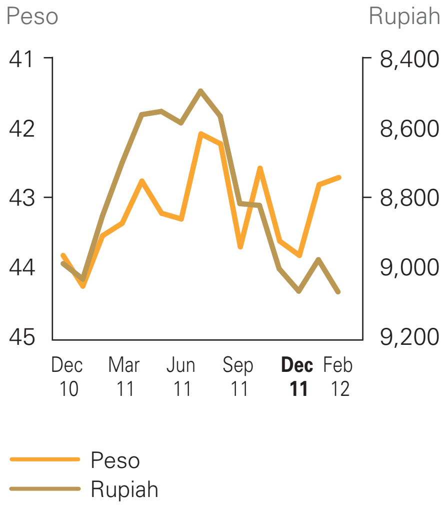
Meralco's debt is substantially denominated in peso. Therefore, any change of the U.S. dollar to peso exchange rate will not have a significant impact on Meralco's principal and interest payments. In addition, Meralco is allowed to recover foreign exchange differences on foreign currency-denominated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

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

US$ millions	Total US$ exposure	Hedged amount	Unhedged amount	Profit effect of 1% currency change	**Group Net Profit Effect**
Head Office[(i)]	1,177.0	–	1,177.0	–	**–**
MPIC	121.4	–	121.4	1.2	**0.5**
Indofood	117.0	–	117.0	1.2	**0.5**
PLDT	1,217.2	262.2	955.0	9.6	**1.7**
Philex	(78.8)	–	(78.8)	(0.8)	**(0.3)**
Total	**2,553.8**	**262.2**	**2,291.6**	**11.2**	**2.4**

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

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



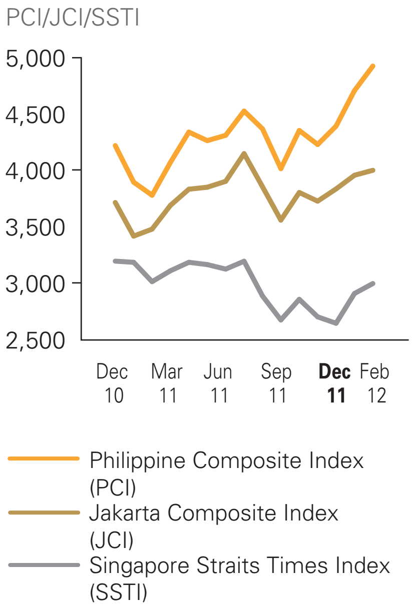
Equity Market Risk

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

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

	Philippine Composite Index	**Jakarta Composite Index**	**Singapore Straits Times Index**
At 31 December 2010	4,201	3,704	3,190
At 31 December 2011	**4,372**	**3,822**	**2,646**
Increase/(decrease) during 2011	+4.1%	+3.2%	–17.1%
At 20 March 2012	5,102	4,022	3,003
Increase over 2012 to 20 March 2012	+16.7%	+5.2%	+13.5%

Stock Market Indices



Interest Rate Risk

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

Consolidated

US$ millions	Fixed interest rate borrowings	Variable interest rate borrowings	Cash and cash equivalents[i]	**Net Debt**
Head Office[ii]	890.1	382.7	(102.5)	**1,170.3**
MPIC[iii]	623.8	289.1	(388.7)	**524.2**
Indofood	473.2	1,036.1	(1,439.0)	**70.3**
Total	1,987.1	1,707.9	(1,930.2)	**1,764.8**

Associated

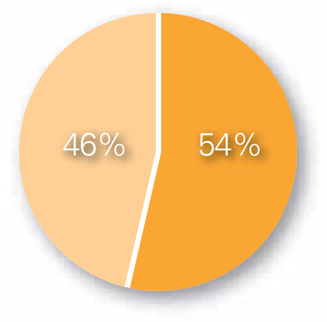
US$ millions	Fixed interest rate borrowings	Variable interest rate borrowings	Cash and cash equivalents	**Net Debt/ (Cash)**
PLDT	1,818.2	857.2	(1,050.6)	**1,624.8**
Philex	–	8.0	(90.1)	**(82.1)**

(i) Includes pledged deposits and restricted cash
(ii) In April 2009, a wholly-owned subsidiary company of the Company entered into a three-year interest rate swap agreement, which effectively changed a US$200.0 million bank loan of Head Office from a London Inter-bank Offer Rate (LIBOR)-based variable interest rate to a fixed interest rate.
(iii) In March 2011, MNTC, a subsidiary company of MPIC entered into an interest rate swap agreement, which effectively changed US$45.5 million of its bank loans from Philippine Reference Rates (PHIREF)-based variable interest rate to fixed interest rate.

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

US$ millions	Variable interest rate borrowings	Profit effect of 1% change in interest rates	**Group Net Profit Effect**
Head Office	382.7	3.8	**3.8**
MPIC	289.1	2.9	**1.2**
Indofood	1,036.1	10.3	**3.9**
PLDT	857.2	8.6	**1.6**
Philex	8.0	0.1	–
Total	**2,573.1**	**25.7**	**10.5**

Interest Rate Profile



	US$ millions
Fixed	1,987.1
Variable	1,707.9
Total	**3,695.0**

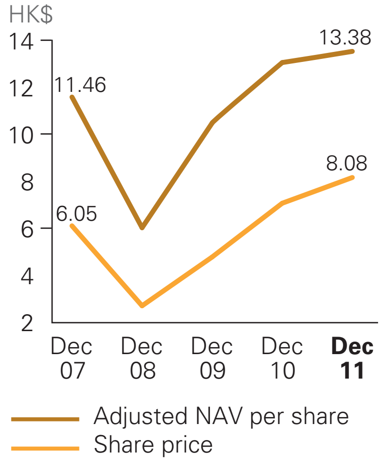
Adjusted NAV Per Share

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

At 31 December US$ millions	Basis	**2011**	2010
PLDT	(i)	**3,203.3**	2,879.8
MPIC	(i)	**1,212.5**	993.9
Indofood	(i)	**2,230.0**	2,383.6
Philex	(i)	**1,085.0**	837.9
Philex Petroleum	(i)	**45.7**	–
Head Office – Other asset	(ii)	**–**	180.2
– Net debt		**(1,170.3)**	(816.9)
Total Valuation		**6,606.2**	6,458.5
Number of Ordinary Shares in Issue (millions)		**3,850.4**	3,902.4
Value per share – U.S. dollar		**1.72**	1.66
– HK dollars		**13.38**	12.91
Company's closing share price (HK$)		**8.08**	7.00
Share price discount to HK$ value per share (%)		**39.6**	45.8

(i) Based on quoted share prices applied to the Group's economic interest
(ii) Based on the market value of the shares upon the conversion of MPIC Pesos 6.6 billion (US$150.5 million) convertible bonds at 31 December 2010. The convertible bonds were converted into MPIC shares in April 2011.

Share Price vs Adjusted NAV Per Share



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

Contents

Statutory Reports

Report of the Directors

The Directors present their report and the audited financial statements of First Pacific Company Limited (the Company) and its subsidiary companies (together, the Group) (the Consolidated Financial Statements) for the year ended 31 December 2011.

Principal Business Activities and Geographical Market Analysis of Operations

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

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

Incorporation

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

Share Capital and Share Options

Details of movements in the Company's share capital, share options issued by the Group during the year, together with their reasons, are set out in Notes 28 and 34(D) to the Consolidated Financial Statements.

Reserves

Details of movements in the reserves of the Group and the Company during the year are set out in the Consolidated Financial Statements on pages 96 to 97.

Purchase, Sale or Redemption of Listed Securities of the Company

During the year, the Company repurchased certain of its shares on the SEHK and these shares were subsequently cancelled by the Company. Further details of these transactions are set out in Note 28(B) to the Consolidated Financial Statements.

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

Results and Appropriations

The consolidated profit of the Group for the year ended 31 December 2011 and the state of affairs of the Company and the Group at that date are set out in the Consolidated Financial Statements on pages 92 to 171.

A special dividend of 24 shares of PT Salim Ivomas Pratama Tbk (SIMP) (a subsidiary company of Indofood) (with an option of electing to receive cash in lieu of the distributable SIMP shares which equaled to HK$1.00 (U.S. 12.9 cents) per SIMP share) in the form of distribution in specie for every multiple of 2,000 ordinary shares, totaling 21,024,869 SIMP shares (equivalent to HK$21.1 million or US$2.7 million) and HK$25.7 million (US$3.3 million) in cash, equivalent to HK1.20 cents (U.S. 0.15 cent) (2010: HK1.88 cents or U.S. 0.24 cent) per ordinary share, was distributed to the shareholders on 8 August 2011. Further details of the special dividend are provided in Note 10 to the Consolidated Financial Statements. An interim dividend of HK8.00 cents (U.S. 1.03 cents) (2010: HK6.00 cents or U.S. 0.77 cent) per ordinary share, totaling HK$308.9 million (US$39.6 million) (2010: HK$233.2 million or US$29.9 million), was paid on 23 September 2011. The Directors recommended the payment of a final dividend of HK13.00 cents (U.S. 1.67 cents) (2010: HK12.00 cents or U.S. 1.54 cents) per ordinary share, totaling HK$500.7 million (US$64.2 million) (2010: HK$468.0 million or US$60.0 million). The total dividend per ordinary share for 2011 equals to HK22.20 cents (U.S. 2.85 cents) (2010: HK19.88 cents or U.S. 2.55 cents).

Charitable Contributions

The Group made charitable contributions totaling US$28.8 million in 2011 (2010: US$23.9 million).

Property, Plant and Equipment

Details of movements in the Group's property, plant and equipment during the year are provided in Note 11 to the Consolidated Financial Statements.

Borrowings
Details of the borrowings of the Group are provided in Note 25 to the Consolidated Financial Statements.

Distributable Reserves
At 31 December 2011, the Company's reserves available for distribution, calculated in accordance with the provisions of the Companies Act 1981 of Bermuda (as amended) amounted to US$280.3 million (2010: US$436.0 million). The Company's share premium account, in the amount of US$1,289.2 million (2010: US$1,273.0 million), may be distributed in the form of fully paid bonus shares.

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

Directors
The names of the Directors of the Company who held office at 31 December 2011 are set out on pages 54 to 57. Details of the remuneration policy and other details are provided in the Corporate Governance Report on page 70 and Note 34(A) to the Consolidated Financial Statements, respectively.

Interests of Directors in the Company and its Associated Corporations
At 31 December 2011, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (SFO)) which (a) were required to be notified to the Company and SEHK pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions 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 for Securities Transactions by Directors of Listed Issuers as adopted by the Company (Model Code) to be notified to the Company and SEHK were as follows:

(A) Long Positions in Shares in the Company

Name	Ordinary shares	Approximate percentage of issued share capital (%)	Ordinary share options
Anthoni Salim	1,706,947,154(C)(i)	44.30	–
Manuel V. Pangilinan	41,405,305(P)	1.07	31,831,556
Edward A. Tortorici	26,649,323(P)	0.69	6,483,256
Robert C. Nicholson	12,914(P)	0.00	21,337,388
Benny S. Santoso	–	–	6,324,150
Graham L. Pickles	–	–	3,330,719
Prof. Edward K.Y. Chen, *GBS, CBE, JP*	330,000(P)	0.01	3,743,113
Napoleon L. Nazareno	–	–	3,330,000
Jun Tang	–	–	3,330,000
Dr. Christine K.W. Loh, *JP, OBE, Chevalier de l'Ordre National du Merite*	–	–	3,330,000

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

(i) Anthoni Salim indirectly owns 100% of First Pacific Investments (B.V.I.) Limited and Mega Ring Investments Limited which, in turn, are interested in 632,226,599 shares and 284,491,191 shares respectively in the Company. Anthoni Salim's indirect interests in First Pacific Investments (B.V.I.) Limited and Mega Ring Investments Limited are held through Salerni International Limited (a company of which Anthoni Salim directly holds 100% of the issued share capital). Anthoni Salim also owns 56.8% of First Pacific Investments Limited which, in turn, is interested in 790,229,364 shares in the Company. Of this, 10.0% is held by Anthoni Salim directly, and 46.8% by Salerni International Limited. The remaining 43.2% interest in First Pacific Investments Limited is owned as to 30.0% by Sutanto Djuhar (a former Director of the Company), 10.0% by Tedy Djuhar and 3.2% by a company controlled by Ibrahim Risjad#. Tedy Djuhar and Ibrahim Risjad# are Non-executive Directors of the Company.

The late Mr. Ibrahim Risjad passed away on 16 February 2012.

(B) Long Positions in Shares in Associated Corporations

- Manuel V. Pangilinan owned 21,342,404 common shares(P) (0.09%)* in MPIC, 224,033 common shares(P) (0.10%)* in PLDT and 360 preferred shares(P) (less than 0.01%)* in PLDT as beneficial owner and a further 15,417 common shares (less than 0.01%)* in PLDT as nominee, 4,505,000 common shares(P) (0.09%)* in Philex, 891,250 common shares(P) (0.05%)* in Philex Petroleum Corporation (PPC), as well as 25,000 common shares(P) (less than 0.01%)* in Meralco.
- Edward A. Tortorici owned 69,596 common shares(C) and 10,660,000 common shares(P) (collectively 0.04%)* in MPIC, 104,874 common shares(P) (0.05%)* in PLDT, 795,100 common shares(P) (0.02%)* as well as 2,505,000 share options in Philex, and 37,512 common shares(P) (less than 0.01%)* in PPC.
- Robert C. Nicholson owned 1,250 common shares(P) (less than 0.01%)* and 3,750,000 share options in Philex, 155 common shares(P) (less than 0.01%)* in PPC, 10,000,000 share options in MPIC, as well as US$400,000 of bonds due 2017 issued by FPMH Finance Limited and US$200,000 of bonds due 2020 issued by FPT Finance Limited, both of which are wholly-owned subsidiaries of the Company.
- Tedy Djuhar owned 15,520,335 ordinary shares(C) (0.18%)* in Indofood.
- Ibrahim Risjad# owned 6,406,180 ordinary shares(C) (0.08%)* in Indofood.
- Anthoni Salim owned 1,329,770 ordinary shares(P) (0.02%)* in Indofood and an indirect interest of 4,396,103,450 Indofood shares (50.07%)* through the Company's group companies, a direct interest of 2,007,788 shares(C) (0.14%)* in Indofood Agri Resources Ltd. (IndoAgri) through his controlled corporations other than the Company and an indirect interest of 998,200,000 IndoAgri shares (69.38%)* through the Company's group companies and a direct interest of 20,483,364 shares(C) (0.13%)* in SIMP through his controlled corporations other than the Company and an indirect interest of 12,448,625,000 SIMP shares (78.71%)* through the Company's group companies.
- Napoleon L. Nazareno owned 6,648 common shares(P) (less than 0.01%)* in MPIC, 19,927 common shares(P) (less than 0.01%)* in PLDT and 495 preferred shares(P) (less than 0.01%)* in PLDT, as well as 110,000 common shares(P) (0.01%)* in Meralco.

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

* Approximate percentage of the issued capital of the respective class of shares in the respective associated corporations as at 31 December 2011.

At 31 December 2011, other than as disclosed, 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 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 SEHK 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 SEHK.

Interests of Substantial Shareholders in the Company

The register of interests and short positions of substantial shareholders in the shares and underlying shares of the Company required to be kept under Section 336 of Part XV of the SFO shows that at 31 December 2011, the Company had been notified that the following persons were interested in 5% or more of the Company's issued share capital:

(a) Salerni International Limited (Salerni), which was incorporated in the British Virgin Islands, was interested in 1,706,947,154 ordinary shares of the Company (long position) at 31 December 2011, representing approximately 44.30% of the Company's issued share capital at that date, by way of its 46.80% interest in First Pacific Investments Limited (FPIL-Liberia), its 100% interest in First Pacific Investments (B.V.I.) Limited (FPIL-BVI) and 100% interest in Mega Ring Investments Limited (Mega Ring). Anthoni Salim, Chairman of the Company, beneficially owns the entire issued share capital of Salerni and, accordingly, is taken to be interested in the shares owned by Salerni.

(b) FPIL-Liberia, which was incorporated in the Republic of Liberia, beneficially owned 790,229,364 ordinary shares at 31 December 2011, representing approximately 20.51% of the Company's issued share capital at that date. FPIL-Liberia is owned by Anthoni Salim (Chairman of the Company), Tedy Djuhar (a Non-executive Director of the Company), Ibrahim Risjad# (a Non-executive Director of the Company) and Sutanto Djuhar (a former Director of the Company), in the proportion specified in note (i) of the table on page 87. Anthoni Salim, Chairman of the Company, is taken to be interested in the shares owned by FPIL-Liberia.

\# The late Mr. Ibrahim Risjad passed away on 16 February 2012.

(c) FPIL-BVI, which was incorporated in the British Virgin Islands, beneficially owned 632,226,599 ordinary shares at 31 December 2011, representing approximately 16.41% of the Company's issued share capital at that date. Anthoni Salim, Chairman of the Company, beneficially owns the entire issued share capital of FPIL-BVI and, accordingly, is taken to be interested in the shares owned by FPIL-BVI.

(d) Mega Ring, which was incorporated in the British Virgin Islands, beneficially owned 284,491,191 ordinary shares at 31 December 2011, representing approximately 7.38% of the Company's issued share capital at that date. Anthoni Salim, Chairman of the Company, beneficially owns the entire issued share capital of Mega Ring and, accordingly, is taken to be interested in the shares owned by Mega Ring.

(e) Lazard Asset Management LLC (Lazard), a United States incorporated company, notified the Company that it held 272,042,799 ordinary shares of the Company as at 7 October 2011, representing approximately 7.06% of the Company's issued share capital at that date. At 31 December 2011, the Company has not received any other notification from Lazard of any change to such holding.

Other than as disclosed above, the Company had not been notified by any other person who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Contracts of Significance

Except for the continuing connected transactions set out in the Corporate Governance Report on pages 71 to 76, 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 heading "Interests of Directors in the Company and its Associated Corporations" above and "Share Options" in Note 34(D)(a) to the Consolidated Financial Statements, at no time during the year was the Company or any of its subsidiary companies a party to any arrangement to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate and none of the Directors of the Company or their spouses or minor children had any right to subscribe for securities of the Company, or had exercised any such right during the year.

Summary Financial Information

A summary of the published results, assets, liabilities and non-controlling interests, and various information and financial ratios of the Company and the Group for the last ten financial years, as extracted from the audited Consolidated Financial Statements and restated/reclassified as appropriate, is set out on pages 2 and 3. This summary does not form part of the audited Consolidated Financial Statements.

Major Customers and Suppliers

In 2011, sales to the Group's five largest customers accounted for less than 30% of the total sales for the year, whereas purchases from the Group's five largest suppliers accounted for 37% (2010: 35%) of the total purchases for the year of which purchases from the largest supplier included therein accounted for 33% (2010: 31%) of the total purchases.

Continuing Connected Transactions

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 71 to 76.

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 2011 and the date of this report.

Directors' and Officers' Liability Insurance

During the year, the Company has maintained appropriate Directors' and officers' liability insurance for all Directors and officers of the Company and its related companies, save in those instances where individual companies have maintained their own coverage.

Employment Policy

The Company has a policy of non-discrimination in respect of the age, religion, gender, race, disability or marital status of employees and prospective employees. This ensures that individuals are treated equally, given their skills and abilities, in terms of career development and opportunities for advancement.

Auditors

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

On behalf of the Board of Directors

Nancy L.M. Li
Company Secretary

Hong Kong
20 March 2012

ERNST & YOUNG

Independent Auditors' Report

TO THE SHAREHOLDERS OF FIRST PACIFIC COMPANY LIMITED
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of First Pacific Company Limited (the Company) and its subsidiaries (together, the Group) set out on pages 92 to 171, which comprise the consolidated and company statements of financial position as at 31 December 2011, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated and company statements of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

The Directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the Directors determine is necessary to enable the preparation of Consolidated Financial Statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our report is made solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Consolidated Financial Statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2011, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

ERNST & YOUNG
Certified Public Accountants

22nd Floor, CITIC Tower
1 Tim Mei Avenue, Central, Hong Kong

20 March 2012

Consolidated Financial Statements

Consolidated Income Statement

For the year ended 31 December US$ millions	Notes	2011	2010
Turnover	4	**5,684.1**	4,640.2
Cost of sales		**(3,910.3)**	(2,992.8)
Gross Profit		**1,773.8**	1,647.4
Gain on dilutions and disposals, net		**209.9**	22.6
Distribution costs		**(405.2)**	(371.4)
Administrative expenses		**(396.1)**	(357.3)
Other operating income/(expenses), net		**46.8**	(4.5)
Net borrowing costs	5	**(186.6)**	(243.0)
Share of profits less losses of associated companies and joint ventures		**310.4**	284.9
Profit Before Taxation	6	**1,353.0**	978.7
Taxation	7	**(217.4)**	(203.2)
Profit for the Year		**1,135.6**	775.5
Attributable to:			
Owners of the parent	8	**600.9**	403.7
Non-controlling interests		**534.7**	371.8
		1,135.6	775.5
Earnings Per Share Attributable to Owners of the Parent (U.S. cents)	9		
Basic		**15.51**	10.40
Diluted		**15.29**	10.08

Details of the dividend proposed for the year are disclosed in Note 10 to the Consolidated Financial Statements.

The Notes on pages 100 to 171 form an integral part of the Consolidated Financial Statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December US$ millions	2011	2010
Profit for the Year	**1,135.6**	775.5
Other Comprehensive (Loss)/Income		
Exchange differences on translating foreign operations	**(77.1)**	201.8
Unrealized gains on available-for-sale assets	**30.4**	12.3
Unrealized gains/(losses) on cash flow hedges	**12.2**	(7.2)
Realized losses on cash flow hedges	**1.6**	3.8
Income tax related to cash flow hedges	**(2.5)**	(1.3)
Share of revaluation increment of an associated company's assets	**–**	1.8
Other comprehensive (loss)/income for the year, net of tax	**(35.4)**	211.2
Total Comprehensive Income for the Year	**1,100.2**	986.7
Attributable to:		
Owners of the parent	**596.7**	500.4
Non-controlling interests	**503.5**	486.3
	1,100.2	986.7

Consolidated Statement of Financial Position

At 31 December US$ millions	Notes	2011	2010
Non-current Assets			
Property, plant and equipment	11	**1,651.7**	1,419.3
Plantations	12	**1,280.9**	1,162.6
Associated companies and joint ventures	14	**3,035.1**	2,439.4
Goodwill	15	**819.6**	817.1
Other intangible assets	16	**2,105.9**	1,960.1
Accounts receivable, other receivables and prepayments	17	**32.5**	23.8
Available-for-sale assets	18	**33.1**	13.8
Deferred tax assets	19	**109.9**	82.8
Pledged deposits	20	**11.1**	–
Other non-current assets	21	**236.0**	212.0
		9,315.8	8,130.9
Current Assets			
Cash and cash equivalents	22	**1,875.4**	1,538.8
Pledged deposits and restricted cash	20	**43.7**	53.4
Available-for-sale assets	18	**63.4**	62.8
Accounts receivable, other receivables and prepayments	17	**581.8**	492.7
Inventories	23	**731.7**	635.5
		3,296.0	2,783.2
Current Liabilities			
Accounts payable, other payables and accruals	24	**796.5**	707.5
Short-term borrowings	25	**1,119.3**	645.4
Provision for taxation	26	**49.6**	54.4
Current portion of deferred liabilities and provisions	27	**137.6**	97.5
		2,103.0	1,504.8
Net Current Assets		**1,193.0**	1,278.4
Total Assets Less Current Liabilities		**10,508.8**	9,409.3
Equity			
Issued share capital	28	**38.5**	39.0
Retained earnings		**1,284.6**	858.7
Other components of equity	29	**1,699.6**	1,677.5
Equity attributable to owners of the parent		**3,022.7**	2,575.2
Non-controlling interests	30	**3,856.5**	3,036.9
Total Equity		**6,879.2**	5,612.1
Non-current Liabilities			
Long-term borrowings	25	**2,575.7**	2,793.8
Deferred liabilities and provisions	27	**607.2**	573.1
Deferred tax liabilities	19	**446.7**	430.3
		3,629.6	3,797.2
		10,508.8	9,409.3

The Notes on pages 100 to 171 form an integral part of the Consolidated Financial Statements.

On behalf of the Board of Directors

MANUEL V. PANGILINAN
Managing Director and Chief Executive Officer

EDWARD A. TORTORICI
Executive Director

20 March 2012

Company Statement of Financial Position

At 31 December US$ millions	Notes	2011	2010
Non-current Assets			
Subsidiary companies	13	**1,028.4**	1,006.2
		1,028.4	1,006.2
Current Assets			
Cash and cash equivalents	22	**85.4**	256.2
Amounts due from subsidiary companies	13(A)	**2,465.0**	2,079.6
Assets held for sale		**–**	7.8
Other receivables and prepayments		**0.5**	0.1
		2,550.9	2,343.7
Current Liabilities			
Amounts due to subsidiary companies	13(B)	**928.1**	697.4
Other payables and accruals		**1.1**	0.9
		929.2	698.3
Net Current Assets		**1,621.7**	1,645.4
Total Assets Less Current Liabilities		**2,650.1**	2,651.6
Equity			
Issued share capital	28	**38.5**	39.0
Retained earnings		**106.5**	262.2
Other components of equity		**1,502.1**	1,486.7
Equity attributable to owners of the parent		**1,647.1**	1,787.9
Non-current Liabilities			
Loans from subsidiary companies	13(C)	**1,003.0**	863.7
		2,650.1	2,651.6

The Notes on pages 100 to 171 form an integral part of the Consolidated Financial Statements.

