First Pacific Company Limited

Stock Code: 142

Creating Long-term Value in Asia

Annual Report 2018

Corporate Profile

FIRST PACIFIC

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

Our mission is to unlock value in our investee companies by:

- Delivering dividend/distribution returns to shareholders;
- Delivering share price/value appreciation of First Pacific and the investee companies; and
- Making further investment in value-enhancing businesses, taking into consideration all relevant criteria, including Environmental, Social and Governance ("ESG") factors to better manage risk and generate sustainable long-term returns.

Our investment criteria are clear:

- Investments must be located in or trading with the fast-growing economies of emerging Asia;
- They must be related to our four industry sectors (consumer food products, infrastructure, natural resources and telecommunications);
- Investee companies must have a strong or 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 are threefold:

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

First Pacific's portfolio has a balance of assets in our core industries and markets in PT Indofood Sukses Makmur Tbk ("Indofood"), PLDT Inc. ("PLDT"), Metro Pacific Investments Corporation ("MPIC"), Goodman Fielder Pty Limited ("Goodman Fielder"), Philex Mining Corporation ("Philex"), PXP Energy Corporation ("PXP"), PacificLight Power Pte. Ltd. ("PLP") and Roxas Holdings, Inc. ("RHI"). Indofood is the largest vertically integrated food company in Indonesia and PLDT is the dominant telecommunications and digital services provider in the Philippines with the largest fixed broadband network and the most modern and sophisticated wireless network in the country. MPIC is the largest infrastructure investment management and holding company in the Philippines, with investments in the country's largest electricity distributor, hospital group, toll road operator and water distributor. MPIC also holds substantial investments in major light rail and logistics operations, and in the largest electricity generator in the Visayas region of the Philippines. Goodman Fielder is a leading food company in Australasia. Philex is one of the largest metal mining companies in the Philippines, producing gold, copper and silver. PXP is an upstream oil and gas company with a number of service contracts in the Philippines and abroad. PLP is the operator of one of Singapore's most efficient gas-fired power plants and RHI runs an integrated sugar and ethanol business in the Philippines.

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

As at 26 March 2019, First Pacific's economic interest in Indofood is 50.1%, in PLDT 25.6%, in MPIC 42.0%, in FPW Singapore Holdings Pte. Ltd. ("FPW") 50.0%, in Philex 31.2%[(1)], in PXP 42.4%[(2)], in FPM Power Holdings Limited ("FPM Power") 67.6%[(3)] and in FP Natural Resources Limited ("FP Natural Resources") 79.4%[(4)].

(1) Two Rivers Pacific Holdings Corporation ("Two Rivers"), a Philippine affiliate of First Pacific, holds an additional 15.0% economic interest in Philex.

(2) 30.4% held by Philex, 21.7% held by First Pacific and 6.7% held by Two Rivers.

(3) Includes a 7.6% effective economic interest in FPM Power held through First Pacific's indirect interests in Manila Electric Company ("Meralco").

(4) Includes a 9.4% effective economic interest in FP Natural Resources held through First Pacific's indirect interests in Indofood Agri Resources Ltd. ("IndoAgri"). FP Natural Resources holds 32.7% in RHI, and its Philippine affiliate First Agri Holdings Corporation ("FAHC") holds an additional 30.2% economic interest in RHI.

First Pacific's principal investments are summarized on pages 259 and 260.

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Ten-year Statistical Summary

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Results (US$ millions)										
Turnover	**7,742.4**	7,296.8	6,779.0	6,437.0	6,841.3	6,005.8	5,990.8	5,684.1	4,640.2	3,925.6
Profit for the year	**608.7**	561.3	517.8	418.9	503.2	620.9	834.9	1,097.4	785.3	680.6
Profit attributable to owners of the parent	**131.8**	120.9	103.2	80.6	75.7	235.3	353.3	574.0	403.0	410.9
Contribution from operations	**393.9**	420.5	400.2	426.5	455.7	467.2	460.8	511.8	474.0	335.2
Recurring profit	**289.5**	300.0	264.9	287.5	316.9	327.1	358.0	423.0	402.1	286.6
Ordinary share distributions/dividends	**74.8**	74.7	74.5	74.2	115.7	116.1	103.8	109.8	99.4	56.1
Per Ordinary Share Data (U.S. cents)										
Basic earnings	**3.04**	2.80	2.42	1.89	1.76	5.66	9.01	14.49	10.16	11.72
Basic recurring earnings	**6.68**	6.96	6.21	6.74	7.39	7.87	9.13	10.68	10.13	8.18
Distributions/dividends	**1.74**	1.74	1.74	1.74	2.70	2.70	2.70	2.85	2.55	1.54
Equity attributable to owners of the parent	**71.02**	74.32	72.68	71.93	78.08	81.44	84.65	78.50	65.99	49.64
Total assets	**481.38**	471.08	402.07	402.93	378.67	360.68	362.80	327.55	279.68	243.43
Tangible assets	**359.45**	361.58	300.82	305.12	295.40	281.00	281.45	251.57	208.51	178.58
Net cash flows from operating activities	**16.91**	17.96	17.11	15.21	19.48	17.41	25.54	16.22	20.66	1.69
Financial Ratios										
Gross margin (%)	**28.13**	29.50	29.57	27.86	27.59	29.31	31.08	31.21	35.50	30.20
Recurring return on average net assets (%)	**9.00**	9.47	9.23	9.24	10.13	10.18	11.83	15.01	16.11	15.20
Recurring return on average equity attributable to owners of the parent (%)	**9.17**	9.47	8.57	8.96	9.24	9.69	11.43	15.11	17.91	18.82
Distribution/dividend payout ratio (%)	**25.84**	25.03	28.12	25.81	36.51	35.49	28.99	25.96	24.72	19.57
Distribution/dividend cover (times)	**3.87**	4.02	3.56	3.87	2.74	2.82	3.45	3.85	4.05	5.11
Distribution/dividend yield (%)	**4.45**	2.53	2.50	2.64	2.74	2.38	2.49	2.75	2.84	2.39
Interest cover (times)	**4.06**	4.31	4.18	3.87	4.29	4.77	6.29	7.18	5.02	3.67
Current ratio (times)	**1.03**	1.32	1.24	1.39	1.69	1.72	1.78	1.57	1.85	1.37
Gearing ratio (times)										
– Consolidated	**0.78**	0.66	0.54	0.64	0.47	0.43	0.30	0.26	0.33	0.67
– Company[(i)]	**0.76**	0.83	0.75	0.79	0.56	0.51	0.67	0.71	0.46	0.36