On behalf of the Board of Directors

MANUEL V. PANGILINAN
Managing Director and Chief Executive Officer

EDWARD A. TORTORICI
Executive Director

20 March 2012

Consolidated Statement of Changes in Equity

US$ millions	Notes	Issued share capital	Share premium	Share options issued	Exchange reserve	Unrealized gains on available-for-sale assets	Unrealized (losses)/ gains on cash flow hedges	Income tax related to cash flow hedges	Differences arising from changes in equities of subsidiary companies	Capital and other reserves	Retained earnings	Total	Non–controlling interests	Total equity
		Equity attributable to owners of the parent												
Balance at 1 January 2010		38.6	1,245.9	43.1	1.2	22.4	(1.2)	0.3	–	9.5	556.4	1,916.2	2,122.9	4,039.1
Profit for the year		–	–	–	–	–	–	–	–	–	403.7	403.7	371.8	775.5
Other comprehensive income/(loss) for the year		–	–	–	94.5	5.3	(3.6)	(1.3)	–	1.8	–	96.7	114.5	211.2
Total comprehensive income for the year		–	–	–	94.5	5.3	(3.6)	(1.3)	–	1.8	403.7	500.4	486.3	986.7
Issue of shares upon the exercise of share options	28(A)	0.7	27.1	(8.9)	–	–	–	–	–	–	–	18.9	–	18.9
Repurchase and cancellation of shares	28(B)	(0.3)	–	–	–	–	–	–	–	0.3	(22.4)	(22.4)	–	(22.4)
Equity-settled share option arrangements		–	–	6.6	–	–	–	–	–	–	–	6.6	0.2	6.8
2009 final dividend		–	–	–	–	–	–	–	–	–	(39.6)	(39.6)	–	(39.6)
2010 interim dividend	10	–	–	–	–	–	–	–	–	–	(29.9)	(29.9)	–	(29.9)
2010 special dividend	10	–	–	–	–	–	–	–	–	–	(9.5)	(9.5)	–	(9.5)
Dividends paid to non-controlling shareholders		–	–	–	–	–	–	–	–	–	–	–	(82.4)	(82.4)
Disposal of an associated company		–	–	(0.6)	(0.3)	–	–	–	–	–	–	(0.9)	–	(0.9)
Acquisition of subsidiary companies	31(B)	–	–	–	–	–	–	–	–	–	–	–	5.0	5.0
Acquisition, dilution and divestment of interests in subsidiary companies		–	–	–	–	–	–	–	234.7	–	–	234.7	504.9	739.6
Acquisition of interests in subsidiary companies by associated companies		–	–	–	–	–	–	–	0.7	–	–	0.7	–	0.7
Balance at 31 December 2010		39.0	1,273.0	40.2	95.4	27.7	(4.8)	(1.0)	235.4	11.6	858.7	2,575.2	3,036.9	5,612.1
Balance at 1 January 2011		39.0	1,273.0	40.2	95.4	27.7	(4.8)	(1.0)	235.4	11.6	858.7	2,575.2	3,036.9	**5,612.1**
Profit for the year		–	–	–	–	–	–	–	–	–	600.9	600.9	534.7	**1,135.6**
Other comprehensive (loss)/income for the year		–	–	–	(39.7)	23.8	14.2	(2.5)	–	–	–	(4.2)	(31.2)	**(35.4)**
Total comprehensive income for the year		–	–	–	(39.7)	23.8	14.2	(2.5)	–	–	600.9	596.7	503.5	**1,100.2**
Issue of shares upon the exercise of share options	28(A)	0.2	16.2	(5.4)	–	–	–	–	–	–	–	11.0	–	**11.0**
Repurchase and cancellation of shares	28(B)	(0.7)	–	–	–	–	–	–	–	0.7	(69.4)	(69.4)	–	**(69.4)**
Equity-settled share option arrangements		–	–	4.9	–	–	–	–	–	–	–	4.9	0.3	**5.2**
2010 final dividend	10	–	–	–	–	–	–	–	–	–	(60.0)	(60.0)	–	**(60.0)**
2011 interim dividend	10	–	–	–	–	–	–	–	–	–	(39.6)	(39.6)	–	**(39.6)**
2011 special dividend	10	–	–	–	–	–	–	–	–	–	(6.0)	(6.0)	–	**(6.0)**
Dividends paid to non-controlling shareholders		–	–	–	–	–	–	–	–	–	–	–	(138.1)	**(138.1)**
Acquisition, dilution and divestment of interests in subsidiary companies		–	–	–	(1.3)	–	–	–	13.2	–	–	11.9	453.9	**465.8**
Dilution and divestment of interests in associated companies		–	–	–	(2.0)	–	–	–	–	–	–	(2.0)	–	**(2.0)**
Balance at 31 December 2011		**38.5**	**1,289.2**	**39.7**	**52.4**	**51.5**	**9.4**	**(3.5)**	**248.6**	**12.3**	**1,284.6**	**3,022.7**	**3,856.5**	**6,879.2**

The Notes on pages 100 to 171 form an integral part of the Consolidated Financial Statements.

Company Statement of Changes in Equity

US$ millions	Notes	Issued share capital	Share premium	Share options issued	Capital redemption reserve	Contributed surplus	Retained earnings	Total
Balance at 1 January 2010		38.6	1,245.9	41.9	0.2	173.8	307.9	1,808.3
Profit for the year		–	–	–	–	–	55.7	55.7
Issue of shares upon the exercise of share options	28(A)	0.7	27.1	(8.9)	–	–	–	18.9
Repurchase and cancellation of shares	28(B)	(0.3)	–	–	0.3	–	(22.4)	(22.4)
Equity-settled share option arrangements		–	–	6.4	–	–	–	6.4
2009 final dividend		–	–	–	–	–	(39.6)	(39.6)
2010 interim dividend	10	–	–	–	–	–	(29.9)	(29.9)
2010 special dividend	10	–	–	–	–	–	(9.5)	(9.5)
Balance at 31 December 2010		39.0	1,273.0	39.4	0.5	173.8	262.2	**1,787.9**
Profit for the year		–	–	–	–	–	19.3	**19.3**
Issue of shares upon the exercise of share options	28(A)	0.2	16.2	(5.4)	–	–	–	**11.0**
Repurchase and cancellation of shares	28(B)	(0.7)	–	–	0.7	–	(69.4)	**(69.4)**
Equity-settled share option arrangements		–	–	3.9	–	–	–	**3.9**
2010 final dividend	10	–	–	–	–	–	(60.0)	**(60.0)**
2011 interim dividend	10	–	–	–	–	–	(39.6)	**(39.6)**
2011 special dividend	10	–	–	–	–	–	(6.0)	**(6.0)**
Balance at 31 December 2011		**38.5**	**1,289.2**	**37.9**	**1.2**	**173.8**	**106.5**	**1,647.1**

The Notes on pages 100 to 171 form an integral part of the Consolidated Financial Statements.

Consolidated Statement of Cash Flows

For the year ended 31 December US$ millions	Notes	2011	2010
Profit Before Taxation		**1,353.0**	978.7
Adjustments for:			
Interest expenses	5	**255.5**	274.9
Depreciation	6	**127.4**	119.0
Amortization of other intangible assets	6	**84.1**	71.9
Foreign exchange and derivative losses/(gains), net	6	**12.6**	(9.5)
Impairment losses	6	**6.6**	1.4
Equity-settled share option expense	33(A)	**4.8**	7.2
Share of profits less losses of associated companies and joint ventures		**(310.4)**	(284.9)
(Gain)/loss on dilution of interests in associated companies, net	6	**(209.9)**	0.4
Interest income	5	**(68.9)**	(31.9)
Gain on changes in fair value of plantations	6	**(48.5)**	(34.0)
Preferred shares dividend income from a joint venture	6	**(6.5)**	(8.3)
Gain on sale of property, plant and equipment	6	**(5.4)**	(5.8)
Gain on disposal of an associated company	6	**–**	(21.2)
Gain on disposal of a joint venture	6	**–**	(1.8)
Dividend income from available-for-sale assets	6	**–**	(0.1)
Others		**(8.0)**	(8.7)
		1,186.4	1,047.3
Increase in accounts payable, other payables and accruals		**100.0**	232.5
Decrease/(increase) in accounts receivable, other receivables and prepayments (Non-current)		**4.7**	(27.5)
Increase in accounts receivable, other receivables and prepayments (Current)		**(107.6)**	(58.7)
Increase in inventories		**(103.6)**	(58.3)
(Increase)/decrease in other non-current assets		**(21.0)**	98.0
Net cash generated from operations		**1,058.9**	1,233.3
Interest received		**70.0**	29.7
Interest paid		**(256.6)**	(211.0)
Taxes paid	26	**(229.8)**	(232.1)
Net Cash Flows from Operating Activities		**642.5**	819.9

continued/...

Consolidated Statement of Cash Flows (continued)

For the year ended 31 December US$ millions	Notes	**2011**	2010
Dividends received from associated companies	14(B)	**259.5**	238.2
Proceeds from sale of property, plant and equipment		**10.8**	10.4
Preferred share dividends received from a joint venture		**6.5**	8.3
Proceeds from disposal of available-for-sale assets		**1.2**	–
Proceeds from disposal of plantations		**0.2**	–
Increased investments in associated companies	31(A)	**(476.6)**	(59.4)
Purchase of property, plant and equipment		**(255.7)**	(243.0)
Investments in other intangible assets		**(204.4)**	(198.3)
Investments in plantations		**(101.6)**	(72.4)
Acquisition of subsidiary companies	31(B)	**(8.8)**	(5.9)
Acquisition of available-for-sale assets		**(5.7)**	–
Decrease in loan receivables		**–**	248.8
Proceeds from disposal of an associated company		**–**	23.3
Proceeds from disposal of a joint venture		**–**	5.4
Proceeds from disposal of assets held for sale		**–**	1.1
Dividends from available-for-sale assets		**–**	0.1
Net Cash Flows Used in Investing Activities		**(774.6)**	(43.4)
Proceeds from new borrowings		**1,168.2**	1,364.9
Proceeds from shares issued to non-controlling interests by subsidiary companies	31(C)	**479.5**	671.7
Proceeds from divestment of interests in subsidiary companies		**13.1**	85.4
Proceeds from the issue of shares upon the exercise of share options		**11.0**	20.3
Borrowings repaid		**(861.2)**	(1,960.3)
Dividends paid to non-controlling shareholders by subsidiary companies		**(138.1)**	(82.4)
Dividends paid to shareholders		**(105.6)**	(79.0)
Repurchase of shares		**(69.4)**	(22.1)
Increased investments in subsidiaries' companies		**(11.2)**	(40.1)
Repurchase of subsidiary companies' shares		**(9.5)**	–
Increase in pledged deposits and restricted cash		**(1.4)**	(23.2)
(Increase)/decrease in time deposits with original maturity of more than three months		**(0.4)**	53.9
Proceeds from sale of treasury shares by a subsidiary company		**–**	19.1
Investment in preferred shares of a joint venture		**–**	(146.5)
Net Cash Flows from/(Used in) Financing Activities		**475.0**	(138.3)
Net Increase in Cash and Cash Equivalents		**342.9**	638.2
Cash and cash equivalents at 1 January		**1,538.7**	883.9
Exchange translation		**(6.7)**	16.6
Cash and Cash Equivalents at 31 December		**1,874.9**	1,538.7
Representing			
Cash and cash equivalents		**1,875.4**	1,538.8
Less time deposits with original maturity of more than three months		**(0.5)**	(0.1)
Cash and Cash Equivalents at 31 December		**1,874.9**	1,538.7

The Notes on pages 100 to 171 form an integral part of the Consolidated Financial Statements.

Notes to the Consolidated Financial Statements

1. Corporate Information

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

The Group comprises the Company and its subsidiary companies.

The Company is a limited liability company incorporated in Bermuda. The address of its registered office is Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda.

The Company's ordinary shares are listed on the SEHK. Its shares are also available for trading in the United States through ADRs.

2. Basis of Preparation and Summary of Principal Accounting Policies

(A) Basis of Preparation

The Consolidated Financial Statements have been prepared in accordance with HKFRSs (which include all HKFRSs, HKASs and HK(IFRIC)-Ints) issued by the HKICPA, Hong Kong GAAP, the disclosure requirements of the Hong Kong Companies Ordinance and the Listing Rules. The Consolidated Financial Statements have been prepared under the historical cost convention except for plantations, available-for-sale assets and derivative financial instruments which, as disclosed in the accounting policies below, are stated at fair value. These Consolidated Financial Statements are presented in United States (U.S.) dollars and all values are rounded to the nearest million (US$ millions) with one decimal place except when otherwise indicated.

(B) Impact of New and Revised HKFRSs

During 2011, the Group has adopted the following new and revised HKFRSs issued by the HKICPA for the first time for the current year's financial statements:

HKAS 24 (Revised)	"Related Party Disclosures"(i)
HKFRS 1 Amendment	"Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters"(ii)
HK(IFRIC)-Int 14 Amendments	"Prepayments of a Minimum Funding Requirement"(i)
HK(IFRIC)-Int 19	"Extinguishing Financial Liabilities with Equity Instruments"(ii)
Improvements to HKFRSs	"Improvements to HKFRSs 2010"(iii)

(i) Effective for annual periods commencing on or after 1 January 2011
(ii) Effective for annual periods commencing on or after 1 July 2010
(iii) Generally effective for annual periods commencing on or after 1 January 2011, unless otherwise stated in the specific HKFRSs

The adoption of the above pronouncements has had no effect on both the profit attributable to owners of the parent for the years ended 31 December 2011 and 31 December 2010 and the equity attributable to owners of the parent at 31 December 2011 and 31 December 2010, but only results in certain changes in the Group's accounting policy in respect of the definition of related parties and, hence, its scope of disclosure for transactions with related parties in the Consolidated Financial Statements.

HKAS 24 (Revised) (a) clarifies the definition of a related party as a person or an entity that is related to the reporting entity which is preparing its financial statements, (b) simplifies the identification of such relationships and (c) eliminates inconsistencies in application. The new definitions of related parties emphasize a symmetrical view of related party relationships and clarify in which circumstances persons and key management personnel affect related party relationships of an entity. The revised standard also provides a partial exemption of disclosure requirements for government-related entities.

(C) Impact of Issued But Not Yet Effective HKFRSs

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these Consolidated Financial Statements.

HKAS 1 Amendments	"Presentation of Items of Other Comprehensive Income"(i)
HKAS 12 Amendments	"Recovery of Underlying Assets"(ii)
HKAS 19 (2011)	"Employee Benefits"(iii)
HKAS 27 (2011)	"Separate Financial Statements"(iii)
HKAS 28 (2011)	"Investments in Associates and Joint Ventures"(iii)
HKAS 32 Amendments	"Offsetting Financial Assets and Financial Liabilities"(iv)
HKFRS 1 Amendments	"Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters"(v)
HKFRS 7 Amendments	"Transfers of Financial Assets"(v)
HKFRS 7 Amendments	"Offsetting Financial Assets and Financial Liabilities"(iii)
HKFRS 9	"Financial Instruments"(vi)
HKFRS 10	"Consolidated Financial Statements"(iii)
HKFRS 11	"Joint Arrangements"(iii)
HKFRS 12	"Disclosure of Interests in Other Entities"(iii)
HKFRS 13	"Fair Value Measurement"(iii)
HK(IFRIC)-Int 20	"Stripping Costs in the Production Phase of a Surface Mine"(iii)

(i) Effective for annual periods commencing on or after 1 July 2012
(ii) Effective for annual periods commencing on or after 1 January 2012
(iii) Effective for annual periods commencing on or after 1 January 2013
(iv) Effective for annual periods commencing on or after 1 January 2014
(v) Effective for annual periods commencing on or after 1 July 2011
(vi) Effective for annual periods commencing on or after 1 January 2015

HKAS 1 Amendments change the grouping of items presented in other comprehensive income. Items that could be reclassified (or recycled) to profit or loss at a future point of time when specific conditions are met would be presented separately from items which will never be reclassified.

HKAS 12 Amendments introduce a rebuttable presumption that the carrying amounts of investment properties will be recovered entirely through sale. Accordingly, unless the presumption is rebutted, the measurement of the deferred tax liabilities or deferred tax assets shall reflect the tax consequences of recovering the carrying amounts of the investment properties entirely through sale. The presumption is rebutted if an investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

HKAS 19 (2011) removes the choice to defer the recognition of actuarial gains and losses on defined benefit pension plans. All of such gains and losses are required to be recognized in other comprehensive income (i.e. directly into equity) in the period in which they occur. Other changes include modifications to the timing of recognition for termination benefits, the classification of short-term employee benefits and disclosures of defined benefit pension plans.

As a result of the issuance of a new package of group accounting standards of HKFRS 10, HKFRS 11 and HKFRS 12 (as described below), HKAS 27 (2011) and HKAS 28 (2011) were issued reflecting certain consequential amendments made.

HKAS 32 Amendments clarify the requirements for offsetting financial instruments. The amendments address inconsistencies in current practice when applying the offsetting criteria and clarify the meaning of "currently has a legally enforceable right of set-off" and some gross settlement systems may be considered equivalent to net settlements.

HKFRS 1 Amendments require that if an entity elects to measure assets or liabilities at fair value as the deemed cost in its opening HKFRS statement of financial position because of severe hyperinflation, the entity's first HKFRS financial statements shall disclose an explanation of how, and why, the entity had, and then ceased to have, a functional currency that is under the situation which has (a) no reliable general price index to all entities with transactions and balances in that currency and (b) no exchangeability between that currency and a relatively stable foreign currency. In addition, the amendments require a first-time adopter to apply the fair value measurement of financial assets or financial liabilities at initial recognition and the derecognition requirements in HKAS 39 "Financial Instruments: Recognition and Measurement" prospectively for transactions occurring on or after the date of the entity's transition to HKFRSs instead of after certain previous fixed dates.

HKFRS 7 Amendments require an entity to disclose certain information that enable users of its financial statements to (a) understand the relationship between transferred financial assets that are not derecognized in their entirety and the associated liabilities and (b) evaluate the nature of, and risks associated with, the entity's continuing involvement in derecognized financial assets.

HKFRS 7 Amendments issue new disclosure requirements in relation to the offsetting models of financial assets and financial liabilities. The amendments also improve the transparency in the reporting of how companies mitigate credit risk, including disclosure of related collateral pledged or received.

HKFRS 9 simplifies the many different rules in HKAS 39 "Financial Instruments: Recognition and Measurement" into a single approach to determine whether a financial asset is measured at amortized cost or fair value. The approach is based on how an entity manages its financial instruments (its business model) and the contractual cash flow characteristics of the financial assets. The standard revises the measurement of financial liabilities designated at fair value through profit or loss using the fair value option. For these fair value option liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk is required to be presented in other comprehensive income, whereas the remainder of the change in fair value is required to be presented in profit or loss. HKAS 39 is aimed to be replaced by HKFRS 9 in its entirety. Before this entire replacement, the guidance in HKAS 39 on hedge accounting and impairment of financial assets continues to apply.

HKFRS 10 establishes a single control model that applies to all entities including special purpose entities or structured entities. It includes a new definition of control which is used to determine which entities should be consolidated. The control model in the standard explicitly includes a concept of de facto control, which means that an investor with less than a majority of the voting rights in an investee but has the practical ability to direct the relevant activities of that investee unilaterally (by taking into account of the size of the investor's holding of voting rights relative to the size and dispersion of holdings of the other vote holders) is considered to have power over the investee to affect its return from the investee. The standard replaces the portion of HKAS 27 "Consolidated and Separate Financial Statements" that addresses the accounting for consolidated financial statements. HKFRS 10 and HKAS 27 (2011) together will supersede HKAS 27 and HK(SIC)Int-12 "Consolidation – Special Purpose Entities".

HKFRS 11 describes the accounting for joint arrangements with joint control. It addresses two forms of joint arrangements, i.e. joint operations and joint ventures and removes the option to account for joint ventures using the proportionate consolidation method. HKFRS 11 will supersede HKAS 31 "Interests in Joint Ventures" and HK(SIC)Int-13 "Jointly Controlled Entities – Non-Monetary Contributions by Ventures".

HKFRS 12 requires an entity to disclose information which includes disclosure requirements for subsidiary companies, joint arrangements, associated companies and unconsolidated structured entities that enables the users of the financial statements to evaluate (a) the nature of, and risks associated with, the interests in other entities; and (b) the effects of those interests on the financial position, financial performance and cash flows.

HKFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date with an emphasis that fair value is a market-based measurement, not an entity-specific measurement. The standard also provides a single source of fair value measurement and disclosure requirements for use across HKFRSs. The standard does not change the circumstances in which an entity is required to use fair value, but provides guidance on how fair value should be applied where its use is already required or permitted under other HKFRSs.

HK(IFRIC)-Int 20 provides guidance on the accounting for production stripping costs incurred by entities engaged in the mining industry. The production stripping costs represent the waste removal costs that are incurred in surface mining activity during the production phase of the mine. The interpretation requires an entity to account for the costs of stripping activity as either (i) inventories, if the benefit from the stripping activity is realized in the form of inventory produced; or (ii) a non-current stripping activity asset to the extent that the benefit is improved access to ore, which is required to be initially measured at cost and subsequently carried at either its cost or its revalued amount less depreciation or amortization and less impairment loss. The interpretation requires the stripping activity assets to be depreciated or amortized on a systematic basis, over the expected useful life of the identified component of the ore body that becomes more accessible as a result of the stripping activity.

The Group has not early adopted the above new and revised HKFRSs for the year ended 31 December 2011. The Company has already commenced an assessment of the impact of these new and revised HKFRSs but is not yet in a position to state whether these new and revised HKFRSs would have a significant impact on its results of operations and financial position and presentation of its Consolidated Financial Statements.

(D) Summary of Principal Accounting Policies

(a) Basis of consolidation

(I) Basis of consolidation

The Consolidated Financial Statements include the financial statements of the Company and its subsidiary companies for the year ended 31 December 2011. All significant intra-group transactions and balances within the Group are eliminated on consolidation.

A subsidiary company is an entity controlled by the Company. Control exists when the Company has the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities. Pursuant to HKAS 27 "Consolidated and Separate Financial Statements", in determining whether a company will be consolidated, potential voting rights that presently are exercisable, where applicable to certain Philippine affiliates of the Company, are taken into account.

Non-controlling interests represent the interests of non-controlling shareholders not held by the Group in the results and net assets of the Company's subsidiary companies.

The results of subsidiary companies acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition, being the date on which the Group obtains control, or up to the effective date of disposal, as appropriate. Total comprehensive losses are attributed to the non-controlling interests even if that results in a deficit balance.

A change in the ownership interest of a subsidiary company, without a change of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary company, it (i) derecognizes the assets (including goodwill) and liabilities of the former subsidiary company at their carrying amounts, (ii) derecognizes the carrying amount of any non-controlling interests in the former subsidiary company, (iii) derecognizes the components of other comprehensive income (e.g., cumulative exchange reserve) recorded in equity attributable to the former subsidiary company, (iv) recognizes the fair value of the consideration received, (v) recognizes the fair value of any investment in the former subsidiary company retained, (vi) recognizes any resulting difference as a gain or loss on disposal in profit or loss, (vii) reclassifies the parent's share of components of the former subsidiary company previously recognized in other comprehensive income (except revaluation reserve) to profit or loss, (viii) transfers the parent's share of the former subsidiary company's revaluation reserve previously recognized in other comprehensive income directly to retained earnings and (ix) transfers the related differences arising from changes in shareholdings of subsidiary companies without a change of control previously recognized as other reserves directly to retained earnings.

(II) Business combination

The acquisition of subsidiary companies during the year has been accounted for using the acquisition method of accounting. This method involves allocating the consideration transferred to the vendor to the fair value of the identifiable assets acquired, and liabilities and contingent liabilities assumed at the date of acquisition. The consideration transferred is measured at the aggregate of the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Non-controlling interests in the acquirees (that are present ownership interests and entitle their holders to a proportionate share of the net assets in the event of liquidation) are measured either at the non-controlling interests' proportionate share of the acquirees' identifiable net assets or at their fair values. All other components of non-controlling interests are measured at fair values. All acquisition related costs are recognized as expenses in profit or loss. Contingent consideration is measured at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognized in accordance with HKAS 39 "Financial Instruments: Recognition and Measurement" either in profit or loss or as a charge to other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured until it is finally settled within equity. Goodwill is calculated as the excess of the consideration transferred over the Group's share of the fair values of the identifiable assets, liabilities and contingent liabilities acquired as at the date of acquisition.

For step acquisitions, the Group's previously held equity interests in the acquirees are remeasured to fair value as at the acquisition date through profit or loss.

For business combinations involving entities or businesses under common control (a business combination in which all of the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory), they are accounted for applying the principles of merger accounting which is consistent with Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the HKICPA. The method requires the combined entity to recognize the assets, liabilities and equity of the combining entities or businesses at the carrying amounts (i.e., existing book values from the controlling parties' perspective) in the consolidated financial statements of the controlling party or parties prior to the common control combination. There is no recognition of any goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identified assets, liabilities and contingent liabilities over the cost at the time of the common control combination to the extent of the controlling party's or parties' interests.

(III) Separate financial statements

In the Company's statement of financial position, 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.

(b) Cash and cash equivalents

For the purpose of the statements of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short-term highly liquid investments which are readily convertible into known amounts of cash, and are subject to an insignificant risk of changes in value, and with original maturities of three months or less from the date of acquisition, less bank overdrafts which are repayable on demand and which form an integral part of the Group's cash management.

(c) Inventories

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

(d) Property, plant and equipment

Freehold land is stated at cost and is not depreciated. Other property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses, calculated on the straight-line basis at annual rates estimated to write off their book values to residual values over their expected useful lives. Details of depreciation rates are set out in Note 11(A) to the Consolidated Financial Statements.

The initial cost of property, plant and equipment comprises its purchase price and any costs directly attributable in bringing the asset to its working condition and location for its intended use. Cost also includes asset retirement obligations, interest on borrowed funds used during the construction period and qualified borrowing costs from foreign exchange losses related to foreign currency denominated liabilities used to acquire such assets. Major costs incurred in restoring property, plant and equipment to their normal working condition are normally charged to the income statement. Where the recognition criteria are satisfied, improvements are capitalized and depreciated over their expected useful lives to the Group. When assets are sold or retired, their costs and accumulated depreciation, amortization and impairment losses, if any, are eliminated from the accounts and any gain or loss resulting from their disposal is included in the income statement.

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation method are reviewed periodically to ensure that the periods and method of depreciation are consistent with the expected pattern of economic benefits from items of property, plant and equipment.

(e) Plantations

Plantations, which primarily comprise oil palm, rubber and sugar cane plantations, are stated at fair value less costs to sell. Gain or loss arising on initial recognition of plantations at fair value less costs to sell and from the change in fair value less costs to sell of plantations at each reporting date are included in the income statement for the period in which they arise.

The fair value of the plantations is estimated by reference to independent professional valuations using the discounted cash flows of the underlying plantations, mainly oil palm, rubber and sugar cane. The expected cash flows from the whole life cycle of the oil palm, rubber and sugar cane plantations are determined using the market prices of the estimated yields of FFB, cup lump and sugar cane, respectively, net of maintenance and harvesting costs, and any costs required to bring the oil palm, rubber and sugar cane plantations to maturity. The estimated yields of the oil palm, rubber and sugar cane plantations are dependent on the age of the oil palm, rubber and sugar cane trees, the location of the plantations, soil type and infrastructure. The market prices of the FFB, rubber and sugar cane are largely dependent on the prevailing market prices of the CPO, PKO, RSS1 and other rubber products of the Group, and sugar, respectively.

Oil palm trees have an average life that ranges from 20 to 25 years; with the first three to four years as immature and the remaining years as mature.

Rubber trees have an average life that ranges from 20 to 25 years, with the first five to six years as immature and the remaining years as mature.

Sugar cane trees are ready for harvest in 12 months and can be harvested for an average of four years.

(f) Associated companies

An associated company is an entity, not being a subsidiary company or a joint venture, in which the Group has a long term interest of generally not less than 20% of 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 accounted for by the equity method of accounting, less any impairment losses. The Group's investments in associated companies include goodwill (net of any accumulated impairment losses) identified on acquisition. The Group's share of its associated companies' post-acquisition profits and losses is recognized in the consolidated income statement, and its share of post-acquisition movements in reserves is recognized in consolidated reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Income from associated companies is stated in the consolidated income statement as the Group's share of profits less losses of associated companies. For the share of associated companies' post acquisition movements in reserves recognized in the Group's consolidated reserves, the Group will disclose them, when applicable in the consolidated statement of changes in equity.

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.

(g) Joint ventures

The Group has interests in joint ventures which are jointly-controlled entities, whereby the venturers have contractual arrangements that establish joint controls over the economic activities of the entities, resulting in none of the participating parties having unilateral control over the economic activity of the jointly-controlled entities.

The Group's investments in joint ventures are accounted for by the equity method of accounting, less any impairment losses. The Group's investments in joint ventures include goodwill (net of any accumulated impairment losses) identified on acquisition. The Group's share of its joint ventures' post-acquisition profits and losses is recognized in the consolidated income statement, and its share of post-acquisition movements in reserves is recognized in consolidated reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Income from joint ventures is stated in the consolidated income statement as the Group's share of profits less losses of joint ventures. For the share of joint ventures' post acquisition movements in reserves recognized in the Group's consolidated reserves, the Group will disclose them, when applicable in the consolidated statement of changes in equity.

Equity accounting is discontinued when the carrying amount of the investment in a joint venture reaches zero, unless the Group has incurred obligations or guaranteed obligations in respect of the joint venture.

(h) Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired from business combinations is initially recognized at fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment loss. The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. The Group's concession assets represent the fair value of concessions of right granted by governments to charge users of public services provided. The concession assets are amortized using the straight-line method over the term of the concessions. The Group's brands represent the brands for its various milk-related products. The brands are amortized using the straight-line method over their estimated useful lives.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortized. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

(i) Asset retirement obligations

The net present value of legal obligations associated with the retirement of an item of property, plant and equipment that resulted from the acquisition, construction or development and the normal operation of property, plant and equipment is recognized in the period in which it is incurred.

(j) Income tax

Income tax comprises current and deferred taxes. Income tax relating to items recognized outside profit or loss is recognized outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amounts are those that are enacted or substantively enacted, by the end of the reporting period, in the countries where the Group operates and generates taxable income.

Deferred tax is provided, using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences (with limited exceptions) while deferred tax assets are recognized for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses (with limited exceptions). The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be 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 end of the reporting period.

(k) 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 end of the reporting period, of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount, arising from the passage of time, is included in net borrowing costs in the income statement.

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

(l) Impairment of non-financial assets

An assessment is made at the end of each reporting period as to whether there is any indication of impairment of assets including property, plant and equipment, other intangible assets and other long-lived assets, or whether there is any indication that an impairment loss previously recognized for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's fair value less costs to sell and value in use.

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

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

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

(m) Accounting for acquisition and disposal

(I) Results

The results of subsidiary companies acquired or disposed of are accounted for from or to the effective date of obtaining or losing control.

(II) Fair value adjustments

On the acquisition of a subsidiary company or an interest in an associated company, the consideration transferred is allocated to the fair values of the identifiable assets, liabilities and contingent liabilities acquired.

(III) Goodwill

Goodwill represents the excess of the consideration transferred over the Group's share of the fair values of the identifiable assets, liabilities and contingent liabilities acquired as at the date of acquisition. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortized but reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired and its amount will be written down for impairment when it is considered necessary. A previously recognized impairment loss for goodwill is not reversed.

Any excess of the Group's interest in the net fair value of the acquirees' identifiable assets, liabilities and contingent liabilities over the consideration transferred, after reassessment, is recognized immediately in the consolidated income statement.

In the case of associated companies and joint ventures, goodwill is included in the carrying amount thereof, rather than as a separately identified asset on the consolidated statement of financial position.

(n) Foreign currencies

(I) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (functional currency). The Consolidated Financial Statements are presented in the currency of the United States dollar, which is the Company's functional and presentation currency.

(II) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement (except for those which will be refunded or billed to customers through billings as approved by governments under service concession arrangements). Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

(III) *Group companies*

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of the reporting period;

(ii) income and expenses for each income statement are translated at average exchange rates; and

(iii) all resulting exchange differences are recognized in other comprehensive income. On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to equity. When a foreign operation is sold, such exchange differences are recognized in the income statement as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and are translated at the closing rate.

(IV) *Statement of cash flows*

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiary companies are translated into United States dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiary companies which arise throughout the year are translated into United States dollars at the average exchange rates of the year.

(o) Turnover and revenue recognition

Turnover represents the amounts received and receivable from the sale of goods 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.

Construction revenue is recognized by reference to the stages of completion. Dividend income is recognized when the Group’s right to receive payment has been established. Interest income is recognized as it accrues taking into account the principal amount outstanding and the effective interest rate.

(p) Segmental information

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group), whose operating results are regularly reviewed by the Group’s chief operating decision-maker who make decisions about how resources are to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

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

(q) Leases

Leases, where substantially all of the risks and rewards of ownership of assets remain with the lessor, are accounted for as operating leases. Where the Group is the lessee, rentals payable under operating leases are recorded in the income statement on the straight-line basis over the lease terms.

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalized at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalized finance leases, including prepaid land lease payments under finance leases, are included in property, plant and equipment, and are depreciated over the lease terms and the estimated useful lives of the assets. Finance lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. A finance lease gives rise to a depreciation expense for the asset as well as a borrowing cost for each period. Finance charges are charged directly to current operations. The depreciation policy for leased assets is consistent with that for depreciable assets that are owned by the Group.

(r) 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 immediately. Actuarial gains and losses are recognized immediately in the income 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 end of the reporting period.

(III) Equity-settled transactions

The cost of equity-settled transactions with employees is measured by reference to the fair value of the share options at the date at which they are granted. Fair value is determined using an option pricing model.

The cost of equity-settled transactions is recognized, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled. The cumulative expense recognized for equity-settled transactions at each reporting period until the vesting date reflects the extent to which the vesting period has expired and the number of awards that will ultimately vest, based on the best available estimate.

No expense is recognized for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, an expense, as a minimum, is recognized as if the terms had not been modified if the original terms of the award are met. An expense is recognized for any increase in the value of the transactions as a result of the modification, as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph. All cancellations of equity-settled transaction awards are treated equally.

(IV) Cash-settled transactions

For the cost of cash-settled transactions with employees, the Group recognizes the services received and the liability to pay for those services as the employees render services during the vesting period. The liability is measured, initially and at the end of each reporting period until settled, at the fair value of the share appreciation rights (SARs), by applying an option valuation model, taking into account the terms and conditions on which the SARs were granted, and the extent to which the eligible key executives and advisors have rendered service to date. Until settled, any changes in fair value at each reporting date will be recognized in the income statement.

(V) Paid leave carried forward

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

(s) 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 income statement in the year in which they are incurred, except to the extent that they are capitalized as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to prepare for its intended use or sale.

(t) Financial assets and financial liabilities

The Group recognizes a financial asset or a financial liability in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument and derecognizes a financial asset when the Group no longer controls the contractual rights to the cash flows that comprise the financial instrument which is normally the case when the instrument is sold, or all the cash flows attributable to the instrument have already expired or are passed through to an independent third party. A financial liability (or a part of a financial liability) is derecognized when the obligation is extinguished. The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at the end of the reporting period. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable, is done using the trading date accounting, which means the accounting based on the date that the Group commits to purchase or sell the asset.

Financial assets within the scope of HKAS 39 "Financial Instruments: Recognition and Measurement" are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets, or as derivatives designed as hedging instruments in an effective hedge, as appropriate. Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held to maturity when the Group has the positive intention and ability to hold to maturity. Available-for-sale financial assets are non-derivative financial assets in listed and unlisted equity securities that are designated as available for sale or are not classified in any of the other three categories.

A financial asset or financial liability can be designated as a financial asset or financial liability at fair value through profit or loss only upon its initial recognition. The Group may use this designation only in the case of a contract containing one or more embedded derivatives (as described below) or when doing so results in more relevant information, because either

(i) it eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on a different basis; or

(ii) a group of financial assets, financial liabilities or both are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the Group's key management personnel.

For a contract containing one or more embedded derivatives, the Group may designate the entire hybrid (combined) contract as a financial asset or financial liability at fair value through profit or loss, unless:

(i) the embedded derivative(s) does not significantly modify the cash flows that otherwise would be required by the contract; or

(ii) it is clear with little or no analysis when a similar hybrid (combined) instrument is first considered that separation of the embedded derivative(s) is prohibited, such as a prepayment option embedded in a loan that permits that holder to prepay the loan for approximately its amortized cost.

Financial assets or financial liabilities are recognized initially at fair value. Transaction costs are included in the initial measurement of all financial assets and liabilities, except for financial instruments measured at fair value through profit or loss. Fair value is determined by reference to the transaction price or other market prices. If such market prices are not reliably determinable, the fair value of the consideration is estimated as the sum of all future cash payments or receipts, discounted using the prevailing market rates of interest for similar instruments with similar maturities.

After initial recognition, the following financial assets and liabilities are measured at amortized cost using the effective interest method: (i) loans and receivables; (ii) held-to-maturity investments; and (iii) financial liabilities other than liabilities measured at fair value through profit or loss, whereas available-for-sale assets are measured at fair value with gains or losses being recognized in other comprehensive income until the investment is derecognized or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in the income statement. Amortized cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Amortized cost for held-to-maturity investments is computed as the amount initially recognized minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initially recognized amount and the maturity amount.

Investments in unquoted equity securities and derivatives linked thereon are measured at cost less any impairment.

Amortization of discounts and premiums is taken directly to the consolidated income statement. Changes in the fair value of financial assets and liabilities measured at fair value of (i) all derivatives (except for those eligible for hedge accounting); (ii) other items intended to be actively traded; and (iii) any item designated as "at fair value through profit or loss" at origination, are taken directly to the income statement. Changes in the fair value of available-for-sale financial assets are recognized as other comprehensive income in equity, except for the foreign exchange fluctuations on available-for-sale debt securities and the interest component which is taken directly to net profit or loss for the period based on the asset's effective yield.

Financial assets and liabilities include financial instruments which may be a primary instrument, such as receivables, payables and equity securities, or a derivative instrument, such as financial options, futures and forwards, interest rate swaps and currency swaps.

A financial instrument is classified as a financial liability or a financial asset or an equity item in accordance with the substance of the contractual arrangement. Financial instruments that contain both liability and equity elements are classified separately as financial liabilities or equity instruments. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Group has a legally enforceable right to offset and the Group intends to settle either on a net basis or to realize the asset and settle the liability simultaneously.

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset is impaired.

(I) *Assets carried at amortized cost*

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through the use of an allowance account. The amount of the impairment loss is recognized in the income statement.

If, in a subsequent period, the amount of the estimated loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance amount. If a future write-off is later recovered, the recovery is credited to the income statement.

(II) *Assets carried at cost*

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

(III) *Available-for-sale financial assets*

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortization) and its current fair value, less any impairment loss previously recognized in the income statement, is removed from other comprehensive income and recognized in the income statement. Impairment losses on equity instruments classified as available for sale are not reversed through the income statement.

(u) Derivative instruments

The Group uses derivative financial instruments such as long-term currency swaps, foreign currency options, interest rate swaps and forward currency contracts to hedge its risks associated with foreign currency and interest rate fluctuations. Such derivative financial instruments are stated at fair value.

The criteria for a derivative instrument to be classified as a hedge include (i) the hedge transaction is expected to be highly effective in offsetting changes in fair value or cash flows attributable to the hedged risk, (ii) the effectiveness of the hedge can be reliably measured, (iii) there is adequate documentation of the hedging relationships at the inception of the hedge, and (iv) for cash flow hedges, the forecast transaction, which is the subject of the hedge, must be highly probable and must present an exposure to variations in cash flows that could ultimately affect profit or loss.

For the purpose of hedge accounting, hedges are classified as (i) fair value hedges where they hedge the exposure to changes in the fair value of a recognized asset or liability and firm commitment; (ii) cash flow hedges where they hedge exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a forecasted transaction or foreign-currency risk in an unrecognized firm commitment or (iii) hedges of a net investment in a foreign operation.

In relation to fair value hedges which meet the conditions for hedge accounting, any gain or loss from remeasuring the hedging instrument at fair value is recognized immediately in the income statement. Any gain or loss on the hedged item attributable to the hedged risk is adjusted against the carrying amount of the hedged item and recognized in the income statement.

In relation to cash flow hedges, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognized directly as other comprehensive income and the ineffective portion is recognized in the consolidated income statement. The gains or losses that are accumulated in other comprehensive income are transferred to the income statement in the same period in which the hedged item affects profit or loss.

In relation to hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a way similar to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognized in other comprehensive income while any gains or losses relating to the ineffective portion are recognized in the income statement. On disposal of the foreign operation, the cumulative value of any such gains or losses recognized in other comprehensive income is transferred to the income statement.

For derivatives that do not qualify for hedge accounting, any gains or losses arising from changes in fair value are taken directly to the income statement.

(v) Dividends

Final dividends proposed by the Directors are recognized as a liability when they have been declared and approved by the shareholders in an annual general meeting.

Interim dividends (including special dividends, if any) are simultaneously proposed and declared, because the Company's memorandum and bye-laws grant the Directors the authority to declare interim dividends. Consequently, interim dividends are recognized immediately as a liability when they are proposed and declared.

For distributions of non-cash assets as dividends to owners of the Company (except for the cases when the Group distributes some of its ownership interests in subsidiary companies but retains control of these subsidiary companies after the distributions), the Group measures the related liabilities at the fair value of the assets to be distributed. The carrying amount of the dividends payable is remeasured at each reporting date and at the settlement date, with any changes recognized directly in equity as adjustments to the amount of the distribution. On settlement of the transactions, the Group recognizes the difference, if any, between the carrying amount of the assets distributed and the carrying amount of the liabilities in the income statement.

(w) Related parties

A related party is a person or an entity that is related to the Group.

(I) A person or a close member of that person's family is related to the Group if that person:
  - (i) has control or joint control over the Group;
  - (ii) has significant influence over the Group; or
  - (iii) is a member of the key management personnel of the Group.

(II) An entity is related to the Group if any of the following conditions applies:
  - (i) the entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary company is related to the others);
  - (ii) one entity is an associated company or a joint venture of the other entity (or an associated company or a joint venture of a member of a group of which the other entity is a member);
  - (iii) the entity and the Group are joint ventures of the same third party;
  - (iv) one entity is a joint venture of a third entity and the other entity is an associated company of the third entity;
  - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
  - (vi) the entity is controlled or jointly controlled by a person identified in (I); and
  - (vii) a person identified in (I) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

3. Significant Accounting Judgments and Estimates

The preparation of the Group's Consolidated Financial Statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

(A) Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have significant effect on the amounts recognized in the Consolidated Financial Statements:

(a) Classification of financial assets and financial liabilities

The Group determines the classification of certain assets and liabilities as financial assets and financial liabilities by judging whether they meet the definition of financial assets and financial liabilities set out in HKAS 39 "Financial Instruments: Recognition and Measurement". Accordingly, the financial assets and financial liabilities are accounted for in accordance with the Group's accounting policies set out in Note 2(D)(t).

(b) Service concession arrangements

In applying HK(IFRIC)-Int 12 for the service concession arrangements of Maynilad Water Services, Inc. (Maynilad) and Manila North Tollways Corporation (MNTC), the Group has made judgments that these arrangements qualify for the application of the intangible asset model. Details of the Group's accounting policy in respect of intangible assets (other than goodwill) are set out in Note 2(D)(h).

(B) Estimation Uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of the assets and liabilities within the next financial year are described below.

(a) Estimating useful lives and residual values of property, plant and equipment

The Group estimates the useful lives and residual values of its property, plant and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives and residual values of the property, plant and equipment are reviewed annually and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. In addition, the Group's estimation of the useful lives and residual values of its property, plant and equipment is based on its collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in those estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives and residual values of the Group's property, plant and equipment would increase its recorded depreciation expenses and decrease its non-current assets.

(b) Estimating useful lives of brands

The Group estimates the useful lives of the brands for its various milk-related products. The estimated useful lives of the brands are reviewed annually and are updated if expectations differ from previous estimates due to changes in market situations or other limits. It is possible, however, that future results of operations could be materially affected by changes in those estimates brought about by changes in the factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of the Group's brands would increase its recorded amortization expenses and decrease its other intangible assets.

(c) Assets impairment

HKFRS requires that an impairment review should be performed when certain impairment indication is present. In case of goodwill, such assets are subject to yearly impairment test and whenever there is an indication that such assets may be impaired.

Acquisition accounting requires extensive use of accounting estimates to allocate the purchase price to the fair market values of the assets and liabilities purchased, including intangible assets and contingent liabilities. The Group's business acquisitions have resulted in goodwill, which is subject to a periodic impairment test.

Determining the fair value of property, plant and equipment, plantations, and intangible assets (other than goodwill) at the date of acquisition of business, which requires the determination of future cash flows expected to be generated from the continued use (i.e., value in use) and ultimate disposition of such assets, requires the Group to make estimates and assumptions that can materially affect its consolidated financial statements. Future events could cause the Group to conclude that an item of property, plant and equipment associated with an acquired business is impaired. Any resulting impairment loss could have a material adverse impact on its financial condition and results of operations.

The preparation of estimated future cash flows involves significant estimations. While the Group believes that its assumptions are appropriate and reasonable, significant changes in its assumptions may materially affect its assessment of recoverable values and may lead to future additional impairment charges.

(d) Deferred tax assets

The Group reviews the carrying amounts at the end of each reporting period and reduces deferred tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. However, there is no assurance that the Group will generate sufficient taxable profit to allow all or part of its recognized deferred tax assets to be utilized.

(e) Financial assets and liabilities

HKFRS requires that the Group carries certain of its financial assets and liabilities at fair value, which requires extensive use of accounting estimates. While significant components of fair value measurement were determined using verifiable objective evidence (i.e., foreign exchange rates and interest rates), the amount of changes in fair value would differ if the Group utilized different valuation methodologies. Any changes in fair value of these financial assets and liabilities would affect directly the Group's consolidated profit or loss and equity.

(f) Estimating allowances for accounts receivable

The Group estimates the allowance for accounts receivable based on two methods. The amounts calculated using each of these methods are combined to determine the total amount it provides. Firstly, the Group evaluates specific accounts where it has information that certain customers are unable to meet their financial obligations. In these cases, the Group estimates, based on the best available facts and circumstances, including but not limited to, the length of its relationship with the customer and the customer's current credit status based on third party credit reports and known market factors, to record specific provisions for customers against amounts due to reduce its receivable amounts that the Group expects to collect. These specific provisions are re-evaluated and adjusted as additional information received affects the amounts estimated. Secondly, a provision is established as a certain percentage of receivables. This percentage is based on a collective assessment of historical collection, write-off, experience and changes in its customer payment terms.

The amounts and timing of recorded expenses for any period would differ if the Group utilized different estimates. An increase in the Group's allowance for accounts receivable would increase its recorded operating expenses and decrease its assets.

(g) Estimating allowances for inventories

The Group estimates the allowance for inventories based on the best available facts and circumstances, including but not limited to, the inventories' own conditions (i.e., whether they are damaged or become wholly or partially obsolete), their market selling prices, estimated costs of completion and estimated costs to be incurred for their sale. The provisions are re-evaluated and adjusted as additional information received affects the amount estimated.

(h) Pension and other retirement benefits

The determination of the Group's obligation and cost for defined benefits is performed by independent actuaries engaged by the Group and dependent on the selection of certain assumptions used by them in calculating such amounts. Those assumptions include among others, discount rates, expected returns on plan assets, rates of salary and pension increase and average remaining working life of employees. In accordance with Hong Kong GAAP, actual results that differ from the Group's assumptions are recognized immediately in the income statement as and when they occur. While the Group believes that the actuaries' assumptions are reasonable and appropriate, significant differences in the Group's actual experience or significant changes in the Group's assumptions may materially affect its pension and other retirement obligations.

(i) Measurement of fair value of plantations

HKFRS requires that the Group carries its plantations at fair value less costs to sell, which requires extensive use of accounting estimates. The determination of such fair value less costs to sell is performed by independent valuers engaged by the Group. Significant components of fair value measurement were determined using assumptions including the average life of plantations, yield per hectare, plantation area and discount rates. The amount of changes in fair value would differ if the Group utilized different assumptions. Any changes in fair value of these plantations would affect directly the Group's profit or loss and equity.

(j) **Equity-settled share option expense**

HKFRS requires that the Group measures its share options at fair value at the date at which they are granted, which requires extensive use of accounting estimates. The determination of such fair value is performed by an independent valuer engaged by the Group or management's estimates. Significant components of fair value measurement were determined using assumptions including expected volatility and dividend yield and the average risk-free interest rate. The amount of fair value determined at the date of which the options are granted would differ if the Group utilized different assumptions. Any changes in fair value of the share options determined at the date of which they are granted would affect directly the Group's profit or loss in subsequent periods when these fair values are recognized as expenses over the share options' vesting period.

4. Turnover and Segmental Information

US$ millions	**2011**	2010
Turnover		
Sale of goods	**5,063.5**	4,118.8
Rendering of services	**620.6**	521.4
Total	**5,684.1**	4,640.2

Segmental Information

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group), whose operating results are regularly reviewed by the Group's chief operating decision maker who makes decisions about how resources are to be allocated to the segment and assesses its performance, and for which discrete financial information is available to him.

The Board of Directors considers the business from both product or service and geographical perspectives. From the product or service perspective, the Group's business interests are divided into four main segments, which are telecommunications, infrastructure, consumer food products and natural resources. Geographically, the Board of Directors considers the businesses of the Group are operating in the Philippines and Indonesia. Details of the Group's principal investments are provided on the inside back cover.

The Board of Directors assesses the performance of the operating segments based on a measure of recurring profit. This basis measures the profit attributable to owners of the parent excluding the effects of foreign exchange and derivative gains/losses, gain/loss on changes in fair value of plantations and non-recurring items. Non-recurring items represent certain items, through occurrence or size, which are not considered as usual operating items.

The revenue, results and other information for the years ended 31 December 2011 and 2010, and total assets and total liabilities at 31 December 2011 and 2010 regarding the Group's reportable businesses are as follows.

By Principal Business Activity and Geographical Market – 2011

For the year ended/at 31 December US$ millions	The Philippines Telecom-munications	 Infrastructure	 Natural Resources	Indonesia Consumer Food Products	 Head Office	 **2011 Total**
Revenue						
Turnover	–	510.4	–	5,173.7	–	**5,684.1**
Results						
Recurring profit	215.0	68.2	50.1	178.5	(88.8)	**423.0**
Assets and Liabilities						
Associated companies and joint ventures	1,547.8	799.8	677.6	9.9	–	**3,035.1**
Other assets	–	2,771.3	–	6,693.6	111.8	**9,576.7**
Total assets	1,547.8	3,571.1	677.6	6,703.5	111.8	**12,611.8**
Borrowings	–	912.9	–	1,509.3	1,272.8	**3,695.0**
Other liabilities	–	765.4	–	1,159.0	113.2	**2,037.6**
Total liabilities	–	1,678.3	–	2,668.3	1,386.0	**5,732.6**
Other Information						
Depreciation and amortization	–	(73.1)	–	(139.0)	(4.2)	**(216.3)**
Impairment losses	–	(4.6)	–	(2.0)	–	**(6.6)**
Interest income	–	16.0	–	51.4	1.5	**68.9**
Interest expenses	–	(88.0)	–	(100.7)	(66.8)	**(255.5)**
Share of profits less losses of associated companies and joint ventures	203.3	50.4	55.9	(0.1)	0.9	**310.4**
Taxation	–	(9.6)	–	(189.3)	(18.5)	**(217.4)**
Additions to non-current assets (other than financial instruments and deferred tax assets)	338.8	384.0	–	342.5	0.9	**1,066.2**

By Principal Business Activity and Geographical Market – 2010

For the year ended/at 31 December US$ millions	The Philippines Telecom-munications	 Infrastructure	 Natural Resources	Indonesia Consumer Food Products	Head Office	2010 Total
Revenue						
Turnover	–	412.2	–	4,228.0	–	4,640.2
Results						
Recurring profit	224.1	46.9	30.9	172.1	(71.9)	402.1
Assets and Liabilities						
Associated companies and joint ventures	1,078.9	751.5	606.0	3.0	–	2,439.4
Other assets	–	2,199.5	–	5,999.8	275.4	8,474.7
Total assets	1,078.9	2,951.0	606.0	6,002.8	275.4	10,914.1
Borrowings	–	741.9	–	1,593.4	1,103.9	3,439.2
Other liabilities	–	608.6	–	1,144.0	110.2	1,862.8
Total liabilities	–	1,350.5	–	2,737.4	1,214.1	5,302.0
Other Information						
Depreciation and amortization	–	(57.0)	–	(134.3)	(6.8)	(198.1)
Impairment losses	–	(0.2)	–	(1.2)	–	(1.4)
Interest income	–	12.7	–	18.1	1.1	31.9
Interest expenses	–	(92.8)	–	(129.2)	(52.9)	(274.9)
Share of profits less losses of associated companies and joint ventures	242.8	11.2	32.9	(2.2)	0.2	284.9
Taxation	–	(2.3)	–	(181.9)	(19.0)	(203.2)
Additions to non-current assets (other than financial instruments and deferred tax assets)	–	243.6	–	294.7	–	538.3

A reconciliation between profit before taxation as shown in the consolidated income statement and recurring profit is as follows.

US$ millions	**2011**	2010
Profit before taxation	**1,353.0**	978.7
Exclusion of:		
– Foreign exchange and derivative losses/(gains) (Note 8)	**13.8**	(11.3)
– Gain on changes in fair value of plantations (Note 6)	**(48.5)**	(34.0)
– Non-recurring items	**(164.4)**	37.0
Deduction of attributable taxation and non-controlling interests	**(730.9)**	(568.3)
Recurring Profit	**423.0**	402.1

5. Net Borrowing Costs

US$ millions	2011	2010
Bank loans and other loans		
– Wholly repayable within five years	**162.9**	205.8
– Not wholly repayable within five years	**111.1**	90.0
Less: Borrowing costs capitalized in		
– Property, plant and equipment	**(11.8)**	(13.1)
– Plantations	**(6.7)**	(7.0)
– Other intangible assets	**–**	(0.8)
Total Borrowing Costs	**255.5**	274.9
Less: Interest income	**(68.9)**	(31.9)
Net Borrowing Costs	**186.6**	243.0

The capitalization rate of borrowings costs for 2011 was 15.6% (2010: 8.8%).

6. Profit Before Taxation

US$ millions	Notes	2011	2010
Profit Before Taxation is Stated after (Charging)/Crediting			
Cost of inventories sold		**(2,803.2)**	(2,079.6)
Employees' remuneration	33(A)	**(511.3)**	(463.1)
Cost of services rendered		**(207.0)**	(176.3)
Depreciation	11	**(127.4)**	(119.0)
Amortization of other intangible assets	16	**(84.1)**	(71.9)
Foreign exchange and derivative (losses)/gains, net	8	**(12.6)**	9.5
Operating lease rentals			
– Land and buildings		**(12.0)**	(10.6)
– Hire of plant and equipment		**(10.1)**	(8.6)
Auditors' remuneration			
– Audit services		**(4.9)**	(3.5)
– Other services(i)		**(0.2)**	(0.8)
Impairment losses			
– Accounts receivable(ii)	17(C)	**(4.1)**	(0.2)
– Associated companies and joint ventures(iii)		**(2.0)**	–
– Property, plant and equipment(iii)	11	**(0.5)**	–
– Goodwill(ii)	15	**–**	(1.2)
Gain/(loss) on dilution of interests in associated companies, net		**209.9**	(0.4)
Gain on changes in fair value of plantations	12	**48.5**	34.0
Preferred share dividend income from a joint venture		**6.5**	8.3
Gain on sale of property, plant and equipment		**5.4**	5.8
Gain on disposal of an associated company		**–**	21.2
Gain on disposal of a joint venture		**–**	1.8
Gain on change in fair value of assets held for sale		**–**	0.8
Dividend income from available-for-sale assets		**–**	0.1

(i) Excludes an amount of US$1.0 million (2010: US$1.2 million) in respect of service rendered in connection with the global offering carried out by a Group's subsidiary company (as described in Note 10 to the Consolidated Financial Statements) which has been charged directly to equity under differences arising from changes in equities of subsidiary companies

(ii) Included in distribution costs

(iii) Included in other operating income/(expenses), net

7. Taxation

No Hong Kong profits tax (2010: Nil) has been provided as the Group had no estimated assessable profits (2010: 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 companies operate.

US$ millions	2011	2010
Subsidiary Companies – Overseas		
Current taxation (Note 26)	**216.1**	198.2
Deferred taxation (Note 19)	**1.3**	5.0
Total	**217.4**	203.2

Included within the share of profits less losses of associated companies and joint ventures is taxation of US$135.5 million (2010: US$99.8 million) and which is analyzed as follows.