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Consolidated Statement of Financial Position Data (US$ millions)										
Total assets	**20,901.5**	20,454.5	17,215.4	17,199.0	16,233.4	15,544.1	13,886.7	12,611.8	10,914.1	9,397.3
Net debt	**6,783.9**	5,731.4	4,338.0	4,667.9	3,455.9	3,182.5	2,145.8	1,764.8	1,847.0	2,719.5
Total liabilities	**12,191.1**	11,712.0	9,181.1	9,864.6	8,822.1	8,064.6	6,636.0	5,732.6	5,302.0	5,358.2
Net current assets	**120.2**	1,041.0	646.9	1,186.2	1,944.6	1,672.3	1,613.9	1,193.0	1,278.4	594.3
Total assets less current liabilities	**16,761.2**	17,198.5	14,493.6	14,130.4	13,420.2	13,213.4	11,817.1	10,508.8	9,409.3	7,797.0
Equity attributable to owners of the parent	**3,083.6**	3,227.1	3,112.0	3,070.2	3,347.2	3,509.9	3,240.0	3,022.7	2,575.2	1,916.2
Total equity	**8,710.4**	8,742.5	8,034.3	7,334.4	7,411.3	7,479.5	7,250.7	6,879.2	5,612.1	4,039.1
Consolidated Statement of Cash Flows Data (US$ millions)										
Net cash flows from operating activities	**734.1**	776.1	731.4	650.0	835.8	723.9	1,002.0	642.5	819.9	59.1
Capital expenditure	**1,236.0**	1,063.0	696.7	830.8	636.4	899.7	701.6	561.7	513.7	389.8
Other Information (at 31 December)										
Company's net debt (US$ millions)(i)	**1,550.2**	1,521.8	1,511.3	1,675.3	1,227.5	1,160.3	1,133.8	1,170.3	816.9	651.7
Number of shares in issue (millions)	**4,342.0**	4,342.0	4,281.7	4,268.5	4,287.0	4,309.7	3,827.6	3,850.4	3,902.4	3,860.3
Weighted average number of shares in issue during the year (millions)	**4,342.0**	4,320.2	4,275.8	4,274.2	4,299.1	4,157.4	3,922.7	3,961.8	3,967.7	3,505.6
Share price (HK$)										
– After rights issue	**3.02**	5.30	5.42	5.14	7.69	8.82	8.32	7.90	6.83	4.61
– Before rights issue	**N/A**	N/A	N/A	N/A	N/A	N/A	8.51	8.08	7.00	4.74
Adjusted NAV per share (HK$)										
– After rights issue	**7.26**	10.26	10.45	9.67	13.24	12.57	15.09	13.09	12.63	10.14
– Before rights issue	**N/A**	N/A	N/A	N/A	N/A	N/A	15.43	13.38	12.91	10.37
Share price discount to adjusted NAV per share (%)	**58.4**	48.3	48.1	46.8	41.9	29.8	44.8	39.6	45.8	54.3
Market capitalization (US$ millions)	**1,681.1**	2,950.3	2,975.2	2,812.8	4,226.5	4,873.3	4,176.0	3,988.6	3,502.2	2,345.9
Number of shareholders	**4,500**	4,530	4,760	4,796	4,853	4,884	4,606	4,503	4,608	6,202
Number of employees	**110,394**	102,530	94,189	96,446	98,107	91,874	80,941	73,582	70,525	68,416

N/A: Not applicable

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

See pages 255 to 257 for a glossary of terms

Note: In December 2009 and July 2013, the Company completed two rights issues, offering its shareholders one rights share for every five existing shares held at a subscription price of HK$3.40 per rights share and one rights share for every eight existing shares held at a subscription price of HK$8.10 per rights share, respectively. Accordingly, the comparative amounts of (i) basic earnings per share, (ii) basic recurring earnings per share, (iii) net cash flows from operating activities per share, (iv) weighted average number of shares in issue during the year, (v) share price (after rights issue) and (vi) adjusted NAV per share (after rights issue) for 2009 to 2012 have been restated to reflect the effects of these rights issues in order to provide a more meaningful comparison.

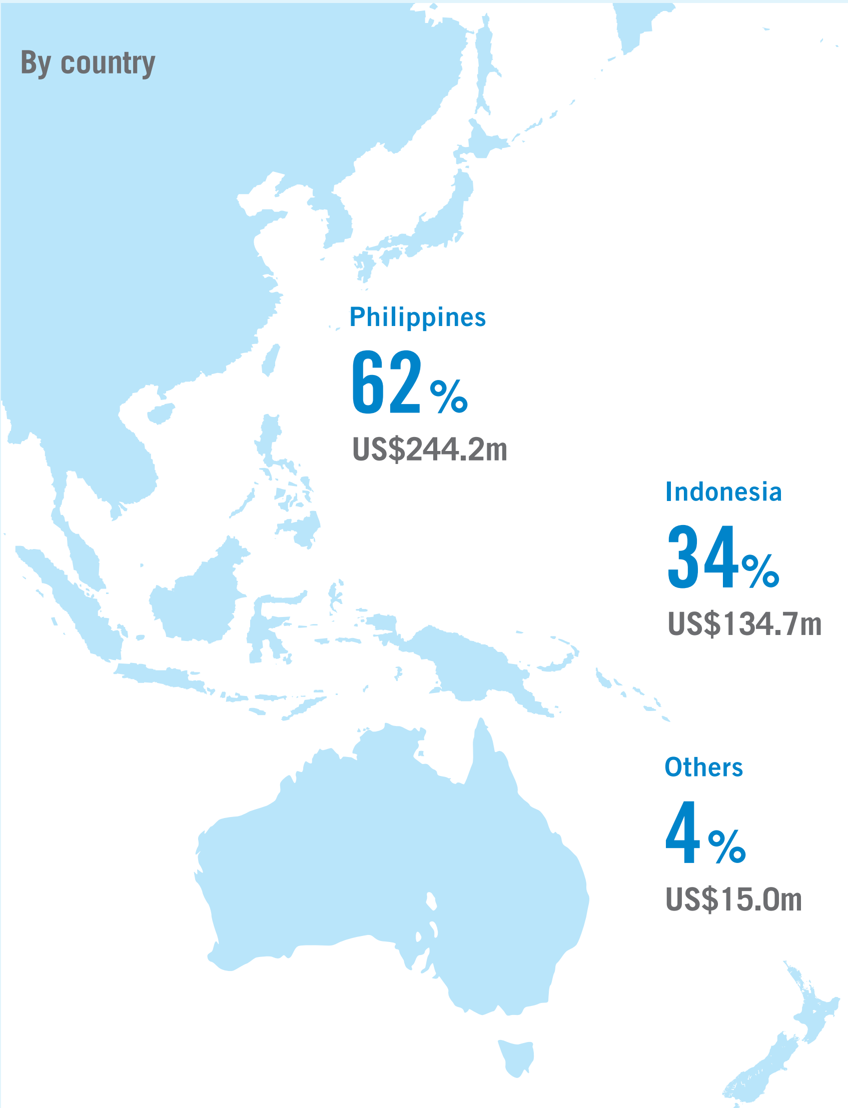
Financial Highlights

Turnover
US$
7.7 b ↑ 6%

Reported profit
US$
131.8 m ↑ 9%

Recurring profit
US$
289.5 m ↓ 4%

Profit Contribution from Operations at US$393.9m



By country

Philippines
62%
US$244.2m

Indonesia
34%
US$134.7m

Others
4%
US$15.0m

By sector

Consumer food products
39%
US$155.6m

Telecommunications
31%
US$120.7m

Infrastructure
29%
US$114.7m

Natural resources
1%
US$2.9m

- Distribution payout at US$74.8 million
- Distribution payout at 26% of recurring profit
- Head Office dividend and fee income from operating companies US$202.9 million

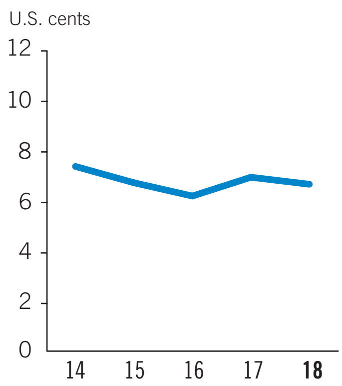
Total assets
US$
20.9 b ↑ 2%

Equity attributable to owners of the parent
US$
3.1 b ↓ 4%

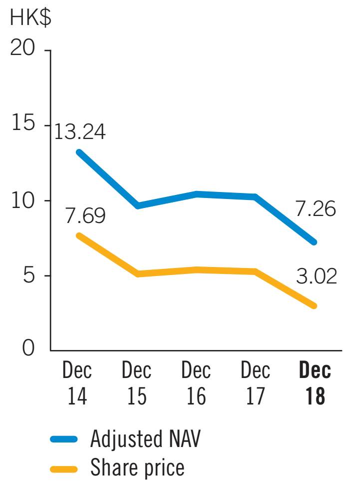
Market capitalization
US$
1.7 b ↓ 43%

Five-year Data
(Per share)