US$ millions	2011	2010
Associated Companies and Joint Ventures – Overseas		
Current taxation	**135.2**	90.5
Deferred taxation	**0.3**	9.3
Total	**135.5**	99.8

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

	2011		2010	
US$ millions		%		%
Profit Before Taxation	**1,353.0**		978.7	
Notional tax on profit before taxation, calculated at the rates applicable to profits in the tax jurisdictions concerned	**380.1**	**28.1**	268.4	27.4
Tax effect of:				
– Non-deductible expenses	**16.9**	**1.2**	8.3	0.8
– Income not subject to tax	**(95.0)**	**(7.0)**	(40.1)	(4.1)
– Share of profits less losses of associated companies and joint ventures	**(60.8)**	**(4.5)**	(51.6)	(5.2)
– Others	**(23.8)**	**(1.7)**	18.2	1.9
Taxation	**217.4**	**16.1**	203.2	20.8

8. Profit Attributable to Owners of the Parent

The profit attributable to owners of the parent includes US$7.1 million of net foreign exchange and derivative losses (2010: US$2.8 million of gains), which represent the foreign exchange translation differences on the Group's unhedged foreign currency denominated borrowings and payables and the changes in the fair values of derivatives, US$5.2 million (2010: US$7.6 million) of gain on changes in fair value of plantations and US$179.8 million of net non-recurring gains (2010: US$8.8 million of net non-recurring losses).

Analysis of Foreign Exchange and Derivative (Losses)/Gains

US$ millions	**2011**	2010
Foreign exchange and derivative (losses)/gains		
– Subsidiary companies (Note 6)	**(12.6)**	9.5
– Associated companies and joint ventures	**(1.2)**	1.8
Subtotal (Note 4)	**(13.8)**	11.3
Attributable to taxation and non-controlling interests	**6.7**	(8.5)
Total	**(7.1)**	2.8

2011's non-recurring gains of US$179.8 million mainly represent the Group's gain on dilution of a 3.4% interest in PLDT as a result of PLDT's issuance of new shares to acquire Digitel in October 2011 (US$210.0 million), partly offset by PLDT's impairment provisions mainly as a result of Smart's network modernization (US$42.2 million). 2010's non-recurring losses of US$8.8 million mainly represent the Group's share of Meralco's non-recurring losses, and provision and write-off of certain assets, partly offset by the Group's gain on disposal of its interest in an associated company.

Included in the profit attributable to owners of the parent for the year ended 31 December 2011 is a profit of US$19.3 million (2010: US$55.7 million) attributable to the Company.

9. Earnings Per Share Attributable to Owners of the Parent

The calculation of basic earnings per share is based on the profit for the year attributable to owners of the parent of US$600.9 million (2010: US$403.7 million) and the weighted average number of ordinary shares of 3,874.6 million (2010: 3,880.4 million) in issue during the year.

The calculation of diluted earnings per share is based on: (a) the profit for the year attributable to owners of the parent of US$600.9 million (2010: US$403.7 million) reduced by the dilutive impacts of (i) US$1.5 million (2010: US$5.8 million) in respect of the conversion of convertible bonds issued by a subsidiary company and (ii) US$0.3 million (2010: US$4.3 million) in respect of the exercise of share options issued by its subsidiary and associated companies and (b) a share base equal to the aggregate of the weighted average number of ordinary shares of 3,874.6 million (2010: 3,880.4 million) in issue during the year (as used in the basic earnings per share calculation) and the weighted average number of ordinary shares of 43.5 million (2010: 24.8 million) assumed to have been issued at no consideration on the deemed exercise of all share options of the Company during the year.

10. Ordinary Share Dividends

	U.S. cents per ordinary share		**US$ millions**	
	2011	2010	**2011**	2010
Interim	**1.03**	0.77	**39.6**	29.9
Special	**0.15**	0.24	**6.0**	9.5
Proposed final	**1.67**	1.54	**64.2**	60.0
Total	**2.85**	2.55	**109.8**	99.4

In connection with the global offering carried out by PT Salim Ivomas Pratama Tbk (SIMP), a subsidiary company of Indofood, in June 2011, the Company was required, under Practice Note 15 (PN15) of the Listing Rules, to subscribe and distribute a certain number of new SIMP shares to its shareholders. For the purpose of meeting the requirement of PN15, the Company subscribed for 47,448,000 SIMP shares which represented approximately 1.5% of the total number of offered shares and declared a special dividend, payable to shareholders by way of a distribution in specie on the basis of 24 SIMP shares for every 2,000 ordinary shares of the Company held by them. Each qualifying shareholder holding 2,000 ordinary shares or more of the Company might elect to receive cash in lieu of the distributable SIMP shares as calculated by making reference to the SIMP offer price of Rupiah 1,100 (U.S. 12.9 cents or HK$1.00) per share. The distribution in specie is equivalent to U.S. 0.15 cent (HK1.20 cents) per ordinary share of the Company. The special dividend was distributed to the shareholders on 8 August 2011.

In connection with the global offering carried out by PT Indofood CBP Sukses Makmur Tbk (ICBP), a subsidiary company of Indofood, in October 2010, the Company was required, under PN15 of the Listing Rules, to subscribe and distribute a certain number of new ICBP shares to its shareholders. For the purpose of meeting the requirement of PN15, the Company subscribed for 17,492,500 ICBP shares which represented 1.5% of the total number of offered shares and declared a special dividend, payable to shareholders by way of a distribution in specie on the basis of eight ICBP shares for every 2,000 ordinary shares of the Company held by them. Each qualifying shareholder holding 2,000 ordinary shares or more of the Company might elect to receive cash in lieu of the distributable ICBP shares as calculated by making reference to the ICBP offer price of Rupiah 5,395 (U.S. 60.6 cents or HK$4.70) per share. The distribution in specie is equivalent to U.S. 0.24 cent (HK1.88 cents) per ordinary share of the Company. The special dividend was distributed to the shareholders on 6 December 2010.

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

11. Property, Plant and Equipment

US$ millions	Land and buildings	Machinery, equipment and vessels	**Consolidated**
Cost			
At 1 January 2011	661.5	1,556.1	**2,217.6**
Exchange translation	(5.4)	(20.8)	**(26.2)**
Additions	2.3	265.2	**267.5**
Acquisition of subsidiary companies (Note 31(B))	97.1	16.7	**113.8**
Disposals	(33.8)	(22.0)	**(55.8)**
Other movements	–	2.2	**2.2**
At 31 December 2011	721.7	1,797.4	**2,519.1**
Accumulated Depreciation and Impairment			
At 1 January 2011	188.2	610.1	**798.3**
Exchange translation	(3.7)	(4.7)	**(8.4)**
Depreciation for the year (Note 6)	26.3	101.1	**127.4**
Impairment (Note 6)	–	0.5	**0.5**
Disposals	(33.8)	(16.6)	**(50.4)**
At 31 December 2011	177.0	690.4	**867.4**
Net Book Amount at 31 December 2011	544.7	1,107.0	**1,651.7**

US$ millions	Land and buildings	Machinery, equipment and vessels	Consolidated
Cost			
At 1 January 2010	624.3	1,288.8	1,913.1
Exchange translation	23.4	51.5	74.9
Additions	3.0	220.0	223.0
Acquisition of subsidiary companies (Note 31(B))	12.4	7.2	19.6
Disposals	(1.6)	(11.4)	(13.0)
At 31 December 2010	661.5	1,556.1	2,217.6
Accumulated Depreciation and Impairment			
At 1 January 2010	159.2	504.9	664.1
Exchange translation	5.3	18.3	23.6
Depreciation for the year (Note 6)	24.3	94.7	119.0
Disposals	(0.6)	(7.8)	(8.4)
At 31 December 2010	188.2	610.1	798.3
Net Book Amount at 31 December 2010	473.3	946.0	1,419.3

(A) The principal annual rates of depreciation:

Freehold land	Nil
Leasehold land under finance leases	Over the lease terms
Buildings	2.5% to 20.0%
Machinery, equipment and vessels	4.0% to 50.0%

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

(C) The Group's lands included in property, plant and equipment are situated in Indonesia and the Philippines. The lands which are held under medium term leases with lease terms of between 10 and 50 years had a net book amount of US$213.1 million (2010: US$201.7 million) and the lands which are freehold had a net book amount of US$22.8 million (2010: US$6.7 million).

(D) Property, plant and equipment with a net book amount of US$82.3 million (2010: US$31.6 million) were pledged as security for certain of the Group's banking facilities (Note 25(E)).

12. Plantations

US$ millions	Consolidated 2011	2010
At 1 January	**1,162.6**	1,009.2
Exchange translation	**(14.4)**	50.2
Additions	**102.1**	82.0
Realization of deferred costs	**(19.5)**	(9.6)
Disposal	**(0.2)**	(0.3)
Gain on changes in fair value of plantations (Note 6)	**48.5**	34.0
Reclassification[(i)]	**1.8**	(2.9)
At 31 December	**1,280.9**	1,162.6

(i) From/(to) other non-current assets

Physical measurement of oil palm, rubber, sugar cane and other plantations at 31 December 2011 is as follows.

	Consolidated	
Hectares	**2011**	2010
Oil palm		
– Mature plantations	**158,163**	155,400
– Immature plantations	**58,674**	49,664
Rubber		
– Mature plantations	**17,745**	17,556
– Immature plantations	**4,440**	4,472
Sugar Cane		
– Mature plantations	**11,302**	8,784
– Immature plantations	**953**	2,517
Cocoa, tea and others		
– Mature plantations	**3,364**	3,199
– Immature plantations	**348**	515
Total	**254,989**	242,107

(A) The Group's plantations primarily comprise oil palm, rubber and sugar cane plantations owned by Indofood. The fair values of plantations are determined by an independent valuer using the discounted future cash flows of the underlying plantations.

(B) Oil palm plantations – Mature oil palm trees produce FFB, which are used to produce CPO and PKO. The expected future cash flows of the oil palm plantations are determined using the forecast market price of FFB, which is largely dependent on the projected selling prices of CPO and PKO in the market.

Significant assumptions made in determining the fair values of the oil palm plantations are as follows:

(a) oil palm trees have an average life that ranges from 20 to 25 years, with the first three to four years as immature and the remaining years at mature stage;

(b) yield per hectare of oil palm trees is determined by reference to guidelines issued by the Indonesian Oil Palm Research Institute in Indonesia, which varies with the average age of oil palm trees, as well as internal standards and results of internal assessments of other relevant factors;

(c) the discount rate used in 2011 is 14.2% (2010: 18.2%). Such a discount rate represents the asset specific rate for the Group's oil palm plantation operations which is applied in the discounted future cash flows calculation;

(d) the projected prices of CPO are based on the consensus of World Bank and reputable independent forecasting service firms for the short-term period and World Bank forecasts for the remainder of the projection period; and

(e) no new planting/re-planting activities are assumed.

During 2011, the Group's oil palm plantations produced approximately 2.8 million tonnes (2010: 2.6 million tonnes) of FFB. The selling prices per tonne for those FFB ranged between Rupiah 1.3 million (US$148) and Rupiah 1.9 million (US$217) (2010: Rupiah 1.2 million (US$132) and Rupiah 2.0 million (US$220)).

(C) Rubber plantations – Mature rubber trees produce cup lump. The expected future cash flows of the rubber plantations are determined using the forecast market prices of cup lump which are based on the projected selling price of RSS1 and other rubber products of the Group.

Significant assumptions made in determining the fair values of the rubber plantations are as follows:

(a) rubber trees have an average life that ranges from 20 to 25 years, with the first five to six years as immature and the remaining years at mature stage;

(b) the discount rate used in 2011 is 14.6% (2010: 17.7%). Such a discount rate represents the asset specific rate for the Group's rubber plantation operations which is applied in the discounted future cash flows calculation;

(c) the projected selling prices of RSS1 and other rubber products of the Group over the projection period for are based on the extrapolation of historical selling prices and the forecasted price trend from World Bank; and

(d) no new planting/re-planting activities are assumed.

During 2011, the Group's rubber plantations produced about 19 thousand tonnes (2010: 25 thousand tonnes) of cup lump. The selling prices per tonne ranged between Rupiah 19.8 million (US$2,260) and Rupiah 24.5 million (US$2,796) (2010: Rupiah 13.5 million (US$1,486) and Rupiah 21.0 million (US$2,312)).

(D) Sugar cane plantations – The expected future cash flows of the sugar cane plantations are determined using the forecast market price of sugar canes which are based on the projected selling price of sugar.

Significant assumptions made in determining the fair values of the sugar cane plantations are as follows:

(a) sugar cane trees are available for annual harvest for an average of four years;

(b) the discount rate used in 2011 is 9.7% (2010: 11.7%). Such a discount rate represents the asset specific rate for the Group's sugar cane plantation operations which is applied in the discounted future cash flows calculation;

(c) the projected selling prices of sugar over the projection period are based on the extrapolation of historical selling prices and the forecasted price trend from World Bank or the minimum sugar price imposed by the Ministry of Trade of Indonesia, whichever is higher; and

(d) no new planting/re-planting activities are assumed.

During 2011, the Group's sugar cane plantations produced about 420 thousand tonnes (2010: 430 thousand tonnes) of sugar cane. The selling prices per tonne ranged between Rupiah 0.22 million (US$25) and Rupiah 0.33 million (US$38) (2010: Rupiah 0.37 million (US$41) and Rupiah 0.43 million (US$47)).

(E) Sensitivity analysis – Changes in the assumed selling prices of CPO and rubber and discount rates would have the following effects on the fair value of plantations:

	2011		2010	
US$ millions	**Increase/ (decrease) (%)**	**Effects on fair value of plantations**	Increase/ (decrease) (%)	Effects on fair value of plantations
Assumed selling prices	**10**	**220.9**	10	233.2
	(10)	**(317.6)**	(10)	(276.6)
Assumed discount rates	**1**	**(41.2)**	1	(38.8)
	(1)	**43.1**	(1)	40.6

(F) Plantations with a net book amount of US$58.9 million (2010: US$52.7 million) were pledged as security for certain of the Group's banking facilities (Note 25(E)).

13. Subsidiary Companies

US$ millions	Company 2011	2010
Unlisted shares at cost	**1,137.5**	1,128.3
Less provision for impairment loss	**(109.1)**	(122.1)
Total	**1,028.4**	1,006.2

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

(A) The amounts due from subsidiary companies are unsecured, bear interest at rates ranging from 0% to 3.3% per annum (2010: 0% to 3.3% per annum) and are repayable within one year. The carrying value of the Company's amounts due from subsidiary companies approximates to their fair value.

(B) The amounts due to subsidiary companies are unsecured, bear interest at rates ranging from 0% to 1.6% per annum (2010: 0% to 1.7% per annum) and are repayable within one year. The carrying value of the Company's amounts due to subsidiary companies approximates to their fair value.

(C) The loans from subsidiary companies are unsecured, bear interest at rates ranging from 2.3% to 7.4% per annum (2010: 1.4% to 7.4% per annum) and are not repayable within one year. The carrying value of the Company's loans from subsidiary companies approximates to their fair value.

(D) Details of the 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.

14. Associated Companies and Joint Ventures

	Associated Companies		Joint ventures		**Consolidated**	
US$ millions	**2011**	2010	**2011**	2010	**2011**	2010
Common shares, at cost						
– Listed	**2,786.1**	2,447.9	**–**	–	**2,786.1**	2,447.9
– Unlisted	**84.1**	73.5	**506.6**	506.6	**590.7**	580.1
Share of post-acquisition reserves (Note 29)	**(567.5)**	(767.5)	**28.8**	(16.1)	**(538.7)**	(783.6)
Preferred shares, at cost	**–**	–	**182.7**	182.7	**182.7**	182.7
Amounts due (to)/from associated companies and joint ventures	**(3.0)**	(5.0)	**17.3**	17.3	**14.3**	12.3
Total	**2,299.7**	1,748.9	**735.4**	690.5	**3,035.1**	2,439.4

(A) At 31 December 2011, both the listed and unlisted investments were located outside Hong Kong.

(B) At 31 December 2011, the market valuation of listed investments was US$4,340.2 million (2010: US$3,717.7 million) based on quoted market prices and the net dividends received during 2011 amounted to US$259.5 million (2010: US$238.2 million).

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

(E) Philex was incorporated under the laws of the Philippines in 1995 to engage in mining activities. Philex is primarily engaged in large-scale exploration, development and utilization of mineral resources. Philex has operated for the past 53 years at the deposit at Padcal (Tuba Benguet Province, Island of Luzons) and owns the deposits at Boyongan and Bayugo (Surogao del Norte, the Northern of Mindanao) (the Silangan Project), which is currently under the development stage, for producing gold, copper and silver as its principal products. In addition, Philex shall increase its interest in Kalayaan Copper Resources, Inc. from 5% to 60%, by solely funding all pre-development expenses of the deposit at Placer, Surigao del Norte (the Kalayaan Project).

(F) Meralco was incorporated under the laws of the Philippines in 1903 and granted a franchise to provide electric power distribution services in the Philippines. In June 2003, Meralco was granted a new 25-year franchise to construct, operate, and maintain an electric distribution system in the cities and municipalities of Bulacan, Cavite, Metro Manila, and Rizal and certain cities, municipalities, and barangays in Batangas, Laguna, Pampanga, and Quezon. Meralco is subject to the rate-making regulations and regulatory policies of the Philippine Energy Regulatory Commission.

In September 2009, MPIC and PLDT Communications and Energy Ventures, Inc. (PCEV) (formerly known as Pilipino Telephone Corporation (Piltel)) (an indirect subsidiary company of PLDT), which owned approximately 14.5% and 20% equity interests in Meralco in October 2009, entered into an agreement (Meralco Shareholders' Agreement) to formalize their arrangement to "vote as one" with regard to their combined holdings of shares of Meralco. The salient provisions of the Meralco Shareholders' Agreement are that (a) MPIC and PCEV will pool their votes in the general meetings of the shareholders of Meralco for the election of nominees to the board of Meralco, and MPIC will always have at least one nominee director (as entitled to and in proportionate to its shareholding in Meralco), (b) MPIC and PCEV undertake to always consult with each other and arrive at a common position (hence, casting a common vote) on all matters in respect of their capacity as shareholders of Meralco and (c) MPIC and PCEV will procure their respective nominee directors to always vote as a bloc for all matters in every board meeting of Meralco (the board of Meralco has a total of 11 board members, of which MPIC and PCEV are represented by one member and two members, respectively). Based on the provisions in the Meralco Shareholders' Agreement, notwithstanding that MPIC had less than a 20% equity interest in Meralco, MPIC accounted for Meralco as an associated company in view of the significant influence MPIC had in Meralco during October 2009 to March 2010.

In March 2010, MPIC, PCEV and Beacon Electric Asset Holdings, Inc. (Beacon Electric) (a special purpose vehicle set up with the sole purpose of holding shares in Meralco, which is currently owned by MPIC and PCEV on a joint basis) entered into an Omnibus Agreement to restructure their shareholdings in Meralco. During the restructuring, (a) MPIC and PCEV consolidated their interests in Meralco of approximately 14.5% and 13.7%, respectively, under Beacon Electric; thus giving Beacon Electric an approximately 28.2% interest in Meralco and leaving PCEV with a remaining 6.1% interest in Meralco, (b) PCEV acquired a 50% interest in Beacon Electric, which in turn became a 50:50 joint venture between MPIC and PCEV and (c) MPIC subscribed 801 million preferred shares issued by Beacon Electric for a total consideration of Pesos 8.01 billion (US$182.7 million), with a coupon rate of 7.0% per annum. Under the Omnibus Agreement, MPIC and PCEV had agreed to define their agreement in respect of, amongst other matters, the capitalization, organization, conduct of business and the extent of their participation in the affairs of Beacon Electric and through Beacon Electric, their respective involvement in Meralco. As a result of the consolidation of the foregoing interests of MPIC and PCEV in Meralco through Beacon Electric, a 50:50 joint venture between MPIC and PCEV, each of MPIC and PCEV accounts for Beacon Electric/Meralco on its respective books using the equity method.

In March 2010, Beacon Electric acquired an approximately 6.6% additional interest in Meralco. During May and July 2011, Beacon Electric acquired in aggregate an approximately 4.5% additional interest in Meralco. On 19 October 2011, Beacon Electric acquired from PCEV an approximately 6.1% additional interest in Meralco, satisfied by 1.199 billion preferred shares issued by Beacon Electric for a total consideration of Pesos 15.1 billion (US$344.4 million), with a coupon rate of 7.0% per annum. Following these transactions, Beacon Electric's interest in Meralco increased to 45.4%.

(G) Additional financial information in respect of the Group's major associated companies, PLDT and Philex, and a major associated company of a Group's joint venture, Meralco, as prepared under HKFRSs, is set out below.

	PLDT		Philex		Meralco	
For the year ended/At 31 December US$ millions	**2011**	2010 (Restated)[i]	**2011**	2010	**2011**	2010
Operating Results						
Turnover	**3,560.5**	3,467.4	**376.2**	296.7	**5,939.1**	5,308.1
Profit before taxation	**1,062.5**	1,235.6	**177.6**	103.4	**517.5**	242.0
Profit after taxation	**790.5**	917.8	**121.6**	70.5	**420.7**	171.0
Profit for the Year	**791.9**	916.9	**120.2**	71.6	**388.3**	159.0
Net Assets						
Current assets	**1,701.0**	1,400.4	**189.2**	174.3	**1,728.5**	1,218.2
Non-current assets	**7,511.0**	5,049.4	**710.7**	576.9	**3,548.5**	3,504.4
Total Assets	**9,212.0**	6,449.8	**899.9**	751.2	**5,277.0**	4,722.6
Current liabilities	**(2,768.0)**	(1,878.2)	**(61.7)**	(52.7)	**(1,173.0)**	(1,006.8)
Non-current liabilities and provisions	**(2,902.0)**	(2,344.4)	**(139.5)**	(130.9)	**(2,179.4)**	(2,016.5)
Total Liabilities	**(5,670.0)**	(4,222.6)	**(201.2)**	(183.6)	**(3,352.4)**	(3,023.3)
Non-controlling interests	**(8.8)**	(7.2)	**(20.7)**	(4.7)	**(128.5)**	(103.9)
Net Assets	**3,533.2**	2,220.0	**678.0**	562.9	**1,796.1**	1,595.4

(i) PLDT's 2010 comparative figure for turnover has been restated to reflect a change in the presentation of outbound revenues.

(H) The Group has discontinued the recognition of its share of losses of Prime Media Holdings, Inc., an associated company, because the share of losses of this associated company fully eroded the Group's investment. The amounts of the Group's unrecognized share of losses of this associated company for the current year and cumulatively were US$0.1 million (2010: US$0.1 million) and US$9.0 million (2010: US$8.9 million), respectively.

15. Goodwill

		Consolidated	
US$ millions		**2011**	2010
At 1 January		**817.1**	775.2
Exchange translation		**(4.8)**	38.6
Acquisition of subsidiary companies (Note 31(B))		**10.2**	4.5
Impairment (Note 6)		**–**	(1.2)
Other movements		**(2.9)**	–
Net Book Amount at 31 December		**819.6**	817.1
Attributable to the Businesses of:			
Indofood	– Plantations	**371.0**	374.0
	– Diary	**176.7**	178.2
MPIC	– Water distribution	**114.4**	114.4
	– Toll roads	**131.1**	131.1
Others		**26.4**	19.4
Total		**819.6**	817.1

(A) Goodwill is allocated to the Group's cash-generating units identified according to the reportable segments. The goodwill amounts at 31 December 2011 and 31 December 2010 mainly relate to (a) Indofood's businesses (principally plantations and dairy) which contribute to the Group's consumer food products business segment located in Indonesia and (b) MPIC's businesses (water distribution and toll roads) which contribute to the Group's infrastructure business segment located in the Philippines.

(B) In assessing the impairment for goodwill, the Group compares the carrying amount of the underlying assets against their recoverable amounts (the higher of the assets' fair value less costs to sell and their value in use). The recoverable amounts of Indofood's and MPIC's businesses have been determined based on fair value less costs to sell or value in use calculations using cash flow projections covering periods from 4 years up to 10 years (for the plantation companies) (2010: 4 years to 10 years (for the plantation companies)) for Indofood's businesses, and 26 years (2010: 27 years) for MPIC's water distribution and toll road business. The discount rates applied to cash flow projections range from 6.7% to 11.8% (2010: 7.1% to 16.7%) for Indofood's businesses, 9.2% (2010: 11.5%) for MPIC's water distribution business and 10.7% (2010: 10.9%) for MPIC's toll road business, which reflect the weighted average cost of capital of the relevant businesses.

In the assessment of the recoverable amount of Indofood's plantation businesses, the projected prices of CPO are based on the consensus of the World Bank and reputable independent forecasting service firms for the short-term period and the World Bank forecasts for the remainder projection period, while the projected selling prices of RSS1 and other rubber products of the Group over the projection period are based on the extrapolation of historical selling prices and the forecasted price trend from the World Bank; and, the sugar price used in the projection are based on the extrapolation of historical selling prices and the forecasted price trend from the World Bank or the minimum sugar price imposed by the Ministry of Trade of Indonesia, whichever is higher. The cash flows beyond the projection periods are extrapolated using an estimated growth rate of 6.5% (2010: 6.5%), which does not exceed the long term average growth rate of the industry in the country where the businesses operate.

In the assessment of the recoverable amount of Indofood's dairy businesses, their value in use were calculated based on their cash flow projections as per the most recent financial budgets and forecasts, which management believes are reasonable and are management's best estimates of the ranges of economic condition that will exist over the forecast period. The cash flows beyond the projection periods are extrapolated using an estimated growth rate of 4.0% (2010: 5.0%), which does not exceed the long term average growth rate of the industry in the country where the businesses operate.

In the assessment of the recoverable amount of MPIC's water distribution and toll roads businesses, their value in use were calculated based on their cash flow projections as per the most recent financial budgets and forecasts, which management believes are reasonable and are management's best estimates of the ranges of economic condition that will exist over the forecast period.

Changes to the above assumptions used by management to determine the recoverable amounts can have significant impact on the results of the assessment. Management is of the opinion that no reasonably possible change in any of the key assumptions stated above would cause the carrying amount of the goodwill for each of the cash-generating units to materially exceed the recoverable amounts.

(C) In October 2010, East Manila Hospital Managers Corporation (EMHMC), a wholly-owned subsidiary company of MPIC, acquired Our Lady of Lourdes Hospital, Inc. (OLLHI) to manage and operate Our Lady of Lourdes Hospital for a period of 20 years starting 1 November 2010. In 2010, the Group recorded the assets, liabilities and contingent liabilities of OLLHI at initially assessed fair value and recognized a provisional goodwill of US$2.9 million, representing the difference between EMHMC's acquisition cost and the initially assessed fair value of the assets, liabilities and contingent liabilities of OLLHI acquired. In 2011, EMHMC finalized its assessment of the fair value of the assets, liabilities and contingent liabilities of OLLHI acquired and concluded that the final amount of goodwill was nil compared with the provisional goodwill amount of US$2.9 million initially recognized in 2010 and, hence, made an adjustment to reduce the goodwill amount by US$2.9 million.

16. Other Intangible Assets

US$ millions	Concession assets – Water distribution	Concession assets – Toll roads	Brands	**Consolidated**
Cost				
At 1 January 2011	1,312.1	421.9	421.4	**2,155.4**
Exchange translation	(3.1)	(0.1)	(3.6)	**(6.8)**
Additions	227.3	7.5	–	**234.8**
At 31 December 2011	1,536.3	429.3	417.8	**2,383.4**
Accumulated Amortization				
At 1 January 2011	123.2	28.9	43.2	**195.3**
Exchange translation	(0.6)	(0.2)	(1.1)	**(1.9)**
Charge for the year (Note 6)	47.0	14.9	22.2	**84.1**
At 31 December 2011	169.6	43.6	64.3	**277.5**
Net Book Amount at 31 December 2011	1,366.7	385.7	353.5	**2,105.9**

US$ millions	Concession assets – Water distribution	Concession assets – Toll roads	Brands	Consolidated
Cost				
At 1 January 2010	1,067.9	373.1	403.1	1,844.1
Exchange translation	62.5	20.9	18.3	101.7
Additions	181.7	27.9	–	209.6
At 31 December 2010	1,312.1	421.9	421.4	2,155.4
Accumulated Amortization				
At 1 January 2010	80.9	14.1	20.7	115.7
Exchange translation	5.4	1.2	1.1	7.7
Charge for the year (Note 6)	36.9	13.6	21.4	71.9
At 31 December 2010	123.2	28.9	43.2	195.3
Net Book Amount at 31 December 2010	1,188.9	393.0	378.2	1,960.1

(A) Concession assets – Water distribution represents the exclusive right granted by Metropolitan Waterworks and Sewerage System (MWSS) on behalf of the Philippine government for Maynilad to provide water distribution and sewerage services and charge users for these services provided in the areas of West Metro Manila during its concession period.

In February 1997, Maynilad entered into a concession agreement with MWSS, with respect to the MWSS West Service Area. Under the concession agreement, MWSS grants Maynilad, the sole right to manage, operate, repair, decommission and refurbish all fixed and movable assets required to provide water and sewerage services in the West Service Area for 25 years ending in 2022. In September 2009, MWSS approved an extension of its concession agreement with Maynilad for another 15 years to 2037. The legal title to all property, plant and equipment contributed to the existing MWSS system by Maynilad during the concession period remains with Maynilad until the expiration date at which time, all rights, titles and interests in such assets will automatically vest to MWSS. Under the concession agreement, Maynilad is entitled to (a) an annual standard rate adjustment to compensate for increases in the consumer price index subject to a rate adjustment limit; (b) an extraordinary price adjustment to account for the financial consequences of the occurrence of certain unforeseen events subject to grounds stipulated in the concession agreement; and (c) a rate rebasing mechanism which allows rates to be adjusted every five years to enable Maynilad to efficiently and prudently recover expenditures incurred, Philippine business taxes and payments corresponding to debt service on concession fees and Maynilad loans incurred to finance such expenditure.

(B) Concession assets – Toll roads represent the concession comprising the rights, interests and privileges to finance, design, construct, operate and maintain toll roads, toll facilities and other facilities generating toll-related and non-toll related income held by Manila North Tollways Corporation (MNTC) in respect of the Manila North Expressway (also known as North Luzon Expressway) (NLEX) during its concession period.

In August 1995, First Philippine Infrastructure Development Corporation (FPIDC), the parent company of MNTC, entered into a joint venture agreement with Philippine National Construction Corporation (PNCC), in which PNCC assigned its rights, interests and privileges under its franchise to construct, operate and maintain toll facilities in the NLEX and its extensions, stretches, linkages and diversions in favour of MNTC, including the design, funding, construction, rehabilitation, refurbishing and modernization and selection and installation of an appropriate toll collection system therein during the concession period subject to prior approval by the President of the Philippines. In April 1998, the Philippine government, acting by and through the Toll Regulatory Board as the grantor, PNCC as the franchisee and MNTC as the concessionaire executed a Supplemental Toll Operation Agreement (STOA) whereby the Philippine government recognized and accepted the assignment by PNCC of its usufructuary rights, interests and privileges under its franchise in favor of MNTC as approved by the President of the Philippines and granted MNTC concession rights, obligations and privileges including the authority to finance, design, construct, operate and maintain the NLEX project roads as toll roads commencing upon the date the STOA comes into effect until 31 December 2030 or 30 years after the issuance of the Toll Operation Permit for the last completed phase, whichever is earlier. In October 2008, the concession agreement was extended for another seven years to 2037. Pursuant to the STOA, MNTC is required to pay franchise fees to PNCC and to pay for the government's project overhead expenses based on certain percentages of construction costs and maintenance works on the project roads. Upon expiry of the concession period, MNTC shall handover the project roads to the Philippine government without cost, free from any and all liens and encumbrances and fully operational and in good working condition, including any and all existing land required, works, toll road facilities and equipment found therein directly related to and in connection with the operation of the toll road facilities.

(C) Brands represent the brands held by PT Indolakto (Indolakto) for its various milk-related products, which include Indomilk, Cap Enaak, Tiga Sapi, Indoeskrim, Nice and Orchid.

(D) All of the Group's concession assets and brands were acquired by the Group as part of the business combinations.

(E) The useful lives for amortization:

Concession assets – Water distribution	Remaining concession life of 30 years since acquisition in 2007
Concession assets – Toll roads	Remaining concession life of 29 years since acquisition in 2008
Brands	20 years

(F) Other intangible assets with a net book amount of US$650.3 million (2010: US$935.1 million) were pledged as security for certain of the Group's banking facilities (Note 25(E)).

17. Accounts Receivable, Other Receivables and Prepayments

US$ millions	Consolidated 2011	2010
Accounts receivable	**371.1**	299.7
Other receivables	**221.4**	151.6
Prepayments	**21.8**	65.2
Total	**614.3**	516.5
Presented as:		
Non-current Portion	**32.5**	23.8
Current Portion	**581.8**	492.7
Total	**614.3**	516.5

(A) The carrying amount of the current portion of accounts receivable, other receivables and prepayments approximates to their fair value. The fair value of the non-current portion of accounts receivable and other receivables is US$37.3 million (2010: US$23.8 million) which is determined based on cash flows discounted using a weighted average prevailing interest rate of 6.7% (2010: 9.4%). The weighted average effective interest rate of the non-current portion of accounts receivable and other receivables is 7.9% (2010: 7.7%).

(B) An ageing profile of accounts receivable is analyzed as below.

US$ millions	Consolidated 2011	2010
0 to 30 days	**335.1**	271.5
31 to 60 days	**11.7**	12.5
61 to 90 days	**8.3**	4.7
Over 90 days	**16.0**	11.0
Total	**371.1**	299.7

US$ millions	Consolidated 2011	2010
Neither past due nor impaired	**335.1**	283.4
Past due but not impaired		
– 0 to 30 days past due	**11.7**	6.9
– 31 to 60 days past due	**8.3**	2.8
– 61 to 90 days past due	**8.8**	6.0
– Over 90 days past due	**7.2**	0.6
Total	**371.1**	299.7

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable or covered by general provision.

(C) At 31 December 2011, accounts receivable of US$15.2 million (2010: US$12.9 million) were collectively impaired and fully provided for. Movements in the provision for impairment of accounts receivable were as follows.

	Consolidated	
US$ millions	**2011**	2010
At 1 January	**12.9**	24.9
Exchange translation	**(0.1)**	1.3
Amount written off as uncollectible	**(1.7)**	(13.5)
Charge for the year (Note 6)	**4.1**	0.2
At 31 December	**15.2**	12.9

(D) As the Group's accounts receivable relate to a large number of diversified customers, there is no concentration of credit risk.

(E) Indofood generally allows local customers an average of 30 days of credit and export customers 60 days of credit. MPIC (a) allows 14 days of credit for its water service customers, (b) collects toll fees through its associated company, Tollways Management Corporation (TMC), by cash, by prepaid and reloadable electronic toll collection devices and by credit card payment and (c) generally collects charges when services are rendered to its hospital customers, except for certain corporate customers which are allowed an average of 30 days of credit.

18. Available-for-sale Assets

	Consolidated	
US$ millions	**2011**	2010
Listed investments, at fair value:		
– Equity investments – Overseas	**63.3**	51.1
– Debentures with a fixed interest rate of 7.4% to 14.0% (2010: 6.5% to 14.0%) and a maturity date of between 31 July 2013 and 3 March 2016 (2010: 31 July 2011 and 5 August 2015) – Overseas	**13.4**	10.0
Unlisted investments, at cost less impairment provisions:		
– Equity investments – Overseas	**17.5**	13.4
Unlisted investments, at fair value:		
– Club debentures – Hong Kong	**2.3**	2.1
Total	**96.5**	76.6
Presented as:		
Non-Current Portion	**33.1**	13.8
Current Portion	**63.4**	62.8
Total	**96.5**	76.6

(A) The fair values of the listed equity investments and debentures are based on quoted market prices. The fair value of the unlisted investments in club debentures has been estimated by reference to recent market transaction prices. The Directors believe that the estimated fair values by reference to market prices, which are recorded in the carrying amounts of the available-for-sale assets, and the related changes in fair values, which are recorded directly in the Group's equity, are reasonable, and that they are the most appropriate values at the end of the reporting period.

(B) No available-for-sale asset (2010: available-for-sale assets with a net book amount of US$9.7 million) was pledged as security for certain of the Group's banking facilities (Note 25(E)).

19. Deferred Tax

The movements in deferred tax assets during the year are as follows.

US$ millions	Tax loss carry forward	Allowance for doubtful accounts	Liabilities for employee retirement benefits	Others	**Consolidated**
Deferred Tax Assets					
At 1 January 2011	23.9	3.4	45.2	10.3	**82.8**
Exchange translation	(0.4)	(0.1)	(0.4)	(0.4)	**(1.3)**
Acquisition of subsidiary companies (Note 31(B))	–	0.7	0.4	2.2	**3.3**
Credit to the income statement (Note 7)	6.7	1.0	0.6	15.2	**23.5**
Other movements	–	–	–	1.6	**1.6**
At 31 December 2011	30.2	5.0	45.8	28.9	**109.9**

US$ millions	Tax loss carry forward	Allowance for doubtful accounts	Liabilities for employee retirement benefits	Others	Consolidated
Deferred Tax Assets					
At 1 January 2010	16.7	0.5	17.7	23.4	58.3
Exchange translation	0.7	0.1	1.2	1.0	3.0
Credit/(charge) to the income statement (Note 7)	6.5	2.8	26.3	(14.1)	21.5
At 31 December 2010	23.9	3.4	45.2	10.3	82.8

The movements in deferred tax liabilities during the year are as follows.

US$ millions	Allowance in excess of related depreciation of property, plant and equipment	Change in fair value of plantations	Brands	Withholding tax on undistributed earnings of subsidiary and associated companies	Others	**Consolidated**
Deferred Tax Liabilities						
At 1 January 2011	(196.6)	(99.7)	(94.6)	(32.4)	(7.0)	**(430.3)**
Exchange translation	1.8	0.5	0.7	–	(0.2)	**2.8**
Acquisition of subsidiary companies (Note 31(B))	–	–	–	–	(1.3)	**(1.3)**
(Charge)/credit to the income statement (Note 7)	(6.3)	(2.2)	5.5	(18.5)	(3.3)	**(24.8)**
Transfer to provision for taxation (Note 26)	–	–	–	9.1	–	**9.1**
Other movements	–	–	–	–	(2.2)	**(2.2)**
At 31 December 2011	(201.1)	(101.4)	(88.4)	(41.8)	(14.0)	**(446.7)**

US$ millions	Allowance in excess of related depreciation of property, plant and equipment	Change in fair value of plantations	Brands	Withholding tax on undistributed earnings of subsidiary and associated companies	Others	Consolidated
Deferred Tax Liabilities						
At 1 January 2010	(182.3)	(90.6)	(97.2)	(25.2)	–	(395.3)
Exchange translation	(13.0)	(5.8)	(3.4)	(1.2)	–	(23.4)
Acquisition of subsidiary companies (Note 31(B))	–	–	–	–	(1.5)	(1.5)
(Charge)/credit to the income statement (Note 7)	(1.3)	(3.3)	6.0	(22.4)	(5.5)	(26.5)
Transfer to provision for taxation (Note 26)	–	–	–	16.4	–	16.4
At 31 December 2010	(196.6)	(99.7)	(94.6)	(32.4)	(7.0)	(430.3)

Pursuant to the Philippines and Indonesian income tax laws, withholding taxes of 10% to 15% are levied on dividends declared to foreign investors. The Group is therefore liable to withholding taxes on dividends distributed by its subsidiary and associated companies in the Philippines and Indonesia. The Group had fully recognized the deferred tax liabilities for the withholding taxes that would be payable on unremitted earnings that are subject to withholding taxes of its associated companies established in the Philippines. However, except for those earnings to be distributed as dividends, no deferred tax liabilities had been recognized for withholding taxes that would be payable on the unremitted earnings of the Group's subsidiary companies established in the Philippines and Indonesia. In the opinion of the Directors, it is not probable that these subsidiary companies will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiary companies in the Philippines and Indonesia for which deferred tax liabilities have not been recognized totaled approximately US$53.8 million at 31 December 2011 (2010: US$44.2 million).

The Group has tax losses of US$33.7 million (2010: US$24.1 million) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

20. Pledged Deposits and Restricted Cash

At 31 December 2011, the Group had US$11.1 million (2010: US$12.0 million) of pledged bank deposits and US$43.7 million (2010: US$41.4 million) of cash which was set aside to cover principal and interest payments of certain borrowings and restricted as to use.

21. Other Non-current Assets

	Consolidated	
US$ millions	**2011**	2010
Plasma receivables	**60.3**	66.8
Claims for tax refund	**53.4**	50.6
Deposits for acquisition of assets	**51.1**	57.5
Others	**71.2**	37.1
Total	**236.0**	212.0

(A) The plasma receivables represent advances made by Indofood to certain farmers in relation to arrangements for those farmers' production of FFB. The carrying amounts of the plasma receivables approximate to their fair value.

(B) The claims for tax refund relate to the tax payment in advance made by Indofood in respect of wheat importation which is creditable against Indofood's corporate income tax payable.

(C) The deposits for acquisition of assets mainly represent Indofood's deposits for the acquisition of certain land rights.

(D) No other non-current asset (2010: other current assets with a net book amount of US$37.3 million) was pledged as security for certain of the Group's banking facilities (Note 25(E)).

22. Cash and Cash Equivalents

	Consolidated		Company	
US$ millions	**2011**	2010	**2011**	2010
Cash at banks and on hand	**1,484.7**	1,249.8	**22.0**	43.1
Short-term time deposits	**390.7**	289.0	**63.4**	213.1
Total	**1,875.4**	1,538.8	**85.4**	256.2

(A) Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term time deposits are made for varying periods depending on the immediate cash requirements of the Group, and earn interest at the respective short-term time deposit rates. The bank balances and time deposits are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents approximate to their fair values.

(B) Cash and cash equivalents with a net book amount of US$12.3 million (2010: US$51.7 million) were pledged as security for certain of the Group's banking facilities (Note 25(E)).

23. Inventories

	Consolidated	
US$ millions	**2011**	2010
Raw materials	**448.2**	390.8
Work in progress	**8.9**	9.9
Finished goods	**274.6**	234.8
Total	**731.7**	635.5

(A) At 31 December 2011, inventories with a carrying amount of US$112.0 million (2010: US$117.2 million) were carried at net realizable value.

(B) At 31 December 2011, inventories with a carrying amount of US$5.7 million (2010: US$3.8 million) were pledged as security for certain of the Group's banking facilities (Note 25(E)).

24. Accounts Payable, Other Payables and Accruals

US$ millions	Consolidated 2011	2010
Accounts payable	**234.2**	211.1
Accrued expenses	**313.2**	285.2
Other payables	**249.1**	211.2
Total	**796.5**	707.5

The ageing profile of accounts payable is analyzed as follows:

US$ millions	Consolidated 2011	2010
0 to 30 days	**221.2**	188.5
31 to 60 days	**1.9**	10.6
61 to 90 days	**1.5**	7.9
Over 90 days	**9.6**	4.1
Total	**234.2**	211.1

All of the accounts payable, other payables and accruals are expected to be settled within one year. The carrying amount of the Group's accounts payable, other payables and accruals approximates to their fair value.

25. Borrowings

US$ millions	Effective interest rate (%)	Maturity	Notes	Consolidated 2011	2010
Short-term					
Bank loans	4.0 – 18.0 (2010: 8.3 – 13.0)	2012 (2010: 2011)	(A)	**900.6**	628.7
Other loans	2.5 – 10.0 (2010: 2.5 – 9.5)	2012 (2010: 2011)	(B)	**218.7**	16.7
Subtotal				**1,119.3**	645.4
Long-term					
Bank loans	4.0 – 18.0 (2010: 3.7 – 13.0)	2013 – 2026 (2010: 2012 – 2018)	(C)	**1,624.7**	1,515.9
Other loans	2.5 – 13.2 (2010: 6.8 – 13.0)	2013 – 2020 (2010: 2012 – 2020)	(D)	**951.0**	1,277.9
Subtotal				**2,575.7**	2,793.8
Total				**3,695.0**	3,439.2

The balance of short-term borrowings includes US$567.5 million (2010: US$187.0 million) of the current portion of long-term borrowings. The maturity profile of the Group's borrowings is as follows:

US$ millions	Bank loans 2011	Bank loans 2010	Other loans 2011	Other loans 2010	**Consolidated** 2011	**Consolidated** 2010
Not exceeding one year	**900.6**	628.7	**218.7**	16.7	**1,119.3**	645.4
More than one year but not exceeding two years	**139.5**	417.9	**0.8**	232.7	**140.3**	650.6
More than two years but not exceeding five years	**854.2**	708.0	**259.1**	354.7	**1,113.3**	1,062.7
More than five years	**631.0**	390.0	**691.1**	690.5	**1,322.1**	1,080.5
Total	**2,525.3**	2,144.6	**1,169.7**	1,294.6	**3,695.0**	3,439.2
Representing amounts						
– Wholly repayable within five years	**1,894.3**	1,754.6	**478.6**	604.1	**2,372.9**	2,358.7
– Not wholly repayable within five years	**631.0**	390.0	**691.1**	690.5	**1,322.1**	1,080.5
Total	**2,525.3**	2,144.6	**1,169.7**	1,294.6	**3,695.0**	3,439.2

The carrying amounts of the borrowings are denominated in the following currencies:

US$ millions	**Consolidated** 2011	**Consolidated** 2010
U.S. dollar	**1,768.8**	1,601.8
Rupiah	**1,136.1**	1,130.6
Peso	**790.1**	706.8
Total	**3,695.0**	3,439.2

An analysis of the carrying amounts of borrowings into fixed and variable interest rates is as follows:

US$ millions	**Consolidated** 2011	**Consolidated** 2010
Fixed interest rate	**1,987.1**	1,946.5
Variable interest rate	**1,707.9**	1,492.7
Total	**3,695.0**	3,439.2

The carrying amounts and fair values of the non-current portion of long-term borrowings are as follows:

US$ millions	**Carrying amounts** 2011	**Carrying amounts** 2010	**Fair values** 2011	**Fair values** 2010
Bank loans	**1,624.7**	1,515.9	**1,681.0**	1,627.1
Other loans	**951.0**	1,277.9	**1,016.6**	1,334.6
Total	**2,575.7**	2,793.8	**2,697.6**	2,961.7

The fair values are based on published price quotations for listed bonds issued by the Group and projected cash flows discounted using the borrowing rates ranging from 2.2% to 18.0% (2010: 3.1% to 18.5%) for the other fixed interest rate borrowings. The carrying amounts of the Group's variable interest rate borrowings approximate to their fair values due to frequent repricing.

The carrying amounts of the short-term borrowings (which include the current portion of long-term borrowings) approximate to their fair values. Details of the borrowings are set out below.

(A) Short-term Bank Loans

The balance includes a bank loan of US$199.4 million (with a face value of US$200.0 million) (2010: US$198.7 million) borrowed by a wholly-owned subsidiary company of the Company, drawn in August 2007, secured by the Group's 3.8% (2010: 4.4%) interest in PLDT, subject to a variable LIBOR based interest rate, which is repayable in December 2012. In April 2009, a wholly-owned subsidiary company of the Company entered into an interest rate swap agreement, which effectively changed this loan into a loan subject to a fixed interest rate of 3.2% per annum.

(B) Short-term Other Loans

The balance represents Rupiah 2.0 trillion (US$216.4 million) of Rupiah bonds (which represents the original amount issued by Indofood in May 2007 of Rupiah 2.0 trillion (US$220.6 million) less repurchase of bonds with a face value of Rupiah 36 billion (US$4.0 million) during 2010) (2010: US$217.9 million), with a coupon rate of 10.0%, are payable quarterly, and mature in May 2012.

(C) Long-term Bank Loans

The balance includes US$382.8 million (with an aggregate face value of US$390.3 million) of bank loans (2010: US$289.7 million, with an aggregate face value of US$291.3 million) borrowed by certain wholly-owned subsidiary companies of the Company with details summarized as follows:

(a) A US$46.2 million (with a face value of US$46.3 million) bank loan (2010: US$46.1 million) drawn in November 2006, secured by the Group's 1.1% (2010: 1.1%) interest in PLDT and guaranteed by the Company, subject to a variable LIBOR based interest rate, which is repayable in November 2013.

(b) A US$92.6 million (with a face value of US$94.0 million) bank loan (2010: Nil) drawn in October 2011, secured by the Group's 9.7% (2010: Nil) interest in Philex and guaranteed by the Company, subject to a variable LIBOR based interest rate, which is repayable in October 2014.

(c) A US$194.7 million (with a face value of US$200.0 million) bank loan (2010: Nil) drawn in September 2011, secured by the Group's 3.7% (2010: Nil) interest in PLDT and guaranteed by the Company, subject to a variable LIBOR based interest rate, which is repayable in February 2016.

(d) A US$49.3 million (with a face value of US$50.0 million) bank loan (2010: Nil) drawn in August 2011, secured by the Group's 1.1% (2010: Nil) interest in PLDT and guaranteed by the Company, subject to a variable LIBOR based interest rate, which is repayable in August 2016.

(D) Long-term Other Loans

The balance includes bonds issued by FPMH Finance Limited and FPT Finance Limited, wholly-owned subsidiary companies of the Company, Indofood and PT Salim Ivomas Pratama (SIMP). Details are summarized as follows:

(a) US$295.2 million (with a face value of US$300.0 million) (2010: US$294.4 million) guaranteed secured bonds issued by FPMH Finance Limited, in July 2010, with a coupon rate of 7.375% per annum, are payable semi-annually, and mature in July 2017. The bonds are guaranteed by the Company and are secured by (i) a 45.5% (2010: 55.6%) interest in MPIC common shares and (ii) an amount of cash to be used for the payment of next installment interest of the bonds.

(b) US$395.4 million (with a face value of US$400.0 million) (2010: US$395.1 million) guaranteed secured bonds issued by FPT Finance Limited, in September 2010, with a coupon rate of 6.375% per annum, are payable semi-annually, and mature in September 2020. The bonds are guaranteed by the Company and secured by a 7.0% (2010: 8.0%) interest in PLDT.

(c) Rupiah 1.6 trillion (US$176.8 million) Rupiah bonds (2010: US$178.1 million) issued by Indofood in June 2009, with a coupon rate of 13.2% per annum, are payable quarterly, and mature in June 2014.

(d) Rupiah 448 billion (US$49.5 million) 5-year Rupiah bonds (2010: US$49.8 million) issued by SIMP in November 2009, with a coupon rate of 11.65% per annum, are payable quarterly, and mature in November 2014.

(e) Rupiah 275 billion (US$30.4 million) 5-year Islamic lease-based bonds (2010: US$30.6 million) issued by SIMP in November 2009, with a coupon rate of 11.65% per annum, are payable quarterly, and mature in November 2014.

(E) Charges on Group Assets

At 31 December 2011, the total borrowings include secured bank and other borrowings of US$2,019.7 million (2010: US$1,880.6 million). Such bank and other borrowings were secured by the Group's property, plant and equipment, plantations, other intangible assets, pledged deposits, cash and cash equivalents and inventories equating to a net book value of US$820.6 million (2010: US$1,121.9 million) and the Group's interests of 16.7% (2010: 14.9%) in PLDT, 45.5% (2010: 55.6%) in MPIC, 9.7% (2010: 5.8%) in Philex, 46.8% (2010: 9.9%) in Maynilad and 99.8% (2010: 99.8%) in MPTC.

(F) Bank Covenants

The Group has complied with all of its bank covenants, except for those related to Metro Pacific Corporation (Metro Pacific). Since the fourth quarter of 2001, Metro Pacific has been unable to meet its debt obligations. At 31 December 2011, Metro Pacific had Pesos 71 million (US$1.6 million) (2010: Pesos 109 million or US$2.5 million) outstanding debt obligations.

26. Provision for Taxation

	Consolidated	
US$ millions	**2011**	2010
At 1 January	**54.4**	68.9
Exchange translation	**(0.2)**	3.0
Provision for taxation on estimated assessable profits for the year (Note 7)	**216.1**	198.2
Transfer from deferred taxation (Note 19)	**9.1**	16.4
Total	**279.4**	286.5
Taxes paid	**(229.8)**	(232.1)
At 31 December	**49.6**	54.4

27. Deferred Liabilities and Provisions

				Consolidated	
US$ millions	Pension	Long-term liabilities	Others	**2011**	2010
At 1 January	266.7	278.5	125.4	**670.6**	580.5
Exchange translation	(3.0)	0.2	(0.8)	**(3.6)**	28.7
Additions	55.0	46.1	63.2	**164.3**	151.2
Payment and utilization	(29.3)	(58.2)	(16.4)	**(103.9)**	(96.7)
Acquisition of subsidiary companies (Note 31(B))	0.9	–	18.2	**19.1**	6.9
Other movements	–	–	(1.7)	**(1.7)**	–
At 31 December	290.3	266.6	187.9	**744.8**	670.6
Presented as:					
Current Portion	–	18.1	119.5	**137.6**	97.5
Non-current Portion	290.3	248.5	68.4	**607.2**	573.1
Total	290.3	266.6	187.9	**744.8**	670.6

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

The long-term liabilities mainly relate to Maynilad's concession fees payable to MWSS, including a provision for certain additional concession fees payable and related interest amounts in dispute between Maynilad and MWSS recognized by the Group upon its acquisition of Maynilad, and deferred credits (which represent foreign exchange gains and other payables which will be refunded to the customers and foreign exchange differences arising from retranslation of the portion of Maynilad's foreign currency denominated concession fees payable and loans) and Indofood's accrued liabilities for dismantlement, removal or restoration in relation to property, plant and equipment. In respect of the disputed amounts with MWSS, no final resolution has been reached at 31 December 2011.

The others mainly represent provisions for various claims and potential claims against the Group and a payable to non-controlling shareholders of Asian Hospital, Inc. of approximately Pesos 1.3 billion (US$29.8 million) (2010: Nil). Details of the payable to Asian Hospital, Inc.'s non-controlling shareholders are set out in Note 31(B).

28. Share Capital

	Consolidated and Company	
US$ millions	**2011**	2010
Authorized		
5,000,000,000 (2010: 5,000,000,000) ordinary shares of U.S. 1 cent each	**50.0**	50.0
Issued and fully paid		
At 1 January	**39.0**	38.6
Issue of shares upon the exercise of share options	**0.2**	0.7
Repurchase and cancellation of shares	**(0.7)**	(0.3)
At 31 December		
3,850,415,231 (2010: 3,902,373,478) ordinary shares of U.S. 1 cent each	**38.5**	39.0

(A) During the year, 24,919,753 (2010: 68,327,075) share options were exercised at the exercise prices of HK$5.0569 per share, HK$3.1072 per share and HK$1.6698 per share (2010: HK$5.0569 per share, HK$3.1072 per share and HK$1.6698 per share), resulting in the issue of 24,919,753 (2010: 68,327,075) new ordinary shares of U.S. 1 cent each for a total cash consideration of HK$85.8 million (US$11.0 million) (2010: HK$146.4 million or US$18.9 million). Details of the Company's share option scheme are set out in Note 34(D)(a) to the Consolidated Financial Statements.

(B) On 1 June 2010, the Company announced that its Directors have approved a programme to repurchase up to US$130 million (equivalent to approximately HK$1 billion) in value of the Company's shares from the open market, by way of "on market repurchases", over a 24-month period.