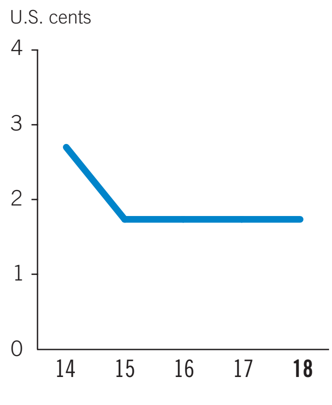
Basic Recurring Earnings



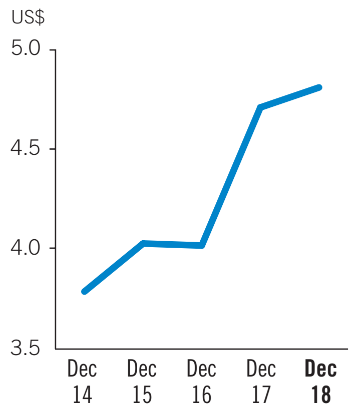
Share Price vs Adjusted NAV



Dividends/ Distributions



Total Assets



- Head Office gross debt at approximately US$1.6 billion
- Head Office net interest expense US$76.4 million
- Bought back and cancelled US$219.8 million principal amount of bonds

First Pacific

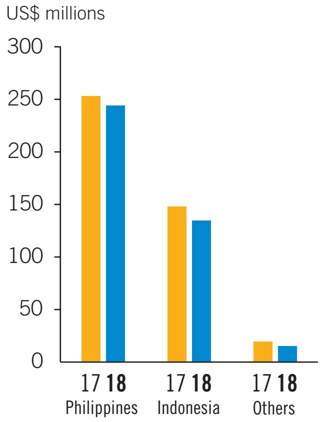
Below is an analysis of results by individual company.

Contribution and Profit Summary

For the year ended 31 December US$ millions	Turnover 2018	Turnover 2017	Contribution to Group profit[(i)] 2018	Contribution to Group profit[(i)] 2017
Indofood	**5,136.1**	5,237.5	**134.7**	148.0
PLDT[(ii)]	**–**	–	**120.7**	124.8
MPIC	**1,575.8**	1,240.8	**120.9**	118.3
FPW[(iii)]	**–**	–	**21.2**	30.3
Philex[(ii)]	**–**	–	**2.9**	12.7
FPM Power	**728.6**	565.4	**(6.2)**	(11.0)
FP Natural Resources	**301.9**	253.1	**(0.3)**	(2.6)
Contribution from Operations[(iv)]	**7,742.4**	7,296.8	**393.9**	420.5
Head Office items:				
– Corporate overhead			**(23.7)**	(27.1)
– Net interest expense			**(76.4)**	(80.9)
– Other expenses			**(4.3)**	(12.5)
Recurring Profit[(v)]			**289.5**	300.0
Foreign exchange and derivative gains, net[(vi)]			**0.4**	16.4
(Loss)/gain on changes in fair value of biological assets			**(0.3)**	0.1
Non-recurring items[(vii)]			**(157.8)**	(195.6)
Profit Attributable to Owners of the Parent			**131.8**	120.9

(i) After taxation and non-controlling interests, where appropriate.
(ii) Associated companies.
(iii) Joint venture.
(iv) Contribution from operations represents the recurring profit contributed to the Group by its operating companies.
(v) Recurring profit represents the profit attributable to owners of the parent excluding the effects of foreign exchange and derivative gains, (loss)/gain on changes in fair value of biological assets and non-recurring items.
(vi) Foreign exchange and derivative gains, net represent the net gains on foreign exchange translation differences on the Group's unhedged foreign currency denominated net assets/liabilities and the changes in the fair values of derivatives.
(vii) Non-recurring items represent certain items, through occurrence or size, which are not considered as usual operating items. 2018's non-recurring losses of US$157.8 million mainly represent the Group's impairment provisions for assets, including the Group's investment in Philex (US$82.1 million), PLDT's wireless network assets, including accelerated depreciation (US$25.0 million), and Philex's mining assets (US$10.3 million), PLP's provision for onerous contracts (US$11.0 million), Head Office's bond tender and debt refinancing costs (US$10.7 million) and Goodman Fielder's network transformation costs (US$9.3 million). 2017's non-recurring losses of US$195.6 million mainly represent the Group's impairment provisions for assets, including PLDT's wireless network assets (US$15.9 million) and accelerated depreciation for wireless network assets (US$44.1 million), Goodman Fielder's intangible assets (US$14.2 million), the Group's investments in AF Payments Inc. ("AFPI") (US$6.5 million) and Indofood's intangible assets in the Beverages business (US$6.4 million), Goodman Fielder's manufacturing network optimization costs (US$15.2 million), Head Office's bond tender and debt refinancing costs (US$14.9 million) and MPIC's loss on remeasurement of its previously held 75.0% interest in Beacon Electric Asset Holdings, Inc. ("Beacon Electric") (US$13.5 million), partly offset by MPIC's gain on remeasurement of previously held 60.0% interest in Tollways Management Corporation ("TMC") (US$11.9 million) and its divestment of a 4.5% direct interest in Meralco (US$6.1 million).

Contribution by Country



Turnover up 6% to US$7.7 billion from US$7.3 billion	■ reflecting higher revenues at MPIC with the consolidations of PT Nusantara Infrastructure Tbk ("PT Nusantara") from July 2018 and Global Business Power Corporation ("GBPC") from June 2017, FPM Power and FP Natural Resources ■ partly offset by weakness of the Indonesian rupiah reducing the U.S. dollar value of revenue growth at Indofood
Recurring profit down 4% to US$289.5 million from US$300.0 million	■ reflecting lower contributions from Indofood, Philex, FPW and PLDT due to lower core net incomes and the depreciation of the average rupiah and peso exchange rates against the U.S. dollar ■ partly offset by lower losses at FPM Power and FP Natural Resources and higher contribution from MPIC ■ lower Head Office other expenses, net interest expense and corporate overhead
Non-recurring losses down 19% to US$157.8 million from US$195.6 million	■ the losses mainly reflecting the Group's impairment provisions for assets, including First Pacific's investment in Philex, PLDT's wireless network assets and Philex's mining asset, and PLP's provision for onerous contracts ■ PLDT's accelerated depreciation of wireless network assets ■ Head Office's bond tender and debt refinancing costs
Reported profit up 9% to US$131.8 million from US$120.9 million	■ reflecting lower non-recurring losses ■ partly offset by lower recurring profit and foreign exchange and derivative gains

The Group's operating results are denominated in local currencies, principally the rupiah, the peso, the Australian dollar (A$) and the Singapore dollar (S$), 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.

Closing exchange rates against the U.S. dollar At 31 December	2018	2017	One year change
Rupiah	**14,481**	13,548	-6.4%
Peso	**52.58**	49.93	-5.0%
A$	**1.419**	1.281	-9.7%
S$	**1.363**	1.336	-2.0%

Average exchange rates against the U.S. dollar For the year ended 31 December	2018	2017	One year change
Rupiah	**14,290**	13,401	-6.2%
Peso	**52.69**	50.38	-4.4%
A$	**1.346**	1.301	-3.3%
S$	**1.350**	1.374	+1.8%

During 2018, the Group recorded net foreign exchange and derivative gains of US$0.4 million (2017: US$16.4 million), which can be further analyzed as follows:

US$ millions	2018	2017
Head Office	**(5.7)**	(1.3)
Indofood	**1.1**	2.2
PLDT	**0.5**	0.6
MPIC	**3.8**	1.8
FPW	**2.8**	0.6
Philex	**(0.7)**	(0.3)
FPM Power	**(1.4)**	12.8
Total	**0.4**	16.4

First Pacific

Asset Disposal

On 11 March 2019, First Pacific entered into a Share Purchase Agreement with Wilmar International Limited ("Wilmar") to sell First Pacific's 50% shareholding in FPW (including shareholder loans to FPW Australia Pty Ltd. ("FPW Australia")) to Wilmar, owner of the other half of FPW, for US$300 million including a US$25 million contingent instalment payment. FPW owns 100% of Goodman Fielder.

The transaction requires regulatory approvals which could require a completion period of up to nine months. The sale is expected to be completed on or before 31 December 2019 with First Pacific receiving US$275 million upon completion, a contingent receivable of US$25 million payable in 2021 if a 2020 earnings target of Goodman Fielder is met, and an additional US$25 million earn-out payment if a higher 2020 earnings threshold is reached.

However, while the sale will deliver significant cash income to First Pacific, it will result in a non-recurring, non-cash accounting loss of approximately US$280 million in the Company's first-half 2019 financial statements.

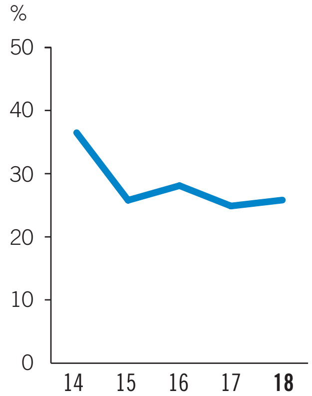
Proceeds from the sale of the FPW stake will be earmarked for debt reduction, beginning with a US$252 million 6.375% bond maturing in September 2020. Redemption of this bond and other debt reduction initiatives will shrink First Pacific's gross debt and reduce its interest expenses.

Capital Management

Distribution

First Pacific's Board of Directors, taking into consideration cash flow trends and following consistent prudent risk management practices, declared a final distribution of HK5.5 cents (U.S. 0.71 cents) per share which brings the total distribution for 2018 to HK13.5 cents (U.S. 1.74 cents). The total distribution representing a payout ratio of approximately 26% (2017: 25%) of the Group's 2018 recurring profit, higher than a payout ratio commitment of 25%.

Dividend/Distribution Payout Ratio



Debt Profile

In May 2018, FPC Capital Limited, a wholly-owned subsidiary of First Pacific, issued US$175.0 million of 7-year unsecured guaranteed bonds at a 5.75% coupon ("the Bonds") as part of the Head Office's liability management program.

The net proceeds from the Bonds together with a US$70.0 million partial drawdown from a US$200.0 million medium-term banking facility were used to fund acceptances of bond tenders for the Company's guaranteed bonds maturing in 2019 and 2020. As a result of this liability management program, the Company bought back and cancelled principal amounts of approximately US$159.5 million of the 2019 bonds and US$60.3 million of the 2020 bonds.

At 31 December 2018, net debt at the Head Office stood at approximately US$1.55 billion while gross debt stood at approximately US$1.64 billion. Approximately 39% of the Head Office borrowings were floating rate bank loans while fixed rate bonds comprised the remainder. Unsecured debts accounted for approximately 85% of Head Office borrowings.

As at 26 March 2019, the principal amount of the following bonds remain outstanding:

- US$214.9 million 7-year at 6.0% coupon with maturity on 28 June 2019
- US$251.9 million 10-year at 6.375% coupon with maturity on 28 September 2020
- US$358.8 million 10-year at 4.5% coupon with maturity on 16 April 2023
- US$175.0 million 7-year at 5.75% coupon with maturity on 30 May 2025

First Pacific has secured committed banking facilities to refinance redemption of the US$214.9 million outstanding bond due in June 2019.

The redemption of the US$251.9 million outstanding bond due in September 2020 will be funded by the net proceeds to be raised from the disposal of First Pacific's investment in FPW/Goodman Fielder, which is expected to be completed on or before 31 December 2019.

There is no Head Office recourse for subsidiaries or affiliate companies' borrowings.

Interest Cover

For 2018, Head Office recurring operating cash inflow before interest expense and tax was US$176.7 million. Net cash interest expense declined 2% to US$71.2 million reflecting a lower average interest bill resulting from debt refinancing. For the 12 months ended 31 December 2018, the cash interest cover was approximately 2.5 times.

Foreign Currency Hedging

The Company actively reviews the potential benefits of hedging based on forecast dividend income and enters into hedging arrangements for managing its foreign currency exposures in respect of dividend income and payments in foreign currencies on a transactional basis.

Outlook

First Pacific's core investments of Indofood, MPIC and PLDT remain well positioned to increase revenues and core income in their markets owing to expected continuing strong economic growth with Indofood and PLDT benefitting additionally from key competitive advantages versus their industry peers. First Pacific Head Office continues to narrow its focus to its core markets and industries with the aim of increasing earnings and reducing the Company's discount to net asset value. With this in mind, management's ambition for proceeds from any further asset disposals remains targeted on debt reduction and share repurchases. First Pacific will be recording a loss of approximately US$280 million in its first-half 2019 accounts on the disposal of the investment in Goodman Fielder. However, the proceeds from the disposal will be used for debt reduction.

PROFIT CONTRIBUTION

US$134.7 million

Indofood's contribution to the Group decreased 9% to US$134.7 million (2017: US$148.0 million) principally reflecting lower core profit and a 6% depreciation of the average rupiah exchange rate against the U.S. dollar.

Core profit down 7% to 4.0 trillion rupiah (US$279.5 million) from 4.3 trillion rupiah (US$319.4 million) (restated)	■ reflecting weaker performance of the Agribusiness group arising from lower crude palm oil ("CPO") prices ■ partly offset by a stronger performance of the Consumer Branded Products ("CBP") group
Net income slightly up 0.2% to 4.2 trillion rupiah (US$291.5 million) from 4.2 trillion rupiah (US$310.0 million) (restated)	■ reflecting non-recurring gain arising from investment revaluation versus losses on assets impairment in 2017 ■ partly offset by the decline in core profit
Consolidated net sales up 5% to 73.4 trillion rupiah (US$5.1 billion) from 70.2 trillion rupiah (US$5.2 billion)	■ driven by higher sales of the CBP and Bogasari groups ■ partly offset by lower sales of the Agribusiness and Distribution groups
Gross profit margin to 27.5% from 28.2% (restated)	■ reflecting lower average selling prices of palm products of the Agribusiness group
Consolidated operating expenses down 0.2% to 11.1 trillion rupiah (US$774.6 million) from 11.1 trillion rupiah (US$827.3 million) (restated)	■ reflecting higher net other operating income in relation to higher gain on foreign exchange differences, gain arising from investment revaluation and lower impairment provisions ■ partly offset by higher selling, and general and administrative expenses
EBIT margin to 12.5% from 12.4% (restated)	■ EBIT margin remained stable
Net gearing at 0.42 times from 0.23 times	

Debt Profile

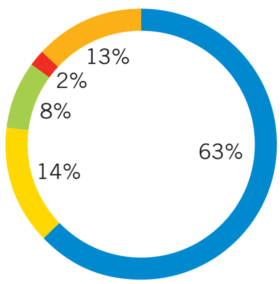
As at 31 December 2018, Indofood recorded gross debt of 29.7 trillion rupiah (US$2.1 billion), up 22% from 24.3 trillion rupiah (US$1.8 billion) as at 31 December 2017. Of this total, 75% matures within one year and the remainder matures between 2020 and 2028, while 67% was denominated in rupiah and the remaining 33% was denominated in foreign currencies.