During the year, the Company repurchased 76,878,000 (2010: 26,278,000) ordinary shares on the SEHK at an aggregate consideration of HK$538.2 million (US$69.4 million) (2010: HK$173.9 million or US$22.4 million). These shares have been subsequently cancelled. Details of the repurchases are summarized as follows:

Month of repurchases	**Number of ordinary shares repurchased**	Purchase price paid per share Highest HK$	Lowest HK$	**Aggregate consideration paid HK$ millions**	**US$ millions**
January 2011	**5,194,000**	7.13	6.59	**35.5**	**4.6**
February 2011	**4,188,000**	6.85	6.48	**27.8**	**3.6**
April 2011	**3,310,000**	7.17	6.73	**23.0**	**3.0**
May 2011	**11,304,000**	7.27	6.57	**78.1**	**10.0**
June 2011	**16,898,000**	7.00	6.52	**114.1**	**14.7**
July 2011	**4,112,000**	7.78	7.17	**30.8**	**4.0**
August 2011	**1,238,000**	7.44	7.38	**9.2**	**1.2**
September 2011	**18,554,000**	7.52	6.06	**127.7**	**16.4**
October 2011	**5,650,000**	7.30	6.82	**39.9**	**5.2**
December 2011	**6,430,000**	8.33	7.76	**52.1**	**6.7**
Total	**76,878,000**			**538.2**	**69.4**

The repurchases were effected by the Directors with a view to benefiting the shareholders as a whole by enhancing the Company's net assets and earnings per share.

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

29. Other Components of Equity

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

US$ millions	**Consolidated 2011**	2010
PLDT	**(12.7)**	11.9
MPIC	**46.2**	46.5
Indofood	**1.8**	19.2
Philex	**18.3**	19.3
Others	**(1.2)**	(1.5)
Total	**52.4**	95.4

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

US$ millions	Associated Companies 2011	Associated Companies 2010	Joint Ventures 2011	Joint Ventures 2010	**Consolidated** 2011	**Consolidated** 2010
Associated Companies and Joint Ventures						
Revenue reserve	**(595.1)**	(814.5)	**29.3**	(16.4)	**(565.8)**	(830.9)
Exchange reserve	**5.6**	31.2	**(0.5)**	0.3	**5.1**	31.5
Unrealized gains on cash flow hedges	**8.8**	2.6	**–**	–	**8.8**	2.6
Capital and other reserves	**13.2**	13.2	**–**	–	**13.2**	13.2
Total (Note 14)	**(567.5)**	(767.5)	**28.8**	(16.1)	**(538.7)**	(783.6)

The Group's capital and other reserves include US$1.2 million (2010: US$0.5 million) of the capital redemption reserve.

The US$173.8 million (2010: US$173.8 million) 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.

30. Non-controlling Interests

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

US$ millions	**Consolidated** 2011	**Consolidated** 2010
Indofood	**2,879.0**	2,238.5
MPIC	**977.5**	798.4
Total	**3,856.5**	3,036.9

31. Notes to the Consolidated Statement of Cash Flows

(A) Increased Investments in Associated Companies

2011's cash outflow of US$476.6 million mainly relates to the payments for the Group's acquisition of an approximately 2.7% interest in PLDT for a consideration of approximately Pesos 14.5 billion (US$338.8 million) and the balance of consideration for the acquisition of a 5.9% interest in Philex in January 2010 by Two Rivers Pacific Holdings Corporation (Two Rivers), a Philippine affiliate of the Company, of Pesos 5.4 billion (US$126.8 million).

(B) Acquisition of Subsidiary Companies

US$ millions	Provisional fair value recognized on acquisition[i]				Carrying amount immediately before the acquisition	
	MPIC's acquisition of Asian Hospital, Inc. and its subsidiary companies	MPIC's acquisition of Colinas Verdes Hospital Managers Corporation and its subsidiary companies	**2011 Total**	MPIC's acquisition of Riverside and its subsidiary companies, OLLHI and others 2010 Total	**2011 Total**	2010 Total
Consideration						
Cash and cash equivalents	13.4	6.9	**20.3**	7.1	**20.3**	7.1
Accounts payable	17.1	–	**17.1**	–	**17.1**	–
Deferred liabilities and provisions (Current)	29.8	–	**29.8**	1.2	**29.8**	1.2
Associated companies	–	1.0[ii]	**1.0**	–	**1.0**	–
Total	60.3	7.9	**68.2**	8.3	**68.2**	8.3
Net Assets						
Property, plant and equipment (Note 11)	88.0	25.8	**113.8**	19.6	**107.0**	19.6
Accounts receivable, other receivables and prepayments (Non-current)	0.7	–	**0.7**	–	**0.7**	–
Available-for-sale assets (Non-current)	–	–	**–**	3.1	**–**	3.1
Deferred tax assets (Note 19)	2.4	0.9	**3.3**	–	**3.3**	–
Other non-current assets	0.8	0.1	**0.9**	0.2	**0.6**	0.2
Cash and cash equivalents	6.9	4.6	**11.5**	1.2	**11.5**	1.2
Accounts receivable, other receivables and prepayments (Current)	5.5	3.3	**8.8**	2.6	**8.8**	2.6
Inventories	1.1	0.9	**2.0**	0.9	**2.0**	0.9
Accounts payable, other payables and accruals	(10.3)	(13.6)	**(23.9)**	(5.2)	**(24.0)**	(5.2)
Short-term borrowings	(4.3)	–	**(4.3)**	(1.1)	**(4.3)**	(1.1)
Current portion of deferred liabilities and provisions (Note 27)	–	–	**–**	(6.9)	**–**	(6.9)
Long-term borrowings	(34.4)	–	**(34.4)**	(4.1)	**(32.0)**	(4.1)
Deferred liabilities and provisions (Note 27)	(0.6)	(18.5)	**(19.1)**	–	**(17.9)**	–
Deferred tax liabilities (Note 19)	(0.8)	(0.5)	**(1.3)**	(1.5)	**–**	(1.5)
Total Net Assets	55.0	3.0	**58.0**	8.8	**55.7**	8.8
Non-controlling interests	–	–	**–**	(5.0)		
Total Net Assets Acquired at Fair Value	55.0	3.0	**58.0**	3.8		
Goodwill (Note 15)	5.3[i]	4.9[i]	**10.2**	4.5		
Net Cash Outflow Per the Consolidated Statement of Cash Flows	(6.5)	(2.3)	**(8.8)**	(5.9)		

(i) Provisional amounts determined based on the management's best estimates of the fair values of the identifiable assets acquired, liabilities assumed and contingent liabilities assumed, and subject to revision upon their further assessment

(ii) Represents the fair value of MPIC's previously held equity interest in Colinas Verdes Hospital Managers Corporation before the acquisition

In October 2011, MPIC acquired a 100% interest in Colinas Verdes Hospital Managers Corporation (CVHMC) for a total consideration of Pesos 300 million (US$6.9 million) from its 34.5%-owned associated company, Medical Doctors, Inc. (MDI). CVHMC is the operator of the Cardinal Santos Medical Center in San Juan, Metro Manila.

In November 2011, MPIC acquired a 51.9% interest in Asian Hospital Inc. (AHI) for a total consideration of Pesos 1.3 billion (US$30.5 million). AHI operates a 219-bed hospital in Filinvest Corporate City in Alabang, Muntinpula. By virtue of MPIC's commitment to acquire an additional 4.6% interest in AHI from its shareholder and the mandatory tender offer which MPIC is required by the Philippine regulators to conduct for the remaining 43.5% non-controlling shareholders of AHI, MPIC has accounted for the acquisition of 100% of AHI's shares in November 2011, with a payable to non-controlling shareholders of AHI of approximately Pesos 1.3 billion (US$29.8 million) recorded as Deferred liabilities and provisions.

Since the date of acquisitions, the above acquired companies recorded a profit for the year of US$0.1 million, which is included in the income statement of the Group. If the acquisitions had taken place on 1 January 2011, the turnover and net profit of the Group for the year ended 31 December 2011 would have been US$5,751.0 million and US$1,136.1 million, respectively. The subsidiary companies acquired during the year had net cash inflows from operating activities of US$2.4 million, net cash outflows of US$1.7 million in respect of investing activities and net cash outflows of US$1.4 million in respect of financing activities during the year.

(C) Proceeds from Shares Issued to Non-controlling Interests by Subsidiary Companies

2011's cash inflow of US$479.5 million mainly represents the net proceeds from dilution of the Group's interests in SIMP as a result of SIMP's global offering of shares representing 20% of its enlarged capital (US$382.3 million) and MPIC's share placement to third party investors (US$97.2 million).

(D) Major Non-cash Transactions

(a) In April 2011, Metro Pacific Holdings, Inc., a Philippine affiliate of the Company, converted its investment in Peso 6.6 billion (US$143.5 million) of MPIC convertible bonds into MPIC common shares, which increased the Group's economic interest in MPIC from 55.6% to approximately 59.6%.

(b) In connection with Philex's listing of Philex Petroleum Corporation (PPC, a wholly-owned subsidiary company of Philex which holds its oil and gas assets) on the Second Board of the PSE by the way of introduction, on 12 September 2011, Philex declared a distribution of PPC's shares as a property dividend on the basis of one PPC share for every eight shares of Philex held by its shareholders. Such a property dividend was distributed to Philex's shareholders on 18 August 2011. As a result of this distribution, Philex's interest in PPC reduced from 100% to approximately 64% and the Group acquired a direct interest of approximately 16.8% in PPC, which has been accounted for by the Group under its interests in associated companies under the equity method of accounting.

32. Commitments and Contingent Liabilities

(A) Capital Expenditure

	Consolidated	
US$ millions	**2011**	2010
Commitments in respect of subsidiary companies:		
Authorized, but not contracted for	**740.9**	368.9
Contracted, but not provided for	**248.2**	59.9
Total	**989.1**	428.8

The Group's capital expenditure commitments principally relate to Indofood's purchase of property, plant and equipment, investments in plantations, and Maynilad's and MNTC's construction of water and toll road infrastructures.

At 31 December 2011, the Company had no commitments in respect of capital expenditure (2010: Nil).

(B) Leasing Commitments

At 31 December 2011, the Group had total future minimum lease payments under non-cancelable operating leases falling due as follows.

	Consolidated	
US$ millions	**2011**	2010
Land and Buildings		
– Within one year	**3.5**	2.8
– Between two and five years, inclusive	**13.2**	1.8
– After five years	**3.1**	0.1
Subtotal	**19.8**	4.7
Plant and Equipment		
– Within one year	**2.0**	2.9
– Between two and five years, inclusive	**4.6**	4.5
Subtotal	**6.6**	7.4
Total	**26.4**	12.1

At 31 December 2011, the Company did not have any leasing commitments (2010: Nil).

(C) Contingent Liabilities

(a) At 31 December 2011, except for US$85.1 million (2010: US$68.6 million) guarantees given by Indofood for loan facilities obtained by certain plantation farmers in relation to arrangements for those farmers' production and sale of FFB to Indofood, neither the Group nor the Company had any significant contingent liabilities (2010: Nil). At 31 December 2011, the contingent liabilities at the Company in respect of its guarantees given to certain banks in connection with the loan facilities granted to certain wholly-owned subsidiary companies of the Company amounted to US$21.9 million (2010: US$71.1 million), which represents the total amount of guarantees it had given for these facilities less its amounts due to these wholly-owned subsidiary companies.

(b) On 29 June 2011, the Supreme Court of the Philippines promulgated a decision (the Decision) in the case of Wilson P. Gamboa vs. Finance Secretary Margarito B. Teves, et. al. (G.R. No. 176579) (the "Gamboa Case"), where the Supreme Court held that "the term 'capital' in Section 11, Article XII of the 1987 Constitution refers only to shares of stock entitled to vote in the election of directors and thus only to voting common shares, and not to the total outstanding capital stock (common and non-voting preferred shares)". The Decision of the Supreme Court reversed earlier opinions issued by the Philippine Securities and Exchange Commission (SEC) that non-voting preferred shares are included in determining compliance by a public utility, like PLDT, with the requirement under Section 11, Article XII of the 1987 Constitution that at least 60% of the capital of the public utility be owned by Filipinos and no more than 40% of the capital of such public utility be owned by foreigners.

While PLDT is not a party to the Gamboa Case, the Supreme Court directed the Philippine SEC in the Gamboa Case "to apply this definition of the term 'capital' in determining the extent of allowable foreign ownership in Philippine Long Distance Telephone Company, and if there is a violation of Section 11, Article XII of the Constitution, to impose the appropriate sanctions under the law."

As at 20 March 2012, the case is set for oral arguments on 17 April 2012. To the best of the Company's knowledge, the Philippine SEC has not commenced any proceeding to determine if PLDT is in violation of Section 11, Article XII of the 1987 Constitution. A finding by the Philippine SEC that there is a violation of Section 11, Article XII of the 1987 Constitution by PLDT may subject the latter to sanctions under Philippine law, including possible revocation of its franchise.

Nonetheless, on 5 July 2011, the Board of Directors of PLDT approved the amendments to the Seventh Article of PLDT's Articles of Incorporation consisting of the sub-classification of its authorized preferred capital into preferred shares with full voting rights, or Voting Preferred Shares, and serial preferred shares without voting rights, and other conforming amendments, or Amendments to the Articles. The Amendments to the Articles is subject to the approval by the stockholders of PLDT and the Philippine SEC. Upon approval of the Amendments to the Articles by the stockholders of PLDT and the Philippine SEC, up to 150,000,000 Voting Preferred Shares could be initially issued by the Board to, among others, Philippine citizens and Philippine corporations at least 60% of the capital stock entitled to vote is owned or held by such citizens, as and when the Board determines such issuance to be necessary to avoid any disruptions on PLDT's operations and transactions and to protect the interests of PLDT and its stakeholders. Upon issuance of such Voting Preferred Shares to Filipinos and Filipino-owned entities, the total foreign equity in the total resulting voting shares of PLDT will be reduced from the current 59% to about 35%. A Special Meeting of Stockholders of PLDT was scheduled on 20 September 2011, at which meeting the Amendments to the Articles were supposed to be submitted to PLDT's stockholders for approval. However, the Special Meeting was cancelled due to an anticipated lack of quorum. The Board of Directors of PLDT called for another Special Meeting of Stockholders of PLDT which will be held on 22 March 2012 for the purpose of presenting the Amendments to the Articles to the stockholders for their consideration and approval.

33. Employees' Benefits

(A) Remuneration

	Consolidated	
US$ millions	**2011**	2010
Basic salaries	**325.5**	298.3
Bonuses	**66.3**	53.4
Benefits in kind	**51.3**	49.5
Pension contributions	**55.0**	50.1
Retirement and severance allowances	**8.4**	4.6
Equity-settled share option expense	**4.8**	7.2
Total (Note 6)	**511.3**	463.1
Average Number of Employees	**71,457**	70,121

The above includes the remuneration of the Directors. Detailed disclosures in respect of the Directors' remuneration are set out in Note 34(A) to the Consolidated Financial Statements.

(B) Retirement Benefits

The Group operates both defined contribution and defined benefit schemes. In addition, the Group has made provisions for estimated liabilities for employee benefits for meeting the minimum benefits required to be paid to the qualified employees as required under Indonesia's labour law.

(a) Defined contribution schemes

The Group operates five (2010: five) defined contribution schemes covering approximately 16,831 (2010: 17,690) employees. The assets of these schemes are held separately from the Group and are administered by independent trustees. Contributions to the schemes, either by the Group or by the employees, are determined by reference to the employees' salaries and length of service and range from 0% to 10% (2010: 0% to 10%). Under the terms of the schemes, the Group cannot be requested to make additional payments over and above these levels of contributions. In three (2010: three) of the schemes, forfeited contributions may be used to reduce the existing levels of employer contributions and, in 2011, no amount (2010: Nil) was used for this purpose. At 31 December 2011, the forfeited contributions had been fully utilized.

(b) Defined benefit schemes and estimated liabilities for employee benefits

The Group operates nine (2010: seven) defined benefit schemes covering approximately 5,894 (2010: 4,153) employees. The assets of all 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 the actuaries of PT Sentra Jasa Aktuaria (a member of the Fellow Society of Actuary of Indonesia and Expert in Life Insurance in Indonesia), Actuarial Advisers, Inc., Institutional Synergy, Inc., FASP and E.M. Zalamea Actuarial Services, Inc. (members of the Actuary Society of the Philippines), were based on the projected unit credit method. The plan assets do not include any financial instruments of the Group or property occupied by, or other assets used by, the Group. At 31 December 2011, the Group's level of funding in respect of its defined benefit schemes was 78.6% (2010: 95.9%).

The Group has made provisions for estimated liabilities for employee benefits covering approximately 47,352 (2010: 47,521) employees. The amounts of such provisions were determined by reference to employees' final salaries and length of service and based on actuarial computations prepared by the actuaries of PT Sentra Jasa Aktuaria and PT Jasa Aktuaria Praptasentosa Gunajasa (members of the Fellow Society of Actuary of Indonesia and Expert in Life Insurance in Indonesia) using the projected unit credit method.

(I) The amounts of liability under defined benefit schemes and estimated liabilities for employee benefits included in the statement of financial position are as follows:

US$ millions	Defined benefit schemes	Estimated liabilities for employee benefits	Consolidated 2011	Consolidated 2010
Present value of defined benefit obligations	(35.9)	(282.6)	**(318.5)**	(292.5)
Fair value of plan assets	28.2	–	**28.2**	25.8
Liability in the Statement of Financial Position	(7.7)	(282.6)	**(290.3)**	(266.7)

(II) The changes in the present value of the defined benefit schemes and estimated liabilities for employee benefits during the year are as follows:

US$ millions	Defined benefit schemes	Estimated liabilities for employee benefits	Consolidated 2011	2010
At 1 January	(26.9)	(262.7)	**(289.6)**	(224.3)
Exchange translation	–	3.6	**3.6**	(13.4)
Current service cost	(2.5)	(20.0)	**(22.5)**	(20.5)
Interest cost on obligation	(2.4)	(24.2)	**(26.6)**	(25.5)
Actuarial (losses)/gains	(5.0)	13.3	**8.3**	(25.5)
Benefit paid	0.9	7.4	**8.3**	16.7
At 31 December	(35.9)	(282.6)	**(318.5)**	(292.5)

(III) The changes in the fair value of plan assets under the defined benefit schemes during the year are as follows:

US$ millions	Consolidated 2011	2010
At 1 January	**25.8**	19.4
Exchange translation	**–**	1.1
Expected return	**2.3**	1.7
Actuarial (losses)/gains	**(0.6)**	0.6
Contributions by employer	**1.6**	3.1
Benefit paid	**(0.9)**	(0.1)
At 31 December	**28.2**	25.8

The overall expected rate of return on assets is determined based on the market prices prevailing on that date applicable to the period over which the obligation is to be settled.

(IV) The major categories of plan assets as a percentage of the fair value of the total plan assets under the defined benefit schemes are as follows:

	Consolidated 2011	2010
Indonesian equities	**27%**	30%
Philippines debt securities	**43%**	36%
Philippines equities	**30%**	34%

(V) Amounts for the current and previous four years for the defined benefit schemes are as follows:

US$ millions	Consolidated 2011	2010	2009	2008	2007
Defined benefit obligations	**(35.9)**	(26.9)	(20.6)	(18.5)	(11.0)
Plan assets	**28.2**	25.8	19.4	11.0	6.3
Deficit	**(7.7)**	(1.1)	(1.2)	(7.5)	(4.7)
Experience adjustments on plan liabilities	**10.5**	11.5	(5.5)	(4.1)	(0.7)
Experience adjustments on plan assets	**(1.1)**	(1.8)	(0.8)	(0.6)	–

(VI) The amount recognized in the income statement is analyzed as follows:

US$ millions	Defined benefit schemes	Estimated liabilities for employee benefits	Consolidated 2011	2010
Current service cost	2.5	20.0	**22.5**	20.5
Interest cost on obligation	2.4	24.2	**26.6**	25.5
Expected return on plan assets	(2.3)	–	**(2.3)**	(1.7)
Net actuarial losses/(gains) recognized in the year	5.6	(13.3)	**(7.7)**	24.9
Total(i)	8.2	30.9	**39.1**	69.2
Actual Return on Plan Assets			**8%**	9%

(i) Included in cost of sales, distribution costs, administrative expenses and other operating income/(expenses), net

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

	Consolidated 2011	2010
Discount rate	**9%**	9%
Expected return on plan assets	**9%**	9%
Future salary increases	**9%**	9%
Future pension increases	**9%**	9%
Average remaining working life of employees (years)	**16.4**	16.2

(VIII) The Group expects to contribute US$1.1 million (2010: US$1.3 million) to its defined benefit pension plans in the next year.

(C) Loans to Officers

During 2011 and 2010, there were no loans made by the Group to officers which require disclosure pursuant to Section 161B of the Hong Kong Companies Ordinance.

34. Directors' and Senior Executives' Remuneration

(A) Directors' Remuneration

The tables below show the remuneration of the Directors on an individual basis.

Directors' Remuneration – 2011

US$'000	Non-performance based Salaries	Non-performance based Other benefits	Non-performance based Pension contributions	Performance based payments[(i)]	Equity-settled share option expense	Fees[(ii)]	Emoluments[(iii)]	2011 Total
Chairman								
Anthoni Salim	2,732	–	–	–	–	25	–	**2,757**
Executive Directors								
Manuel V. Pangilinan, *Managing Director and Chief Executive Officer*	2,644	868	156	2,377	780	–	–	**6,825**
Edward A. Tortorici	1,201	184	724	–	470	–	–	**2,579**
Robert C. Nicholson	1,269	26	2	1,101	400	–	–	**2,798**
Non-executive Directors								
Ambassador Albert F. del Rosario[(iv)]	–	–	–	–	–	246	–	**246**
Tedy Djuhar	–	–	–	–	–	40	–	**40**
Ibrahim Risjad[(v)]	–	–	–	–	–	–	–	**–**
Benny S. Santoso	–	–	–	–	–	115	–	**115**
Napoleon L. Nazareno	1,876	–	–	2,043	–	155	–	**4,074**
Independent Non-executive Directors								
Graham L. Pickles	–	–	–	–	–	85	–	**85**
Prof. Edward K.Y. Chen, *GBS, CBE, JP*	–	–	–	–	–	70	–	**70**
Sir David W.C. Tang, *KBE*[(vi)]	–	–	–	–	–	5	32	**37**
Jun Tang	–	–	–	–	391	50	–	**441**
Dr. Christine K.W. Loh, *JP, OBE, Chevalier de l'Ordre National du Merite*[(vii)]	–	–	–	–	172	25	–	**197**
Total	9,722	1,078	882	5,521	2,213	816	32	**20,264**

(i) Performance based payments comprise performance bonuses and long-term monetary incentive awards
(ii) For meetings attended
(iii) For consultancy services provided to the Company
(iv) Ambassador Albert F. del Rosario resigned from the Board of Directors of the Company with effect from 25 March 2011.
(v) The late Mr. Ibrahim Risjad passed away on 16 February 2012.
(vi) Sir David W. C. Tang retired from the Board of Directors of the Company with effect from 1 June 2011.
(vii) Dr. Christine K.W. Loh was appointed as an Independent Non-Executive Director of the Company on 1 June 2011.

Directors' Remuneration – 2010

US$'000	Non-performance based Salaries	Other benefits	Pension contributions	Performance based payments(i)	Equity-settled share option expense	Fees(ii)	Emoluments(iii)	2010 Total
Chairman								
Anthoni Salim	2,145	–	–	–	–	15	–	2,160
Executive Directors								
Manuel V. Pangilinan, *Managing Director and Chief Executive Officer*	2,281	843	142	2,470	1,449	–	–	7,185
Edward A. Tortorici	753	167	724	–	851	–	–	2,495
Robert C. Nicholson	1,119	24	2	1,000	831	–	–	2,976
Non-executive Directors								
Ambassador Albert F. del Rosario(iv)	–	–	–	–	3	221	–	224
Sutanto Djuhar(v)	–	–	–	–	–	–	–	–
Tedy Djuhar	–	–	–	–	–	60	–	60
Ibrahim Risjad(vi)	–	–	–	–	–	5	–	5
Benny S. Santoso	–	–	–	–	–	113	–	113
Napoleon L. Nazareno	1,668	–	–	3,099	777	103	–	5,647
Independent Non-executive Directors								
Graham L. Pickles	–	–	–	–	–	85	–	85
Prof. Edward K.Y. Chen, *GBS, CBE, JP*	–	–	–	–	–	85	–	85
Sir David W.C. Tang, *KBE* (vii)	–	–	–	–	–	35	77	112
Jun Tang	–	–	–	–	414	55	–	469
Total	7,966	1,034	868	6,569	4,325	777	77	21,616

(i) Performance based payments comprise performance bonuses and long-term monetary incentive awards
(ii) For meetings attended
(iii) For consultancy services provided to the Company
(iv) Ambassador Albert F. del Rosario resigned from the Board of Directors of the Company with effect from 25 March 2011.
(v) Sutanto Djuhar retired from the Board of Directors of the Company with effect from 31 May 2010.
(vi) The late Mr. Ibrahim Risjad passed away on 16 February 2012.
(vii) Sir David W. C. Tang retired from the Board of Directors of the Company with effect from 1 June 2011.

Included within the total Directors' remuneration is an amount of US$1.5 million (2010: US$1.3 million) paid by PLDT, an associated company, in respect of the services of the Managing Director and Chief Executive Officer.

(B) Senior Executives' Remuneration

Similar remuneration schemes operate for the senior executives of the Group. In 2010 and 2011, none of the senior executives were among the Group's five highest earning employees. All of the five highest earning employees were the Company's Directors in 2010 and 2011.

(C) Key Management Personnel Compensation

US$ millions	Consolidated 2011	2010
Non-performance based		
– Salaries and benefits	**50.6**	43.1
– Pension contributions	**1.8**	1.5
Performance based		
– Bonuses and long-term monetary incentive awards	**30.7**	26.3
Equity-settled share option expense	**4.8**	7.2
Fees	**0.8**	0.8
Total	**88.7**	78.9

(D) Share Options

Particulars of the share options of the Company and its subsidiary company granted to the Directors and senior executives of the Company and its subsidiary company at 31 December 2011 are set out below.