Additional Investments

On 19 February 2018, IndoAgri announced that its wholly-owned Brazilian subsidiary IndoAgri Brazil Participações Ltda. partnered with JF Investimentos S.A. to jointly invest in Canápolis Holding S.A. and its subsidiaries ("Canápolis Group"). Canápolis Group has invested in a Minas Gerais sugar mill in Brazil with annual sugar cane crushing capacity of 1.8 million tonnes and land of 6,048 hectares for a consideration of 137.8 million Brazilian real (US$42.0 million). Operation of its sugar mill is expected to commence in 2020.

On 29 March 2018, Indofood's subsidiary PT Indofood CBP Sukses Makmur Tbk ("ICBP") completed the acquisition from Asahi Group Holdings, Ltd. ("Asahi") of approximately 51% of PT Asahi Indofood Beverage Makmur (subsequently renamed PT Anugerah Indofood Barokah Makmur) ("AIBM") and approximately 49% of PT Indofood Asahi Sukses Beverage (subsequently renamed PT Indofood Anugerah Sukses Barokah ("IASB")) for a total consideration of US$20.0 million.

Operating Profit 2018*



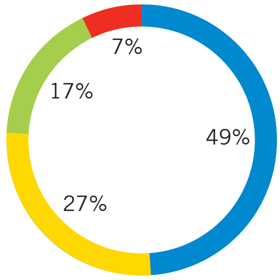
	US$ millions
■ Consumer Branded Products	402.5
■ Bogasari	89.4
■ Agribusiness	49.8
■ Distribution	13.1
■ Unallocated other operating income	85.0
Total	**639.8**

* Before inter-segment elimination

On 2 July 2018, IndoAgri's Brazilian joint venture Companhia Mineira de Açúcar e Álcool Participações ("CMAA") completed the acquisition of 100% interest in Vale do Pontal Açúcar e Álcool Ltda. ("UVP") from JFLIM Participações S.A. ("JFLIM"), by issuing new shares of CMAA at an agreed share value of 75.9 million Brazilian real (US$19.7 million). IndoAgri's interest in CMAA was diluted to 35% from 50%, with JFLIM owning 30% of CMAA. UVP is principally engaged in the cultivation and processing of sugar cane for the production and marketing of sugar and ethanol.

On 31 October 2018, ICBP completed the acquisition of the remaining 50% interest in PT Nestle Indofood Citarasa Indonesia (subsequently renamed to PT Nugraha Indah Citarasa Indonesia) ("NICI") from Nestle S.A. ("Nestle") for a consideration of 314.1 billion rupiah (US$22.0 million). NICI is a food seasoning joint-venture of ICBP and Nestle established in 2005, engaging in producing powder recipe mixes and marketing of culinary products. The transaction increased ICBP's interest in NICI to 100%.

Turnover 2018*



	US$ millions
Consumer Branded Products	2,708.9
Bogasari	1,486.7
Agribusiness	983.2
Distribution	384.6
Total	**5,563.4**

* Before inter-segment elimination

CBP

The CBP group produces and markets a wide range of consumer branded products, offering everyday solutions for consumers of all ages across different market segments with around 40 leading product brands. This business group comprises the Noodles, Dairy, Snack Foods, Food Seasonings, Nutrition & Special Foods, and Beverages divisions. With over 60 plants located in key markets across Indonesia, CBP's products are available across Indonesia and are exported to more than 60 countries around the world.

Indofood's Noodles division is one of the world's largest producers of instant wheat noodles and is the market leader in Indonesia. Its annual production capacity is around 18 billion packs, assorted in a broad range of instant noodles in various brands and formats, as well as egg noodles.

The Dairy division has an annual production capacity of more than 650,000 tonnes and is one of the largest dairy manufacturers in Indonesia. It produces and markets UHT milk, sterilized bottled milk, sweetened condensed creamer, pasteurized liquid milk, multi cereal milk, milk flavored drinks, powdered milk, ice cream and butter.

The Snack Foods division comprises two business units: snack foods and biscuits. It has an annual production capacity of around 60,000 tonnes, producing western and traditional snacks made from potato, cassava, soybean, sweet potato and corn, as well as various extruded snacks and a wide range of biscuits.

The Food Seasonings division has an annual production capacity of around 150,000 tonnes, manufacturing a wide range of culinary products, including soy sauces, chili sauces, tomato sauces, instant seasonings, as well as cordial syrups and instant porridge.

Indofood's Nutrition & Special Foods division is one of the market leaders in Indonesia's baby food industry which mainly produces and markets specialty foods for infants, toddlers and older children, as well as for expectant and lactating mothers. This division has an annual production capacity of around 25,000 tonnes, producing cereals, noodle soup, biscuits, puddings and rice puffs for infants and toddlers, cereal snacks for children, cereal powdered drinks for the whole family, as well as milk products for expectant and lactating mothers.

The Beverages division's product portfolio includes a wide range of ready-to-drink teas, packaged water, fruit-flavored drinks, and carbonated soft drinks with a combined annual production capacity of around 3 billion liters.

In 2018, CBP group launched 65 new products including a new innovation in ice cream, Indoeskrim Max Swich, multi cereal milk, the first multi-cereal milk drink in Indonesia, and a new category for biscuits, Wonderland Wafer, as well as new flavor extensions.

Sales by the CBP group rose 9% to 38.7 trillion rupiah (US$2.7 billion), with sales growing in almost all business divisions. The EBIT margin declined to 14.9% from 15.3% primarily due to higher selling, distribution and general and administrative expenses.

Alongside a growing economy, demand for fast moving consumer goods is expected to increase. However, the business landscape will remain competitive. CBP is focusing on its strategy of strengthening its market position in most product categories, building up brands that relevant to consumers, and increasing competitiveness.

Bogasari

Bogasari is the largest integrated flour miller in Indonesia. It operates four flour mills in Indonesia with a total annual production capacity of approximately 4.0 million tonnes. Bogasari produces a wide range of wheat flour products and pasta for domestic and international markets.

Its sales rose 11% to 21.2 trillion rupiah (US$1.5 billion) reflecting a 2% growth in sales volume and higher average selling prices. The EBIT margin declined to 6.0% from 6.9% due to higher wheat costs.

Growth in Indonesia's flour industry remains steady, with the country's expanding middle class and growing appetite among younger consumers' for more varieties of flour-based products supporting a positive outlook for the industry.

Agribusiness

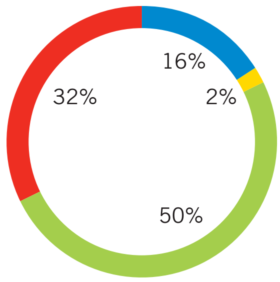
The diversified and vertically integrated Agribusiness group is one of Indonesia's largest palm oil producers with a leading market share in branded edible oils and fats. It consists of two divisions: Plantations, and Edible Oils & Fats ("EOF"), which operate through IndoAgri and its main operating subsidiaries, PT Salim Ivomas Pratama Tbk ("SIMP") and PT Perusahaan Perkebunan London Sumatra Indonesia Tbk ("Lonsum") in Indonesia. In Brazil, IndoAgri has equity investments in sugar and ethanol operations in CMAA and Canápolis Group. It is also invested in RHI in the Philippines.

Sales declined 10% to 14.0 trillion rupiah (US$983.2 million), mainly reflecting low CPO prices and higher internal sales despite higher palm production and higher sales volumes of edible oil products.

Sales volume of CPO stabled at 881,000 tonnes, palm kernel products declined 8% to 194,000 tonnes, sugar sales volume rose 15% to 57,000 tonnes, rubber sales volume decreased by 22% to 9,700 tonnes and oil palm seeds volume was flat at 11.3 million seeds.