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

	Share options held at 1 January 2011	Share options exercised during the year	Share options granted during the year	**Share options held at 31 December 2011**	Share option exercise price per option[i] (HK$)	Market price per share at the date of grant[i] (HK$)	Market price per share during the period of exercise[i] (HK$)	Grant date	Fully vested by	Exercisable from	Exercisable until
Executive Directors											
Manuel V. Pangilinan	31,831,556	–	–	**31,831,556**	5.0569	5.0569	–	5 September 2007	September 2012	September 2008	September 2017
Edward A. Tortorici	11,483,256	(5,000,000)	–	**6,483,256**	5.0569	5.0569	7.98	5 September 2007	September 2012	September 2008	September 2017
Robert C. Nicholson	10,000,000	(5,000,000)	–	**5,000,000**	1.6698	1.6698	8.01–8.43	1 June 2004	December 2008	June 2005	May 2014
	16,337,388	–	–	**16,337,388**	5.0569	5.0569	–	5 September 2007	September 2012	September 2008	September 2017
Non-Executive Directors											
Ambassador Albert F. del Rosario[ii]	3,330,719	(3,330,719)	–	**–**	5.0569	5.0569	6.82–7.13	5 September 2007	September 2008	September 2008	September 2017
Benny S. Santoso	2,993,431	–	–	**2,993,431**	1.6698	1.6698	–	1 June 2004	June 2005	June 2005	May 2014
	3,330,719	–	–	**3,330,719**	5.0569	5.0569	–	5 September 2007	September 2008	September 2008	September 2017
Napoleon L. Nazareno	3,330,000	–	–	**3,330,000**	5.0569	4.61	–	11 December 2009	December 2010	December 2010	December 2019
Independent Non-Executive Directors											
Graham L. Pickles	3,330,719	–	–	**3,330,719**	5.0569	5.0569	–	5 September 2007	September 2008	September 2008	September 2017
Prof. Edward K.Y. Chen, *GBS, CBE, JP*	1,412,394	(1,000,000)	–	**412,394**	1.6698	1.6698	8.33–8.43	1 June 2004	June 2005	June 2005	May 2014
	3,330,719	–	–	**3,330,719**	5.0569	5.0569	–	5 September 2007	September 2008	September 2008	September 2017
Sir David W. C. Tang, *KBE*[iii]	2,330,719	(2,330,719)	–	**–**	5.0569	5.0569	6.76–6.96	5 September 2007	September 2008	September 2008	September 2017
Jun Tang	3,330,000	–	–	**3,330,000**	5.0569	4.61	–	11 December 2009	December 2011	December 2011	December 2019
Dr. Christine K.W. Loh, *JP, OBE, Chevalier de l'Ordre National du Merite*[iv]	–	–	3,330,000	**3,330,000**	7.44	7.44	–	30 August 2011	August 2013	August 2013	August 2021
Senior Executives	14,241,158	(5,258,315)	–	**8,982,843**	1.6698	1.6698	7.07–8.62	1 June 2004	December 2008	June 2005	May 2014
	2,743,113	(1,000,000)	–	**1,743,113**	3.1072	3.0834	7.65–8.62	7 June 2006	December 2010	June 2007	June 2016
	44,500,938	(2,000,000)	–	**42,500,938**	5.0569	5.0569	6.65–9.05	5 September 2007	September 2012	September 2008	September 2017
	5,400,000	–	–	**5,400,000**	5.31	5.31	–	18 June 2010	June 2014	June 2012	June 2020
Total	163,256,829	(24,919,753)	3,330,000	**141,667,076** [v]							

(i) Adjusted for the effect of the Company's rights issue completed in December 2009 for the prices prior to the trading of the Company's shares on an ex-rights basis on 29 October 2009.
(ii) Ambassador Albert F. del Rosario resigned from the Board of Directors of the Company with effect from 25 March 2011.
(iii) Sir David W. C. Tang retired from the Board of Directors of the Company with effect from 1 June 2011.
(iv) Dr. Christine K.W. Loh was appointed as an Independent Non-Executive Director of the Company on 1 June 2011.
(v) The number of outstanding options vested and exercisable at 31 December 2011 was 110,566,430.

	Share options held at 1 January 2010	Share options exercised during the year	Share options granted during the year	Share options held at 31 December 2010	Share option exercise price per option[i] (HK$)	Market price per share at the date of grant[i] (HK$)	Market price per share during the period of exercise[i] (HK$)	Grant date	Fully vested by	Exercisable from	Exercisable until
Executive Directors											
Manuel V. Pangilinan	33,517,996	(33,517,996)	–	–	1.6698	1.6698	5.07–7.09	1 June 2004	December 2008	June 2005	May 2014
	31,831,556	–	–	31,831,556	5.0569	5.0569	–	5 September 2007	September 2012	September 2008	September 2017
Edward A. Tortorici	19,183,256	(7,700,000)	–	11,483,256	5.0569	5.0569	7.00	5 September 2007	September 2012	September 2008	September 2017
Robert C. Nicholson	14,756,351	(4,756,351)	–	10,000,000	1.6698	1.6698	4.76–5.44	1 June 2004	December 2008	June 2005	May 2014
	16,337,388	–	–	16,337,388	5.0569	5.0569	–	5 September 2007	September 2012	September 2008	September 2017
Non-Executive Directors											
Ambassador Albert F. del Rosario[ii]	2,993,431	(2,993,431)	–	–	1.6698	1.6698	7.00–7.47	1 June 2004	June 2005	June 2005	May 2014
	3,330,719	–	–	3,330,719	5.0569	5.0569	–	5 September 2007	September 2008	September 2008	September 2017
Benny S. Santoso	2,993,431	–	–	2,993,431	1.6698	1.6698	–	1 June 2004	June 2005	June 2005	May 2014
	3,330,719	–	–	3,330,719	5.0569	5.0569	–	5 September 2007	September 2008	September 2008	September 2017
Napoleon L. Nazareno	3,330,000	–	–	3,330,000	5.0569	4.61	–	11 December 2009	December 2010	December 2010	December 2019
Independent Non-Executive Directors											
Graham L. Pickles	3,330,719	–	–	3,330,719	5.0569	5.0569	–	5 September 2007	September 2008	September 2008	September 2017
Prof. Edward K.Y. Chen, *GBS, CBE, JP*	1,412,394	–	–	1,412,394	1.6698	1.6698	–	1 June 2004	June 2005	June 2005	May 2014
	3,330,719	–	–	3,330,719	5.0569	5.0569	–	5 September 2007	September 2008	September 2008	September 2017
Sir David W. C. Tang, *KBE* [iii]	3,330,719	(1,000,000)	–	2,330,719	5.0569	5.0569	6.67–7.25	5 September 2007	September 2008	September 2008	September 2017
Jun Tang	3,330,000	–	–	3,330,000	5.0569	4.61	–	11 December 2009	December 2011	December 2011	December 2019
Senior Executives	30,600,455	(16,359,297)	–	14,241,158	1.6698	1.6698	5.12–7.14	1 June 2004	December 2008	June 2005	May 2014
	4,743,113	(2,000,000)	–	2,743,113	3.1072	3.0834	5.14–5.26	7 June 2006	December 2010	June 2007	June 2016
	44,500,938	–	–	44,500,938	5.0569	5.0569	–	5 September 2007	September 2012	September 2008	September 2017
	–	–	5,400,000	5,400,000	5.31	5.31	–	18 June 2010	June 2014	June 2012	June 2020
Total	226,183,904	(68,327,075)	5,400,000	163,256,829 [iv]							

(i) Adjusted for the effect of the Company's rights issue completed in December 2009 for the prices prior to the trading of the Company's shares on an ex-rights basis on 29 October 2009.
(ii) Ambassador Albert F. del Rosario resigned from the Board of Directors of the Company with effect from 25 March 2011.
(iii) Sir David W. C. Tang retired from the Board of Directors of the Company with effect from 1 June 2011.
(iv) The number of outstanding share options vested and exercisable at 31 December 2010 was 109,785,560.

At the AGM held on 24 May 2004, the Company's shareholders approved a share option scheme (the Scheme) under which the Directors may, at their discretion, at any time during the life of the Scheme, grant Directors and executives of the Company's share options as part of the Company's long-term incentive program. The Scheme, which complies with the provisions set out in Chapter 17 of the Listing Rules, became effective on 24 May 2004. The Scheme will be valid for 10 years and will expire on 23 May 2014.

The maximum number of shares on which options may be granted may not exceed 10% of the Company's issued share capital as at the date of approval of the Scheme by the shareholders. The maximum number of shares in respect of which options may be granted under the Scheme to any one participant in any 12-month period is limited to 1% of the aggregate number of shares of the Company in issue at the time of the proposed grant of options to such participant.

The exercise price in relation to each share option offer shall be determined by the Directors at their absolute discretion, but in any event shall not be less than the highest of (i) the closing price of the Company's shares as stated in the daily quotation sheet of the SEHK on the date of grant; (ii) the average closing price of the Company's shares as stated in the daily quotation sheets of the SEHK for the five trading days immediately preceding the date of grant; and (iii) the nominal value of the Company's share on the date of grant. The terms of the Scheme provide that subject to any other restrictions on vesting imposed by the Directors, share options may be exercised under the Scheme at any time from the date of acceptance until the date of expiry. All options presently outstanding under the Scheme are subject to certain restrictions on exercise including a prohibition on exercise at any time during the period commencing one year after the date on which any option is accepted. Options which lapse or are 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. The average fair value of options granted as calculated by Watson Wyatt Hong Kong Limited, a Towers Watson Company, based on the binomial model, was HK$0.849 per share or an aggregate value of US$14.6 million for all options granted. The assumptions used were as follows:

Share price at the date of grant (before adjusting for the effect of the Company's 2009 rights issue)	HK$1.76 per share[(i)]
Exercise price (before adjusting for the effect of the Company's 2009 rights issue)	HK$1.76 per share[(i)]
Expected volatility (based on historical volatility of the Company's shares commensurate with the average expected life of the options granted)	55%
Option life	10 years
Expected dividend yield	1% per annum
Average risk-free interest rate (based on the Hong Kong Exchange Fund Notes)	4.06% per annum

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

On 7 June 2006, 4,500,000 share options under the Company's Scheme were granted. The average fair value of options granted as calculated by Watson Wyatt Hong Kong Limited, a Towers Watson Company, based on the binomial model, was HK$1.554 per share or an aggregate value of US$0.9 million for all options granted. The assumptions used were as follows:

Share price at the date of grant (before adjusting for the effect of the Company's 2009 rights issue)	HK$3.25 per share[(ii)]
Exercise price (before adjusting for the effect of the Company's 2009 rights issue)	HK$3.275 per share[(iii)]
Expected volatility (based on historical volatility of the Company's shares commensurate with the average expected life of the options granted)	50%
Option life	10 years
Expected dividend yield	1% per annum
Average risk-free interest rate (based on the Hong Kong Exchange Fund Notes)	4.71% per annum

Taking into account the expected turnover rate of the senior executives and the early exercise behavior, the average expected life of the options granted was estimated to be around 6.79 years. The early exercise behavior assumes that option holders will exercise the options when the share price is at least 100% higher than the exercise price.

On 5 September 2007, 121,920,000 share options under the Company's Scheme were granted. The average fair value of options granted as calculated by Watson Wyatt Hong Kong Limited, a Towers Watson Company, based on the binomial model, was HK$2.596 per share or an aggregate value of US$40.6 million for all options granted. The assumptions used were as follows:

Share price at the date of grant (before adjusting for the effect of the Company's 2009 rights issue)	HK$5.33 per share[(iv)]
Exercise price (before adjusting for the effect of the Company's 2009 rights issue)	HK$5.33 per share[(iv)]
Expected volatility (based on historical volatility of the Company's shares commensurate with the average expected life of the options granted)	45%
Option life	10 years
Expected dividend yield	1% per annum
Average risk-free interest rate (based on the Hong Kong Exchange Fund Notes)	4.40% per annum

(i) HK$1.6698 after adjusting for the effect of the Company's rights issue in 2009
(ii) HK$3.0834 after adjusting for the effect of the Company's rights issue in 2009
(iii) HK$3.1072 after adjusting for the effect of the Company's rights issue in 2009
(iv) HK$5.0569 after adjusting for the effect of the Company's rights issue in 2009

Taking into account the expected turnover rate of the Directors and senior executives and the early exercise behavior, the average expected life of the options granted was estimated to be around 7.6 years. The early exercise behavior assumes that option holders will exercise the options when the share price is at least 150% higher than the exercise price.

On 11 December 2009, 6,660,000 share options under the Company's Scheme were granted. The average fair value of options granted as calculated by Watson Wyatt Hong Kong Limited, a Towers Watson Company, based on the binomial model, was HK$1.935 per share or an aggregate value of US$1.7 million for all options granted. The assumptions used were as follows:

Share price at the date of grant	HK$4.61 per share
Exercise price	HK$5.0569 per share
Expected volatility (based on historical volatility of the Company's shares commensurate with the average expected life of the options granted)	45%
Option life	10 years
Expected dividend yield	2% per annum
Average risk-free interest rate (based on the Hong Kong Exchange Fund Notes)	2.20% per annum

Taking into account the expected turnover rate of the Directors and the early exercise behavior, the average expected life of the options granted was estimated to be around 8 years. The early exercise behavior assumes that option holders will exercise the options when the share price is at least 250% higher than the exercise price.

On 18 June 2010, 5,400,000 share options under the Company's Scheme were granted. The average fair value of options granted as calculated by Towers Watson Hong Kong Limited, based on the binomial model, was HK$2.28 per share or an aggregate value of US$1.6 million for all options granted. The assumptions used were as follows:

Share price at the date of grant	HK$5.31 per share
Exercise price	HK$5.31 per share
Expected volatility (based on historical volatility of the Company's shares commensurate with the average expected life of the options granted)	45%
Option life	10 years
Expected dividend yield	2% per annum
Average risk-free interest rate (based on the Hong Kong Exchange Fund Notes)	2.3% per annum

Taking into account the expected turnover rate of the senior executives and the early exercise behavior, the average expected life of the options granted was estimated to be around 8 years. The early exercise behavior assumes that option holders will exercise the options when the share price is at least 250% higher than the exercise price.

On 30 August 2011, 3,330,000 share options under the Company's Scheme were granted. The average fair value of options granted as calculated by Towers Watson Hong Kong Limited, based on the binomial model, was HK$2.63 per share or an aggregate value of US$1.1 million for all options granted. The assumptions used were as follows:

Share price at the date of grant	HK$7.44 per share
Exercise price	HK$7.44 per share
Expected volatility (based on historical volatility of the Company's shares commensurate with the average expected life of the options granted)	40%
Option life	10 years
Expected dividend yield	2.3% per annum
Average risk-free interest rate (based on the Hong Kong Exchange Fund Notes)	1.3% per annum

Taking into account the expected turnover rate of the Directors and the early exercise behavior, the average expected life of the options granted was estimated to be around 7.2 years. The early exercise behavior assumes that option holders will exercise the options when the share price is at least 210% higher than the exercise price.

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

Details of the Group's accounting policy in respect of the share options granted are set out in Note 2(D)(r)(III) to the financial statements.

(b) Particulars of MPIC's Share Option Scheme

	Share options held at 1 January 2011	Share options exercised during the year	Share options granted during the year	**Share options held at 31 December 2011**	Share option exercise price per option (Peso)	Market price per share at the date of grant (Peso)	Market price per share during the period of exercise (Peso)	Grant date	Fully vested by	Exercisable from	Exercisable until
Executive Directors											
Robert C. Nicholson	10,000,000	–	–	**10,000,000**	2.73	2.65	–	2 July 2010	July 2013	January 2011	July 2015
Senior Executives	26,075,000	–	–	**26,075,000**	2.12	2.10	–	9 December 2008	January 2010	January 2009	January 2013
	29,500,000	(500,000)	–	**29,000,000**	2.73	2.65	3.60	10 March 2009	March 2010	March 2009	March 2013
	84,300,000	(1,560,000)	–	**82,740,000**	2.73	2.65	3.20–3.60	2 July 2010	July 2013	January 2011	July 2015
	10,000,000	–	–	**10,000,000**	3.50	3.47	–	21 December 2010	August 2013	August 2011	August 2015
	–	–	1,000,000	**1,000,000**	3.53	3.53	–	8 March 2011	March 2014	March 2012	March 2016
	–	–	3,000,000	**3,000,000**	3.66	3.66	–	14 April 2011	April 2013	April 2012	April 2016
Total	159,875,000	(2,060,000)	4,000,000	**161,815,000**(i)							

(i) The number of outstanding share options vested and exercisable at 31 December 2011 was 97,305,000.

	Share options held at 1 January 2010	Share options exercised during the year	Share options granted during the year	Share options cancelled during the year	Share options held at 31 December 2010	Share option exercise price per option (Peso)	Market price per share at the date of grant (Peso)	Market price per share during the period of exercise (Peso)	Grant date	Fully vested by	Exercisable from	Exercisable until
Executive Directors												
Manuel V. Pangilinan	7,500,000	(7,500,000)	–	–	–	2.12	2.10	4.00	9 December 2008	January 2010	January 2009	January 2013
	7,500,000	(7,500,000)	–	–	–	2.73	2.65	4.00	10 March 2009	March 2010	March 2009	March 2013
Edward A. Tortorici	5,000,000	(5,000,000)	–	–	–	2.12	2.10	3.88	9 December 2008	January 2010	January 2009	January 2013
	5,000,000	(5,000,000)	–	–	–	2.73	2.65	3.88	10 March 2009	March 2010	March 2009	March 2013
Ambassador Albert F. del Rosario(i)	2,500,000	(2,500,000)	–	–	–	2.12	2.10	3.69	9 December 2008	January 2010	January 2009	January 2013
	2,500,000	(2,500,000)	–	–	–	2.73	2.65	3.69	10 March 2009	March 2010	March 2009	March 2013
Robert C. Nicholson	–	–	10,000,000	–	10,000,000	2.73	2.65	–	2 July 2010	July 2013	January 2011	July 2015
Senior Executives	36,135,000	(2,310,000)	–	(7,750,000)	26,075,000	2.12	2.10	2.95–4.34	9 December 2008	January 2010	January 2009	January 2013
	37,870,000	–	–	(8,370,000)	29,500,000	2.73	2.65	–	10 March 2009	March 2010	March 2009	March 2013
	–	–	84,300,000	–	84,300,000	2.73	2.65	–	2 July 2010	July 2013	January 2011	July 2015
	–	–	10,000,000	–	10,000,000	3.50	3.47	–	21 December 2010	August 2013	August 2011	August 2015
Total	104,005,000	(32,310,000)	104,300,000	(16,120,000)	159,875,000(ii)							

(i) Ambassador Albert F. del Rosario resigned from the Board of Directors of the Company with effect from 25 March 2011.
(ii) The number of outstanding share options vested and exercisable at 31 December 2010 was 55,575,000.

At the AGM held on 1 June 2007, the Company's shareholders approved a share option scheme under which MPIC's directors may, at their discretion, invite executives of MPIC upon the regularization of employment of eligible executives, to take up share options of MPIC to obtain an ownership interest in MPIC and for the purpose of long-term employment motivation. The scheme was subsequently approved by MPIC's shareholders and became effective on 14 June 2007 and would be valid for 10 years. At a special shareholders' meeting of MPIC held on 20 February 2009, MPIC's shareholders approved the amendments to MPIC's share option scheme which include (i) a refreshment of the number of MPIC options that may be granted to take into account of the increase in the capital stock of MPIC or other changes to its capital structure which have either been approved by the shareholders, implemented, in progress, or which may potentially be approved or implemented in the future; and (ii) the inclusion in MPIC's share option plan of a requirement for MPIC to comply with the relevant corporate requirements and regulations applicable to MPIC's parent company. The amendments and the maximum number of MPIC's share options of 941,676,681 (representing 10% of MPIC's shares in issue at the date of approval of the proposed refreshment) were subsequently approved by the Company's shareholders in the AGM held on 3 June 2009.

The maximum number of shares on which options may be granted under the scheme may not exceed 10% of the issued share capital of MPIC at 1 June 2007 (subsequently refreshed to a maximum number of 941,676,681 during 2009 as mentioned above), the date on which the MPIC's share option scheme was approved by the Company's shareholders on the AGM held on 1 June 2007. The aggregate number of shares which may be issued upon exercise of the options granted and to be granted to any eligible participant (whether or not already an option holder) in any 12-month period shall not exceed 1% of the shares in issue at the relevant time.

The exercise price in relation to each option granted under the scheme shall be determined by MPIC's directors at their absolute discretion, but in any event shall not be less than (i) the closing price of MPIC's shares for one or more board lots of such MPIC's shares on the PSE on the option grant date; (ii) the average closing price of MPIC's shares for one or more board lots of such MPIC's shares on the PSE for the five business days on which dealings in the MPIC's shares are made immediately preceding the option grant date; or (iii) the par value of the MPIC's shares, whichever is the highest.

On 9 December 2008, 61,000,000 share options under MPIC's scheme were granted. The average fair value of options granted, as calculated based on the Black-Scholes-Merton formula, was Peso 0.37 per share or an aggregate value of Pesos 22.8 million (US$0.5 million) for all options granted. The assumptions used were as follows:

Share price at the date of grant	Pesos 2.10 per share
Exercise price	Pesos 2.12 per share
Expected volatility (based on historical volatility of the MPIC's shares commensurate with the average expected life of the options granted)	76%
Option life	4 years
Expected dividend yield	Nil
Average risk-free interest rate (based on the Philippine government zero coupon bond)	6.26% per annum

On 10 March 2009, 62,924,245 share options under MPIC's scheme were granted. The average fair value of options granted, as calculated based on the Black-Scholes-Merton formula, was Peso 0.51 per share or an aggregate value of Pesos 31.8 million (US$0.7 million) for all options granted. The assumptions used were as follows:

Share price at the date of grant	Pesos 2.65 per share
Exercise price	Pesos 2.73 per share
Expected volatility (based on historical volatility of the MPIC's shares commensurate with the average expected life of the options granted)	64%
Option life	4 years
Expected dividend yield	Nil
Average risk-free interest rate (based on the Philippine government zero coupon bond)	4.53% per annum

On 2 July 2010, 94,300,000 share options under MPIC's scheme were granted. The average fair value of options granted, as calculated based on the Black-Scholes-Merton formula, was Peso 0.78 per share or an aggregate value of Pesos 73.3 million (US$1.6 million) for all options granted. The assumptions used were as follows:

Share price at the date of grant	Pesos 2.65 per share
Exercise price	Pesos 2.73 per share
Expected volatility (based on historical volatility of the MPIC's shares commensurate with the average expected life of the options granted)	63%
Option life	5 years
Expected dividend yield	0.38%
Average risk-free interest rate (based on the Philippine government zero coupon bond)	4.91% per annum

On 21 December 2010, 10,000,000 share options under MPIC's scheme were granted. The average fair value of options granted, as calculated based on the Black-Scholes-Merton formula, was Peso 1.13 per share or an aggregate value of Pesos 11.2 million (US$0.2 million) for all options granted. The assumptions used were as follows:

Share price at the date of grant	Pesos 3.47 per share
Exercise price	Pesos 3.50 per share
Expected volatility (based on historical volatility of the MPIC's shares commensurate with the average expected life of the options granted)	63%
Option life	5 years
Expected dividend yield	0.29%
Average risk-free interest rate (based on the Philippine government zero coupon bond)	2.73% per annum

On 8 March 2011, 1,000,000 share options under MPIC's scheme were granted. The average fair value of options granted, as calculated based on the Black-Scholes-Merton formula, was Peso 1.19 per share or an aggregate value of Pesos 1.2 million (US$0.03 million) for all options granted. The assumptions used were as follows:

Share price at the date of grant	Pesos 3.53 per share
Exercise price	Pesos 3.53 per share
Expected volatility (based on historical volatility of the MPIC's shares commensurate with the average expected life of the options granted)	55%
Option life	5 years
Expected dividend yield	0.4%
Average risk-free interest rate (based on the Philippine government zero coupon bond)	3.98% per annum

On 14 April 2011, 3,000,000 share options under MPIC's scheme were granted. The average fair value of options granted, as calculated based on the Black-Scholes-Merton formula, was Peso 0.95 per share or an aggregate value of Pesos 2.8 million (US$0.1 million) for all options granted. The assumptions used were as follows:

Share price at the date of grant	Pesos 3.66 per share
Exercise price	Pesos 3.66 per share
Expected volatility (based on historical volatility of the MPIC's shares commensurate with the average expected life of the options granted)	50%
Option life	5 years
Expected dividend yield	0.4%
Average risk-free interest rate (based on the Philippine government zero coupon bond)	2.94% per annum

The Black-Scholes-Merton formula, applied for determining the estimated values of the share options granted under MPIC's scheme, requires input of higher subjective assumptions, including the expected stock price volatility. 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 the share options granted are set out in Note 2D(r)(III) to the Consolidated Financial Statements.

35. Related Party Transactions

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

(A) In April 2011, the Company purchased US$30.0 million of U.S. dollars from Philex at an exchange rate of Pesos 43.06 per U.S. dollar for converting part of the Company's peso-denominated funds into U.S. dollars for working capital requirements.

(B) In October 2011, MPIC acquired a 100% interest in CVHMC for a consideration of Pesos 300 million (US$6.9 million) from its 34.5%-owned associated company, MDI.

(C) Asia Link B.V. (ALBV), a wholly-owned subsidiary company of the Company, has a technical assistance agreement with Smart Communications, Inc. (Smart), a wholly-owned subsidiary company of PLDT, for ALBV to provide Smart with technical support services and assistance in the operations and maintenance of cellular mobile telecommunications services for a period of four years from 23 February 2008, subject to renewal upon mutual agreement between the parties. The agreement provides for payments of technical service fees equivalent to 1% (2010: 1%) of the consolidated net revenue of Smart.

The fee under the above arrangement amounted to Pesos 581 million (US$13.4 million) for the year ended 31 December 2011 (2010: Pesos 615 million or US$13.7 million). At 31 December 2011, the outstanding technical service fee payable amounted to Pesos 234 million (US$5.4 million) (2010: Pesos 90 million or US$2.1 million).

(D) At 31 December 2011, Mr. Robert C. Nicholson, a Director of the Company, owned US$400,000 (2010: US$400,000) of bonds due 2017 issued by FPMH Finance Limited and US$200,000 (2010: US$200,000) of bonds due 2020 issued by FPT Finance Limited, both of which are wholly-owned subsidiary companies of the Company. For the year ended 31 December 2011, Mr. Nicholson received interest income of US$42,250 (2010: Nil) on these bonds.

(E) In the ordinary course of business, Indofood has engaged in trade transactions with certain of its associated companies, joint ventures and affiliated companies under certain framework agreements which are related to the Salim Family either through its control or joint control. Mr. Anthoni Salim is the Chairman and a substantial shareholder of the Company and is the President Director and Chief Executive Officer of Indofood.

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

Nature of Transactions

	Consolidated	
For the year ended 31 December US$ millions	**2011**	2010 (Restated)[(i)]
Income Statement Items		
Sales of finished goods		
– to associated companies and joint ventures	**60.3**	48.0
– to affiliated companies	**88.4**	67.3
Purchases of raw materials		
– from associated companies and joint ventures	**94.2**	55.9
– from affiliated companies	**33.4**	23.6
Management and technical services fee income and royalty income		
– from associated companies and joint ventures	**2.1**	1.6
– from affiliated companies	**14.5**	10.0
Insurance expenses		
– to affiliated companies	**3.9**	2.2
Rental expenses		
– to affiliated companies	**1.4**	1.2
Transportation and pump services expenses		
– to affiliated companies	**0.6**	0.1

(i) Refer to Note 2(B)

Approximately 3% (2010: 3%) of Indofood's sales and 3% (2010: 3%) of its purchases were transacted with these related parties.

Nature of Balances

At 31 December US$ millions	Consolidated 2011	 2010 (Restated)[i]
Statement of Financial Position Items		
Accounts receivable – trade		
– from associated companies and joint ventures	**4.7**	3.5
– from affiliated companies	**23.4**	11.3
Accounts receivable – non-trade		
– from associated companies and joint ventures	**3.2**	1.9
– from affiliated companies	**13.1**	11.7
Accounts payable – trade		
– to associated companies and joint ventures	**9.8**	10.3
– to affiliated companies	**2.9**	3.1
Accounts payable – non-trade		
– to associated companies and joint ventures	**–**	0.5
– to affiliated companies	**32.9**	29.1

(i) Refer to Note 2(B)

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 71 to 75.

(F) For the year ended 31 December 2011, MPIC's subsidiary company, Maynilad, entered into certain construction contracts with DMCI Holdings Inc. (DMCI) (a 44.6% shareholder of DMCI-MPIC Water Company, Inc. (DMWC), Maynilad's parent company) for the latter's construction of water infrastructure for Maynilad. On 23 March 2009, Maynilad formally entered into (i) a framework agreement with D.M. Consunji, Inc. (Consunji), a subsidiary company of DMCI, in relation to the provision of engineering, procurement and construction services by Consunji to Maynilad for the period from 23 March 2009 to 31 December 2011 and (ii) a lease agreement with DMCI Project Developers, Inc. (DMCIPD), a subsidiary company of DMCI, for the renting of certain premises in the Makati City by DMCIPD to Maynilad for the period from 1 February 2009 to 31 January 2012. These 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 76.

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

Nature of Transactions

For the year ended 31 December US$ millions	2011	2010
Capital Expenditure Items		
Construction services for water infrastructure	**24.8**	36.5
Income Statement Items		
Rental expenses	**0.1**	0.1

Nature of Balances

At 31 December US$ millions	2011	2010
Statement of Financial Position Items		
Accounts payable – trade	**17.4**	15.5

In January 2009, DMWC extended non-interest bearing cash advances to DMCI amounting to US$5.6 million. At 31 December 2011, the outstanding receivable amounted to US$5.4 million (2010: US$5.4 million).

(G) For the year ended 31 December 2011, MPIC's subsidiary company, MNTC, collected toll fees through TMC, an associated company of MPIC.

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

Nature of Transactions

For the year ended 31 December US$ millions	**2011**	2010
Income Statement Items		
Operator's fee	**36.2**	29.7
Management fee income	**2.0**	1.2
Guarantee income	**0.5**	0.5
Interest income	**0.3**	0.2

Nature of Balances

At 31 December US$ millions	**2011**	2010
Statement of Financial Position Items		
Accounts receivable – trade	**3.7**	2.9
Accounts payable – trade	**6.7**	5.9

(H) For the year ended 31 December 2011, MPIC and its subsidiary companies were charged for electricity expenses by Meralco, an associated company of a Group's joint venture.

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

Nature of Transactions

For the year ended 31 December US$ millions	**2011**	2010
Income Statement Items		
Electricity expenses	**14.5**	11.8

(I) For the year ended 31 December 2011, MPIC received dividend income on preferred shares from Beacon Electric, a joint venture of the Group. In March 2010, MPIC subscribed Pesos 8.01 billion (US$182.7 million) for Beacon Electric's preferred shares and extended non-interest bearing cash advances to Beacon Electric of Pesos 756 million (US$17.3 million).

Nature of Transactions

For the year ended 31 December US$ millions	**2011**	2010
Income Statement Items		
Preferred share dividend income	**6.5**	8.3

Nature of Balances

At 31 December US$ millions	**2011**	2010
Statement of Financial Position Items		
Associated companies and joint ventures		
– Preferred shares, at cost	**182.7**	182.7
– Amounts due from associated companies and joint ventures	**17.3**	17.3

(J) For the year ended 31 December 2011, MPIC and its subsidiary companies have following transactions with PLDT, an associated company of the Group.

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

Nature of Transactions

For the year ended 31 December US$ millions	**2011**	2010
Income Statement Items		
Income from advertising	**0.6**	–
Income from utility facilities	**0.1**	1.4
Voice and data service expenses	**0.5**	0.3
Rental expense	**0.1**	0.1

Nature of Balances

At 31 December US$ millions	**2011**	2010
Statement of Financial Position Items		
Accounts payable – trade	**1.2**	2.0

36. Financial Instruments by Category and Fair Value Hierarchy

(A) Financial Instruments by Category

(a) Financial Assets

	Consolidated						**Company**					
At 31 December	**2011**			2010			**2011**			2010		
US$ millions	**Loans and receivables**	**Available-for-sale financial assets**	**Total**	Loans and receivables	Available-for-sale financial assets	Total	**Loans and receivables**	**Available-for-sale financial assets**	**Total**	Loans and receivables	Available-for-sale financial assets	Total
Accounts and other receivables (Non-current)	**32.5**	**–**	**32.5**	23.8	–	23.8	**–**	**–**	**–**	–	–	–
Available-for-sale assets (Non-current)	**–**	**33.1**	**33.1**	–	13.8	13.8	**–**	**–**	**–**	–	–	–
Pledged deposits (Non-current)	**11.1**	**–**	**11.1**	–	–	–	**–**	**–**	**–**	–	–	–
Other non-current assets	**60.3**	**–**	**60.3**	66.8	–	66.8	**–**	**–**	**–**	–	–	–
Cash and cash equivalents	**1,875.4**	**–**	**1,875.4**	1,538.8	–	1,538.8	**85.4**	**–**	**85.4**	256.2	–	256.2
Assets held for sale	**–**	**–**	**–**	–	–	–	**–**	**–**	**–**	–	7.8	7.8
Pledged deposits and restricted cash (Current)	**43.7**	**–**	**43.7**	53.4	–	53.4	**–**	**–**	**–**	–	–	–
Available-for-sale assets (Current)	**–**	**63.4**	**63.4**	–	62.8	62.8	**–**	**–**	**–**	–	–	–
Accounts and other receivables (Current)	**560.0**	**–**	**560.0**	427.5	–	427.5	**–**	**–**	**–**	–	–	–
Amounts due from subsidiary companies	**–**	**–**	**–**	–	–	–	**2,465.0**	**–**	**2,465.0**	2,079.6	–	2,079.6
Total	**2,583.0**	**96.5**	**2,679.5**	2,110.3	76.6	2,186.9	**2,550.4**	**–**	**2,550.4**	2,335.8	7.8	2,343.6

(b) Financial Liabilities

The following table summarizes the financial liabilities measured at amortized cost at the end of the reporting period.

	Consolidated		Company	
As 31 December US$ millions	**2011 Financial liabilities at amortized cost**	2010 Financial liabilities at amortized cost	**2011 Financial liabilities at amortized cost**	**2010** Financial liabilities at amortized cost
Accounts payable, other payables and accruals	**796.5**	707.5	**–**	–
Short-term borrowings	**1,119.3**	645.4	**–**	–
Current portion of deferred liabilities and provisions	**18.2**	26.9	**–**	–
Long-term borrowings	**2,575.7**	2,793.8	**–**	–
Deferred liabilities and provisions	**207.1**	181.4	**–**	–
Amounts due to subsidiary companies	**–**	–	**928.1**	697.4
Other payables and accruals	**–**	–	**1.1**	0.9
Loans from subsidiary companies	**–**	–	**1,003.0**	863.7
Total	**4,716.8**	4,355.0	**1,932.2**	1,562.0

At 31 December 2011, Deferred liabilities and provisions include US$6.9 million (2010: US$14.2 million) of derivative liabilities measured at fair value. Details of the corresponding derivative financial instruments, related to cash flow hedge accounting and hedges of net investments in foreign operations, are disclosed in the Financial Review section on pages 80 to 83.

(I) Hedge effectiveness of cash flow hedges and hedges of net investments in foreign operations

The interest rate swap in respect of the agreement entered by MNTC in March 2011 and designated as a cash flow hedge was considered unable to meet the hedge effectiveness criterion of HKAS 39 in June 2011 and, hence, was no longer designated as a cash flow hedge since then. The ineffective portion of changes in fair value of hedges of net investments in foreign operations is immaterial.

(II) The movements of the Group's unrealized gains/(losses) on cash flow hedges in relation to its derivative financial instruments included in Deferred liabilities and provisions during the year are as follows.

	Consolidated	
US$ millions	**2011**	2010
At 1 January	**(8.6)**	(1.3)
Changes in fair value of cash flow hedges and hedges of net investments in foreign operations	**(3.8)**	(18.4)
Transferred to consolidated income statement[(i)]	**8.9**	11.1
Subtotal	**(3.5)**	(8.6)
Attributable to taxation and non-controlling interests	**0.7**	0.2
At 31 December	**(2.8)**	(8.4)

(i) In 2011, the amounts transferred to the consolidated income statement represent US$4.9 million (2010: US$5.1 million) included in net borrowing costs and US$4.0 million (2010: US$6.0 million) included in other operating income/(expense), net.

Analysis of Unrealized (Losses)/Gains on Cash Flow Hedges, Net of Tax

At 31 December US$ million	**2011**	2010
Subsidiary companies	**(2.8)**	(8.4)
Associated companies and joint ventures	**8.7**	2.6
Total	**5.9**	(5.8)

(B) Fair Value Hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments:

- Level 1: fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair values are observable, either directly or indirectly
- Level 3: fair value measured based on valuation techniques for which any inputs which have a significant effect on the recorded fair value that are not based on observable market data (unobservable inputs)

The Group held the following financial instruments measured at fair value as at the end of the reporting period:

	Consolidated							
At 31 December	**2011**				2010			
US$ millions	**Level 1**	**Level 2**	**Level 3**	**Total**	Level 1	Level 2	Level 3	Total
Available-for-sale assets								
– Listed equity investments	**63.3**	**–**	**–**	**63.3**	51.1	–	–	51.1
– Listed debentures	**13.4**	**–**	**–**	**13.4**	10.0	–	–	10.0
– Unlisted investments	**–**	**4.8**	**15.0**	**19.8**	–	4.7	10.8	15.5
Derivative liabilities(i)	**–**	**(6.9)**	**–**	**(6.9)**	–	(14.2)	–	(14.2)
Net Amount	**76.7**	**(2.1)**	**15.0**	**89.6**	61.1	(9.5)	10.8	62.4

(i) Included within Deferred liabilities and provisions

The movements in unlisted available-for-sale assets during the year in the balance of Level 3 fair value measurements are as follows:

	Consolidated	
US$ millions	**2011**	2010
At 1 January	**10.8**	7.3
Exchange translation	**(0.1)**	0.4
Acquisition of subsidiary companies (Note 31(B))	**–**	3.1
Additions	**0.3**	–
Other movements	**4.0**	–
At 31 December	**15.0**	10.8

During the year, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

37. Capital and Financial Risk Management

(A) Capital Management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to ensure that it maintains an optimal capital structure for supporting the stability and growth of its business and maximizing shareholders' value.

The Group manages its capital structure, and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders, repurchase shares or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2011 and 31 December 2010.

The Group monitors capital using a gearing ratio, which is net debt divided by total equity. The Group's policy is to keep the gearing ratio at an optimal level which supports its business. The Group's net debt includes short-term borrowings and long-term borrowings, less cash and cash equivalents and pledged deposits and restricted cash. The total equity includes equity attributable to owners of the parent and non-controlling interests.

	Consolidated	
As 31 December US$ millions	**2011**	2010
Short-term borrowings	**1,119.3**	645.4
Long-term borrowings	**2,575.7**	2,793.8
Less: Cash and cash equivalents	**(1,875.4)**	(1,538.8)
Less: Pledged deposits and restricted cash	**(54.8)**	(53.4)
Net debt	**1,764.8**	1,847.0
Equity attributable to owners of the parent	**3,022.7**	2,575.2
Non-controlling interests	**3,856.5**	3,036.9
Total equity	**6,879.2**	5,612.1
Gearing ratio (times)	**0.26**	0.33

(B) Financial Risk Management

The Group's principal financial instruments include the various financial assets (which comprise accounts receivable, other receivables, available-for-sale assets, cash and cash equivalents, pledged deposits and restricted cash) and financial liabilities (which comprise accounts payable, other payables and accruals, short-term borrowings, long-term borrowings and deferred liabilities and provisions). The main purpose of the cash and cash equivalents, and short-term and long-term borrowings is to finance the Group's operations. The other financial assets and liabilities, such as accounts receivable and accounts payable, mainly arise directly from its operations.

The Group also enters into derivative transactions, including principally foreign exchange contracts and interest rate swaps. The purpose is to manage the currency and interest rate risks arising from the Group's sources of finance and its operations.

It is, and has been, throughout the year, the Group's policy that no trading in financial instruments shall be undertaken. The main risks arising from the Group's financial instruments are market risk (including currency risk and price risk), credit risk, liquidity risk and fair value and cash flow interest rate risks. The Company's Board of Directors reviews and agrees policies for managing each of these risks and they are summarized below. The Group's accounting policies in relation to derivatives are set out in Note 2(D)(u) to the Consolidated Financial Statements.

(a) Market Risk

(I) Currency Risk

To manage the Group's foreign exchange risk arising from future commercial transactions, recognized assets and liabilities, and to improve investment and cash flow planning, in addition to natural hedges, the Group enters into and engages in foreign exchange contracts for the purpose of managing its foreign exchange rate exposures emanating from business, transaction specific, as well as currency translation risks and reducing and/or managing the adverse impact of changes in foreign exchange rates on the Group's operating results and cash flows. However, some of the aforementioned derivative instruments of the Group do not qualify as effective hedges and therefore are not designated as cash flow hedges for accounting purposes in accordance with the provisions of HKAS 39.

The following table summarizes the Group's exposure at the end of the reporting period to currency risk arising from recognized financial assets and liabilities denominated in U.S. dollars, which being different from the functional currencies of the peso and the rupiah used by the Group's subsidiary companies in the Philippines and Indonesia.

	Consolidated	
At 31 December US$ millions	**2011**	2010
Account receivables and other receivables	**68.7**	40.5
Cash and cash equivalents	**257.6**	374.1
Pledged deposits and restricted cash	**–**	12.0
Short-term borrowings and long-term borrowings	**(496.0)**	(731.6)
Accounts payable, other payables and accruals	**(49.5)**	(91.2)
Net Amount	**(219.2)**	(396.2)

The following table demonstrates the sensitivity arising from the Group's financial assets and liabilities as listed above to a reasonably possible change in the exchange rates of rupiah and the peso, with all other variables held constant, of the Group's profit attributable to owners of the parent and retained earnings (due mainly to foreign exchange gains/losses on translation of the U.S. dollar denominated financial assets and liabilities). There is no significant impact on the other components of the Group's equity.

	2011		2010	
US$ millions	**Appreciation against the U.S. dollar (%)**	**Increase in profit attributable to owners of the parent and retained earnings**	Appreciation/ (depreciation) against the U.S. dollar (%)	Increase/ (decrease) in profit attributable to owners of the parent and retained earnings
Peso	**2.0**	**1.0**	2.0	0.2
Rupiah	**3.0**	**1.1**	(2.8)	(3.9)

(II) Price Risk

The Group's price risk principally relates to the changes in the market value of its equity investments. In addition, the Group is also exposed to commodity price risk arising from its purchases and forward contracts in respect of CPO. Nevertheless, there is no significant impact regarding these purchases and forward contracts on the Group's profit or loss and other components of the Group's equity.

(b) Credit Risk

For the consumer food products business, the Group has credit risk arising from the credit given to the customers, but it has policies in place to ensure that wholesales of products are made to creditworthy customers with an appropriate credit history. The Group has policies that limit the amount of credit exposure to any particular customer, such as requiring sub-distributors to provide bank guarantees. For the water distribution business, the Group allows 14 days of credit to its customers. For the toll roads business, the Group collects its toll fees through its associated company, TMC, by cash, the users' prepaid and reloadable electronic toll collection devices and through credit card payment arrangements. For the hospital business, the Group ensures that receivables are entered into with customers who have the ability to pay. In addition, receivable balances are monitored on an ongoing basis to reduce the Group's exposure to bad debts.

The credit risk of the Group's other financial assets, which include cash and cash equivalents and certain investments in debt securities classified as available-for-sale assets, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments and the unrealized losses, if any, on available-for-sale assets charged directly to the Group's equity.

The Group has no significant concentrations of credit risk.

(c) Liquidity Risk

The Group manages its liquidity profile to be able to finance its capital expenditure and service its maturing debts by maintaining sufficient cash and marketable securities, and the availability of funding through an adequate amount of committed credit facilities.

The Group regularly evaluates its projected and actual cash flow information and continuously assesses conditions in the financial markets for opportunities to pursue fund-raising initiatives. These initiatives may include bank loans, and debt capital and equity capital issues.

The maturity profile of the Group's financial liabilities based on the contractual undiscounted payments, including future interest payments, and contingent liabilities in terms of guarantees given at 31 December 2011, is as follows.

	Consolidated										Company									
	Accounts payable, other payables and accruals		Borrowings		Deferred liabilities and provisions		Guarantees for plantation farmers' loan facilities		Total		Amounts due to subsidiary companies		Loans from subsidiary companies		Other payables and accruals		Guarantees for subsidiary companies' loan facilities		Total	
US$ millions	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010
Not exceeding one year	**796.5**	707.5	**1,331.2**	846.4	**56.1**	67.7	**5.8**	3.8	**2,189.6**	1,625.4	**931.9**	698.1	**54.3**	48.1	**1.1**	0.9	**3.7**	–	**991.0**	747.1
More than one year but not exceeding two years	**–**	–	**321.0**	825.7	**29.2**	23.8	**7.4**	5.5	**357.6**	855.0	**–**	–	**54.3**	244.8	**–**	–	**–**	48.1	**54.3**	292.9
More than two years but not exceeding five years	**–**	–	**1,513.7**	1,297.4	**78.6**	60.5	**37.0**	25.6	**1,629.3**	1,383.5	**–**	–	**489.0**	135.7	**–**	–	**7.9**	3.5	**496.9**	139.2
More than five years	**–**	–	**1,569.5**	1,385.8	**289.5**	251.4	**34.9**	33.7	**1,893.9**	1,670.9	**–**	–	**773.0**	818.2	**–**	–	**10.3**	19.5	**783.3**	837.7
Total	**796.5**	707.5	**4,735.4**	4,355.3	**453.4**	403.4	**85.1**	68.6	**6,070.4**	5,534.8	**931.9**	698.1	**1,370.6**	1,246.8	**1.1**	0.9	**21.9**	71.1	**2,325.5**	2,016.9

(d) Fair Value and Cash Flow Interest Rate Risks

The Group's interest rate risk arises from interest-bearing borrowings, cash and cash equivalents, pledged deposits and restricted cash. Borrowings and cash and cash equivalents with variable interest rate terms expose the Group to cash flow interest rate risk. Borrowings and cash and cash equivalents with fixed interest rate terms expose the Group to fair value interest rate risk. At 31 December 2011, 53.8% (2010: 56.6%) of the Group's borrowings were effectively at fixed rates.

The following table demonstrates the sensitivity arising from the Group's financial assets and liabilities at the end of the reporting period to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit attributable to owners of the parent and retained earnings (through the impact on variable rate borrowings and cash and cash equivalents). There is no significant impact on the other components of the Group's equity.

	2011		2010	
US$ millions	**Increase/ (decrease) (Basis points)**	**(Decrease)/ increase in profit attributable to owners of the parent and retained earnings**	Increase (Basis points)	Decrease in profit attributable to owners of the parent and retained earnings
Interest rates for				
– U. S. dollar	**25**	**(1.4)**	25	(0.3)
– Rupiah	**(50)**	**(0.8)**	75	(0.4)
– Peso	**(25)**	**0.4**	50	(0.6)

38. Comparative Amounts

As explained in Note 2(B), due to the adoption of HKAS 24 (Revised) during the current year, certain comparative information in respect of the disclosures for related party transactions have been amended to conform with the current year's presentation.

39. Approval of the Consolidated Financial Statements

The audited Consolidated Financial Statements of the Company were approved and authorized for issue by the Board of Directors on 20 March 2012.

Glossary of Terms

Financial Terms

CONCESSION ASSETS Infrastructure assets used under service concession arrangements with the governments for providing services to the public

DEFINED BENEFIT SCHEME A retirement scheme in which the rules specify the benefits to be paid and the scheme is financed accordingly. Generally, benefits are determined by a formula that takes into account of the final salary and the number of years of service of each member

DEFINED CONTRIBUTION SCHEME A retirement scheme under which the benefits are directly determined by the value of contributions paid in respect of each member

EBIT Earnings Before Interest and Tax

EBIT MARGIN EBIT/turnover

EBITDA Earnings Before Interest, Tax, Depreciation and Amortization

EBITDA MARGIN EBITDA/turnover

GROSS PROFIT MARGIN Gross profit/turnover

IMPAIRMENT PROVISION Provision made to reduce the carrying amount of an asset to its recoverable amount

NAV Net Asset Value

NET ASSETS Total assets less total liabilities, equivalent to total equity

NET CURRENT ASSETS/LIABILITIES Current assets less current liabilities

NET DEBT Total of short-term and long-term borrowings, net of cash and cash equivalents and pledged deposits and restricted cash

RECURRING PROFIT Profit attributable to owners of the parent excluding foreign exchange and derivative gains/losses, gain/loss on changes in fair value of plantations and non-recurring items

Financial Ratios

BASIC EARNINGS PER SHARE Profit attributable to owners of the parent/weighted average number of shares in issue during the year

CURRENT RATIO Current assets/current liabilities

DILUTED EARNINGS PER SHARE Profit attributable to owners of the parent adjusted for the effect of assumed conversion of all dilutive potential ordinary shares/weighted average number of shares in issue during the year plus the weighted average number of ordinary shares which would be issued on the assumed conversion of all dilutive potential ordinary shares

DIVIDEND PAYOUT RATIO Ordinary share dividends paid and recommended/recurring profit

GEARING RATIO Net debt/total equity

INTEREST COVER Profit before taxation (excluding foreign exchange and derivative gains/losses, gain/loss on changes in fair value of plantations and non-recurring items) and net borrowing costs/net borrowing costs

RETURN ON AVERAGE EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT Recurring profit/average equity attributable to owners of the parent

RETURN ON AVERAGE NET ASSETS Recurring profit/average net assets

Other

ADR American Depositary Receipts

AGM Annual General Meeting

ARPU Average Revenue Per User

CPO Crude Plam Oil

DSL Digital Subscriber Line

FFB Fresh Fruit Brunches

GAAP Generally Accepted Accounting Principles

GSM Global System for Mobile Communications

GWH Gigawatt Hour

HKAS Hong Kong Accounting Standards

HKFRS Hong Kong Financial Reporting Standards

HKICPA Hong Kong Institute of Certified Public Accountants

HK(IFRIC)–INT Hong Kong (International Financial Reporting Interpretations Committee) – Interpretation

HK(SIC)–INT Hong Kong (Standing Interpretation Committees) – Interpretation

IDX Indonesia Stock Exchange

IFRS International Financial Reporting Standards

LISTING RULES The Rules Governing the Listing of Securities on SEHK

NYSE The New York Stock Exchange

PKO Palm Kernel Oil

PSE The Philippine Stock Exchange, Inc.

RSS1 Rubber Smoke Sheet 1

SEHK The Stock Exchange of Hong Kong Limited

SGM Special General Meeting

3G The third generation of mobile phone technology

Information for Investors

Financial Diary

Preliminary announcement of 2011 results	20 March 2012
Annual report posted to shareholders	27 April 2012
Annual General Meeting	31 May 2012
Last day to register for final dividend	6 June 2012
Payment of final dividend	21 June 2012
Preliminary announcement of 2012 interim results	29 August 2012*
Interim report posted to shareholders	30 September 2012*
Financial year-end	31 December 2012
Preliminary announcement of 2012 results	20 March 2013*

* Subject to confirmation

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Web Site

www.firstpacific.com

Share Information

First Pacific shares are listed on The Stock Exchange of Hong Kong Limited and are traded over the counter in the United States in the form of American Depositary Receipts

Listing date : 12 September 1988
Par value : U.S.1 cent per share
Lot size : 2,000 shares
Number of ordinary shares issued: 3,850,415,231*

* after deduction of 2,618,000 repurchased ordinary shares cancelled subsequent to 31 December 2011

Stock Codes

SEHK : 00142
Bloomberg : 142 HK
Thomson Reuters : 0142.HK

American Depositary Receipts (ADRs) Information

Level: 1
ADRs Code: FPAFY
CUSIP reference number: 335889200
ADRs to ordinary shares ratio: 1:5
ADRs depositary bank: Deutsche Bank Trust Company Americas
(With effect from 20 March 2012)

To Consolidate Shareholdings

Write to our principal share registrar and transfer office in Bermuda at:

Butterfield Fulcrum Group (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke HM08, Bermuda

Or the Hong Kong branch registrar at:

Computershare Hong Kong Investor Services Limited

Registrar Office

17M Floor, Hopewell Centre
183 Queen's Road East, Wanchai, Hong Kong SAR
Telephone : +852 2862 8555
Fax : +852 2865 0990/+852 2529 6087
E-mail : hkinfo@computershare.com.hk

Transfer Office

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Solicitors

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20th Floor, Alexandra House
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Central, Hong Kong SAR

Principal Bankers

Credit Agricole Corporate and Investment Bank
Hongkong & Shanghai Banking Corporation
Mizuho Corporate Bank, Ltd.
Standard Chartered Bank
Sumitomo Mitsui Banking Corporation
Banco de Oro Unibank, Inc.
Bank of the Philippine Islands
Metropolitan Bank & Trust Company

Summary of Principal Investments

As at 31 December 2011

Philippine Long Distance Telephone Company

PLDT (PSE: TEL; NYSE: PHI) is the leading telecommunications service provider in the Philippines. Its shares are listed on the Philippine Stock Exchange and its American Depositary Receipts ("ADRs") are listed on the New York Stock Exchange. It has one of the largest market capitalizations among Philippine listed companies. Through its three principal business groups, PLDT offers a wide range of telecommunications services: Wireless (principally through subsidiary companies, Smart Communications, Inc. and Digital Telecommunications Philippines, Inc. ("Digitel")); Fixed Line (principally through PLDT); and Business Process Outsourcing (through SPi Global Holdings, Inc.). PLDT has developed the Philippines' most extensive fiber optic backbone, and cellular and fixed line networks.

Sector	:	Telecommunications
Place of incorporation/business area	:	The Philippines
Outstanding number of shares	:	214.4 million
Particulars of outstanding shares held	:	Common shares of Pesos 5 par value
Economic interest	:	25.8%

Further information on PLDT can be found at www.pldt.com

Metro Pacific Investments Corporation

MPIC (PSE: MPI) is a Philippine-based, publicly-listed, investment management and holding company focused on infrastructure development.

Sector	:	Infrastructure, Utilities and Hospitals
Place of incorporation/business area	:	The Philippines
Issued number of shares	:	24.6 billion
Particulars of issued shares held	:	Common shares of Peso 1 par value
Economic interest	:	59.1%

Further information on MPIC can be found at www.mpic.com.ph

PT Indofood Sukses Makmur Tbk

Indofood (IDX: INDF) is a leading Total Food Solutions company with operations in all stages of food manufacturing from the production of raw materials and their processing through to consumer products and distribution to wholesalers/retailers. It is based and listed in Jakarta; its Consumer Branded Products subsidiary PT Indofood CBP Sukses Makmur Tbk ("ICBP") and agribusiness subsidiaries PT Salim Ivomas Pramata Tbk ("SIMP") and PT PP London Sumatra Indonesia Tbk ("Lonsum") are also listed in Jakarta. Another agribusiness subsidiary, Indofood Agri Resources Ltd. ("IndoAgri"), is listed in Singapore. Through its four complementary strategic business groups, Indofood manufactures and distributes a wide range of food products: Consumer Branded Products (noodles, dairy, food seasonings, snack foods and nutrition and special foods), Bogasari (flour and pasta), Agribusiness (oil palm, rubber, sugar cane, cocoa and tea plantations, cooking oils, margarine and shortening) and Distribution.

Indofood is one of the world's largest instant noodle manufacturers by volume, one of the largest plantation companies by area and the largest flour miller in Indonesia. Indofood's flourmill in Jakarta is the largest in the world in terms of production capacity in one location. The company also has an extensive distribution network.

Sector	:	Consumer Food Products
Place of incorporation/business area	:	Indonesia
Issued number of shares	:	8.8 billion
Particulars of issued shares held	:	Shares of Rupiah 100 par value
Economic interest	:	50.1%

Further information on Indofood can be found at www.indofood.com

Philex Mining Corporation*

Philex (PSE: PX) is a Philippine-listed company engaged in exploration, development and utilization of mineral resources in the Philippines.

Sector	:	Natural Resources
Place of incorporation/business area	:	The Philippines
Issued number of shares	:	4.9 billion
Particulars of issued shares held	:	Common shares of Peso 1 par value
Economic interest	:	31.3%

* Two Rivers Pacific Holdings Corporation, a Philippine affiliate of First Pacific, holds an additional 15.0% interest in Philex.

Further information on Philex can be found at www.philexmining.com.ph

FIRST PACIFIC

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