The EBIT margin fell to 5.1% from 9.5% (restated) due to weaker commodity prices.

Age Profile of Oil Palm Plantations



	Hectares
Immature areas	39,405
4-6 years	4,326
7-20 years	125,728
Above 20 years	81,653
Total	**251,112**

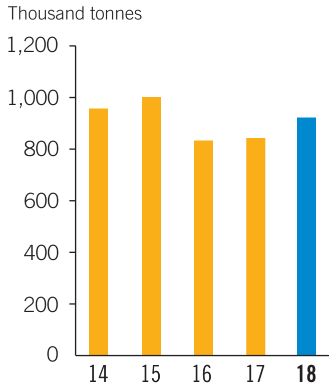
Plantations

In Indonesia, total planted area rose slightly to 301,721 hectares of which oil palm accounted for 83% while rubber, sugar cane, timber, cocoa and tea accounted for the remaining 17%. IndoAgri's oil palms have an average age of approximately 15 years, while around 18% of its oil palms are younger than seven years. This division has a total annual processing capacity of 6.8 million tonnes of fresh fruit bunches.

In 2018, FFB nucleus production rose 9% to 3,375,000 tonnes with yields improving to 15.9 tonnes per hectare, while CPO production increased 9% to 921,000 tonnes with CPO yield up to 3.5 tonnes per hectare, reflecting contribution from newly matured areas and improved field operations, and partly offset by replanting in Riau.

In Indonesia, total planted area of rubber fell 16% to 16,678 hectares while that of sugar cane rose 8% to 13,595 hectares. Sugar production recovered 4% to 56,000 tonnes from a low crop in 2017.

CPO Production



In Brazil, the acquisition of UVP expanded CMAA's sugar and ethanol portfolio, as the sugar cane planted area increased 61% to 79,268 hectares, and the sugar cane harvest rose 37% to 5.6 million tonnes. The combined annual cane crushing capacity of CMAA and the newly acquired Canapolis Group increased 43% to 8.3 million tonnes. IndoAgri's share of CMAA contributed a profit of 29 billion rupiah (US$2.0 million), 79% lower than 2017, due to falling sugar prices, partly offset by a higher contribution from ethanol production.

In 2018, the Plantation division recorded a 15% decline in sales to 8.6 trillion rupiah (US$601.0 million) due to lower CPO prices.

EOF

This division manufactures cooking oils, margarines and shortenings. The completion of a new refinery in Surabaya increased the group's annual CPO refinery capacity by 0.3 million tonnes to 1.7 million tonnes of CPO. Approximately 77% of this division's input need is sourced from the Plantations division's CPO production, up from 64% in 2017.

In 2018, the EOF division recorded a 3% increase in sales due to higher volumes despite lower average selling prices arising from lower CPO prices.

With the positive economic outlook in Indonesia and increasing domestic demand for palm oil and its products, the agribusiness continues its facilities expansion plan. The expansion of milling facilities in Kalimantan with a 45 tonnes per hour of FFB new mill is expected to be completed in the fourth quarter of 2019. Replanting of 4,000 hectares of older palms in North Sumatra and Riau in 2019 is underway. A chocolate factory being built by a 49%/51% joint venture between IndoAgri and Japan's Daitocacao Co., Ltd. is on schedule for commercial production in the second quarter of 2019.

IndoAgri continues its competitive pricing strategy for its most popular brand Bimoli and is expanding the Delima brand for the more affordable segment. It also adding a direct distribution network through e-commerce platforms.

Distribution

The Distribution group is a major component of Indofood's Total Food Solutions chain of vertically integrated operations as it has one of the most extensive nationwide distribution networks in Indonesia, covering all densely populated areas. It is well connected to both traditional and modern grocery outlets to ensure the ready availability of Indofood products to consumers across the country.

The Distribution group's sales declined 2% to 5.5 trillion rupiah (US$384.6 million) mainly due to the impact of NICI consolidation and lower third-party sales. The EBIT margin was relatively stable at 3.4%, compared to 3.6% in 2017.

The Distribution group continues to strengthen its distribution network, leveraging on its over 600,000 registered retail outlets across Indonesia to further increase Indofood's product penetration and high product availability in retail outlets, especially in rural and newly developed areas.

Outlook

Indonesia's growth momentum, which has been on a healthy trajectory since 2016, is expected to continue into 2019; and domestic household consumption, the largest contributor to GDP growth, is also expected to continue fueling the domestic economy. Given the positive outlook, Indofood will continue to focus on its competitive strengths in capturing opportunities in the domestic and export markets for sustainable growth.

PLDT

PROFIT CONTRIBUTION

US$120.7 million

PLDT's contribution to the Group declined 3% to US$120.7 million (2017: US$124.8 million), reflecting the combined impact of higher data and broadband revenues, gains from sale of shares in Rocket Internet SE ("Rocket Internet") and from the loss of control in Voyager Innovations Holdings Pte. Ltd. ("Voyager"), accelerated depreciation in connection with PLDT's network transformation, and a 4% depreciation of the average peso exchange rate against the U.S. dollar during the year.

Consolidated core net income down 7% to 25.9 billion pesos (US$490.7 million) from 27.7 billion pesos (US$549.2 million)	■ reflecting the gain from the sale of shares in Rocket Internet ■ net impact of Voyager losses and a gain from loss of control following the entry of new investors ■ partly offset by accelerated depreciation in connection with the modernization and rationalization of the fixed and wireless networks ■ core income from pure telco operations (excluding the impact of Voyager, asset sale gains, and accelerated depreciation) rose 2% to 24.0 billion pesos (US$455.5 million)
Reported net income up 41% to 18.9 billion pesos (US$359.0 million) from 13.4 billion pesos (US$265.4 million)	■ reflecting lower network swap out costs recognized in 2018
Consolidated service revenues (net of interconnection costs and on pro-forma basis*) up 5% to 150.5 billion pesos (US$2.9 billion) from 143.5 billion pesos (US$2.8 billion)	■ reflecting higher data and broadband revenues, together representing 60% (2017: 46%) of consolidated service revenues ■ combined 9% rise in Individual, Enterprise and Home service revenues, with each growing 7%, 10% and 10% respectively ■ data and broadband remained growth drivers, accounting for 60%, 64% and 75% of Individual, Enterprise and Home service revenues, respectively ■ partly offset by lower revenues from cellular SMS and international and domestic voice services
EBITDA down 3% to 64.0 billion pesos (US$1.2 billion) from 66.2 billion pesos (US$1.3 billion)	■ reflecting higher service revenues ■ offset by higher cash operating expenses, subsidies and provisions, and cost of services ■ on pro-forma basis, and excluding Voyager and manpower reduction program ("MRP") expenses, EBITDA rose by Pesos 0.2 billion (US$3.8 million) to Pesos 69.2 billion (US$1.3 billion)
EBITDA margin to 42% from 44%	■ mainly due to lower EBITDA ■ wireless and fixed line EBITDA margin to 41% and 38% from 40% and 39%, respectively ■ on pro-forma basis, and excluding Voyager and MRP expenses, EBITDA margin stood at 44%

* By using Philippine Accounting Standard ("PAS") 18 instead of Philippine Financial Reporting Standard ("PFRS") 15.

Capital Expenditures

PLDT's multi-year capital expenditures program aims to establish network leadership by improving the quality, capability, capacity, coverage and efficiency of its mobile and fixed broadband networks. The program involves building infrastructure to support growing and unserved demand for data services and the resultant exponential growth in data traffic, further improving the overall customer experience and making PLDT's networks 5G-ready.

In 2018, capital expenditures amounted to 58.5 billion pesos (US$1.1 billion) of which 55% was deployed for the wireless business and the remainder for the fixed line business. The number of Smart's LTE base stations rose 86% to 16,200 while the number of 3G base stations increased 17% to approximately 11,500. At the end of 2018, total homes passed reached 6.3 million, port capacity increased to over 2.6 million, and the fiber footprint expanded to 244,000 kilometers.

The capital expenditures guidance for 2019 is 78.4 billion pesos to further advance PLDT's network lead and to support PLDT's aggressive broadband push. This will entail further expanding LTE and 3G mobile coverage and fiber footprint, while boosting network capacity to support the dramatic increase in data traffic in order to avoid network congestion. Included in 2019 capital expenditures is a substantial allocation for "Customer Capex". This is intended for the purchase of last-mile and customer-premises equipment like modems and also the acquisition of vehicles, equipment and office space for the new corps of technicians being assembled to fast-track the installation and repair of fixed broadband connections.

Following substantial network investments over the last few years, PLDT and Smart Communications, Inc.'s ("Smart") fixed and mobile broadband networks have been recognized and the country's best in several independent third-party surveys such as those conducted by Ookla, Open Signal and Tutela. Based on Ookla's Speedtest Awards, PLDT's fixed-line network was named "The Philippines' Fastest Fixed Internet" offering the fastest fixed broadband with the widest coverage in the Philippines. Ookla also awarded Smart "The Philippines' Fastest Mobile Internet". In addition, leading mobile internet analyst firm Open Signal said in its March 2019 report that Smart won four out of its five Mobile Experience Awards – Video Experience, Download Speed, Upload Speed and Latency while earning a draw in 4G availability.

Debt Profile

As at 31 December 2018, PLDT's consolidated net debt was US$2.4 billion (2017: US$2.8 billion), while total gross debt stood at US$3.4 billion (2017: US$3.5 billion), of which 13% (2017: 20%) was denominated in U.S. dollars. Only 8% of the total debt was unhedged after taking into account the available U.S. dollar cash on hand and currency hedges allocated for debt. 77% of the total debts are due to mature after 2020. Post interest rate swaps, 89% of the total debt are fixed-rate borrowings. The average pre-tax interest cost rose to 4.5% from 4.2% for the full year of 2017.

As at the end of December 2018, PLDT's credit ratings remained at investment grade at the three leading credit rating agencies, Fitch, Moody's and S&P.

Capital Management

Dividends

PLDT's dividend policy is to pay 60% of core net income as regular dividends. On 21 March 2019, the Board of Directors of PLDT declared a final regular dividend of 36 pesos (US$0.68) per share. Added to the interim regular dividend of 36 pesos (US$0.68) per share paid on 11 September 2018, total dividends for 2018 amounts to 72 pesos (US$1.36) per share.

Asset Divestment and Additional Investment

On 9 May 2018, PLDT Online Investments Pte. Ltd. ("PLDT Online") sold 6.8 million of its shares in Rocket Internet at €24 (US$28.1) per share for a total consideration of €163.2 million (US$192.7 million) through Rocket Internet's public share purchase offer. The transaction reduced PLDT Online's equity interest in Rocket Internet to 2.0% from 6.1%. In the second half of 2018, PLDT Online sold additional shares in Rocket Internet through open market transactions, with PLDT's remaining shareholdings at 2.6 million shares or 1.7%.

On 28 November 2018, KKR & Co., Inc. and Tencent Holdings Ltd. completed their combined US$175 million investment in Voyager. On 10 December 2018, International Finance Corporation and IFC Emerging Asia Fund completed their combined US$40 million investment in Voyager. Subsequent to these two transactions, although PLDT's equity interest in Voyager is below 50%, it remains Voyager's single largest shareholder.

On 3 December 2018, PLDT's wholly-owned subsidiary, PLDT Global Investments Holdings, Inc. ("PGIH") completed the acquisition of a 45.7% interest in Multisys Technologies Corporation ("Multisys") for a consideration of 2.15 billion pesos (US$40.8 million). Multisys is a Philippine software developer and IT solutions provider. This investment positions PLDT as a telecoms and digital services provider with core software development capabilities which should enable PLDT to offer more custom-made solutions to its customers.

Service Revenues by Business Segment

Data and broadband services continued to drive revenue growth in the year. In the segment discussions below, service revenues are presented on pro-forma basis which is using PAS 18.

Individual service revenues accounted for 41% of consolidated service revenues (net of interconnection) and rose 7% to 62.5 billion pesos (US$1.2 billion) reflecting rising demand for PLDT's mobile data services during the year. The rise in mobile data usage and revenues was mainly due to the growth in video viewing stimulated by the YouTube promotional offer made available during the year. Mobile data traffic volume more than doubled to 820 Petabyte ("PB") compared with 395 PB in 2017.

The PLDT group's combined wireless subscriber base stood at 60.5 million as at the end of December 2018, up 4% from 2017.

Enterprise service revenues rose 10% to 38.4 billion pesos (US$728.8 million), representing 26% (2017: 24%) of consolidated service revenues (net of interconnection). The increase was fueled by the demand for corporate data and data center services. Data and broadband accounted for 64% of Enterprise service revenues.

Home service revenues rose 10% to 36.4 billion pesos (US$690.8 million), representing 24% (2017: 23%) of consolidated service revenues (net of interconnection). Data and broadband accounted for 75% of Home service revenues. Total broadband subscribers grew 4% to 2.0 million at the end of December 2018.

Outlook

In 2019, PLDT aims to attain a higher level of growth by leveraging even more the power of the combined PLDT and Smart, working as ONE team, focused on delivering the best customer experience – not as a traditional telco – but as a data-driven, digital services company. Given the positive trends in 2018 and the plans for 2019, PLDT expects its telco core income to rise to 26.0 billion pesos, and its capital expenditures to increase by 20 billion pesos to 78.4 billion pesos.

PROFIT CONTRIBUTION

US$120.9 million

MPIC's infrastructure portfolio as at 26 March 2019 comprises the following assets offering a wide range of services:

Power distribution and generation

- 45.5% of Meralco through direct interest and its wholly-owned subsidiary Beacon Electric which in turn owns:
  - 100.0% of Meralco PowerGen Corporation ("Meralco PowerGen") with investments in:
    - 100.0% of Atimonan One Energy, Inc. ("A1E")
    - 51.0% of San Buenaventura Power Ltd. Co. ("SBPL")
    - 50.0% of St. Raphael Power Generation Corporation ("St. Raphael")
    - 49.0% of Mariveles Power Generation Corporation ("Mariveles Power")
    - 47.0% of Redondo Peninsula Energy, Inc. ("RP Energy")
    - 28.0% of PLP
    - 14.0% of GBPC
  - 65.0% of Clark Electric Distribution Corporation ("CEDC")
- 62.4% of GBPC through Beacon Electric and Meralco which in turn owns:
  - 100.0% of Toledo Power Company ("TPC")
  - 100.0% of GBH Power Resource, Inc. ("GPRI")
  - 100.0% of Global Energy Supply Corporation ("GESC")
  - 89.3% of Panay Power Corporation ("PPC")
  - 89.3% of Panay Energy Development Corporation ("PEDC")
  - 52.2% of Cebu Energy Development Corporation ("CEDC")
  - 50.0% of Alsons Thermal Energy Corporation ("ATEC")

Toll roads

- 99.9% of Metro Pacific Tollways Corporation ("MPTC") which in turn owns:
  - 75.1% of NLEX Corporation
  - 66.0% of Easytrip Services Corporation ("ESC")
  - 100.0% of Cavitex Infrastructure Corporation ("CIC")
  - 100.0% of MPCALA Holdings, Inc. ("MPCALA")
  - 100.0% of Cebu Cordova Link Expressway Corporation ("CCLEC")
  - 75.9% of PT Nusantara in Indonesia
  - 44.9% of CII Bridges and Roads Investment Joint Stock Company ("CII B&R") in Vietnam
  - 29.5% of Don Muang Tollway Public Company Limited ("DMT") in Thailand

Water distribution, production and sewage management

- 52.8% of Maynilad Water Services, Inc. ("Maynilad")
- 100.0% of MetroPac Water Investments Corporation ("MPW") which in turn owns:
  - 95.0% of Cagayan de Oro Bulk Water Inc. ("COBWI")
  - 80.0% of Metro Iloilo Bulk Water Supply Corporation ("MIBWSC")
  - 65.0% of Eco-System Technologies International, Inc. ("ESTII")
  - 49.0% of Watergy Business Solutions, Inc. ("WBSI")
  - 27.0% of Laguna Water District Aquatech Resources Corporation ("LARC")
  - 19.9% of Cebu Manila Water Development, Inc. ("CMWD")
  - 49.0% of Tuan Loc Water Resources Investment Joint Stock Company ("TLW") in Vietnam
  - 45.0% of BOO Phu Ninh Water Treatment Plant Joint Stock Company ("PNW") in Vietnam

Hospitals

- 60.1% interest in Metro Pacific Hospital Holdings, Inc. ("MPHHI") which in turn owns:
  - 100.0% of Colinas Verdes Hospital Managers Corporation, the operator of Cardinal Santos Medical Center ("CSMC")
  - 100.0% of East Manila Hospital Managers Corporation, the operator of Our Lady of Lourdes Hospital ("OLLH")
  - 100.0% of Metro Pacific Zamboanga Hospital Corporation, the operator of West Metro Medical Center ("WMMC")
  - 93.1% of Marikina Valley Medical Center, Inc. ("MVMC")
  - 85.6% of Asian Hospital, Inc. ("AHI"), the operator of Asian Hospital and Medical Center ("AHMC")
  - 80.0% of St. Elizabeth Hospital, Inc. ("SEHI")
  - 78.0% of Riverside Medical Center, Inc. ("RMCI")
  - 65.0% of Delgado Clinic Inc. ("DCI"), the owner and operator of the Dr. Jesus C. Delgado Memorial Hospital ("JDMH")
  - 61.0% of De Los Santos Medical Center, Inc. ("DLSMC")
  - 51.0% of Central Luzon Doctors' Hospital, Inc. ("CLDH")
  - 51.0% of Sacred Heart Hospital of Malolos, Inc. ("SHHM")
  - 50.0% of Metro Sanitas Corporation, the owner of 51.0% of The Megaclinic, Inc. ("Megaclinic"), 80.0% of TopHealth Medical Clinics ("TopHealth") and 100.0% of Keralty Manila, Inc. ("Keralty")
  - 49.9% of Davao Doctors Hospital, Inc. ("DDH")
  - 33.3% of Medical Doctors, Inc. ("MDI"), the owner and operator of Makati Medical Center ("MMC")
  - 20.0% of Manila Medical Services, Inc. ("MMSI"), the owner and operator of Manila Doctors Hospital ("MDH")

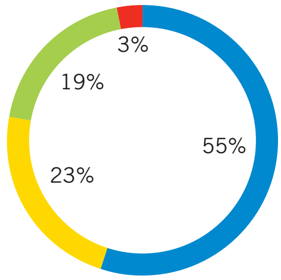
Rail

- 100.0% of Metro Pacific Light Rail Corporation which in turn owns:
  - 55.0% of Light Rail Manila Corporation ("LRMC"), the operator of Light Rail Transit 1 ("LRT1")

Logistics

- 100.0% of MetroPac Logistics Company, Inc. ("MLCI") which owns 99.2% of MetroPac Movers, Inc. ("MMI"), which in turns owns:
  - 100.0% of PremierLogistics, Inc. ("PLI")

Contribution from Operations 2018



	US$ millions
Power	205.4
Toll Roads	83.9
Water	72.0
Hospitals, Rails and Others	10.0
Total	**371.3**

MPIC's contribution to the Group increased 2% to US$120.9 million (2017: US$118.3 million), reflecting higher contributions from the power, toll road and rail businesses, partly offset by a higher net interest expense at MPIC head office level, a higher loss from the logistics business and a 4% depreciation of the average peso exchange rate against the U.S. dollar.

Consolidated core net income up 7% to 15.1 billion pesos (US$285.8 million) from 14.1 billion pesos (US$280.0 million)	■ reflecting higher average ownership of and higher energy sales at the power business, strong volume growth at all toll roads in the Philippines, steady volume growth, inflationary and rebased tariff increases in the water business, and earnings growth in the rail business ■ partly offset by a higher net interest expense at MPIC head office level due to a higher average debt level and higher interest costs in relation to the acquisition of a 25% interest in Beacon Electric in June 2017, and a higher loss from the logistics business ■ power, toll roads, water, and hospitals and others accounted for 55%, 23%, 19% and 3%, respectively, of MPIC's consolidated profit contribution from operations ■ a 15% increase in contribution from the power business to 10.8 billion pesos (US$205.4 million) resulting from higher average shareholdings in and higher energy sales at Meralco and GBPC, partly offset by higher depreciation and interest costs at GBPC ■ a 13% rise in contribution from the toll roads business to 4.4 billion pesos (US$83.9 million) reflecting strong traffic growth at all toll roads in the Philippines and an 11% higher toll rate charged by the North Luzon Expressway ("NLEX") Closed System effective from November 2017 ■ a 2% increase in contribution from the water business to 3.8 billion pesos (US$72.0 million) reflecting higher billed volumes and tariff increases in relation to inflation and rate rebasing at Maynilad, partly offset by higher head office expenses and interest expenses at MPW ■ a 13% increase in contribution from the hospitals business to 771 million pesos (US$14.6 million) reflecting organic growth of patient revenues across all hospitals and the full year effect of contribution from SEHI, partly offset by higher start-up costs for new service programs ■ a 39% rise in contribution from the rail business to 394 million pesos (US$7.5 million) reflecting higher average daily ridership and advertising income, and lower provision for income tax associated with an income tax holiday starting from January 2018
Consolidated reported net income up 7% to 14.1 billion pesos (US$268.2 million) from 13.2 billion pesos (US$261.0 million)	■ reflecting a higher core net income and a lower non-core expense ■ non-core expense in 2018 mainly related to the net effect of a weaker peso, project write-downs, loan refinancing cost and provisions for asset impairment
Revenues up 33% to 83.0 billion pesos (US$1.6 billion) from 62.5 billion pesos (US$1.2 billion)	■ reflecting consolidation of GBPC and revenue growth at all operating companies

Debt Profile

As at 31 December 2018, MPIC reported consolidated debt of 215.1 billion pesos (US$4.1 billion), up 14% from 189.1 billion pesos (US$3.8 billion) as at 31 December 2017, reflecting financing for various projects. Of the total, 92% was denominated in pesos. Fixed-rate loans accounted for 94% of the total and the average interest cost was approximately 6.3%.

Dividend

MPIC's Board of Directors declared a final dividend of 0.076 peso (U.S. 0.14 cent) per share payable on 3 April 2019 to shareholders on record as at 20 March 2019. Together with the interim dividend of 0.0345 peso (U.S. 0.07 cent) per share paid on 25 September 2018, total dividends for 2018 amounted to 0.1105 peso (U.S. 0.21 cent) per share, unchanged from the dividend paid in 2017. It represented a payout ratio of 23% of core net income.

Additional Investments

On 28 February 2018, MLCI completed the acquisition of the remaining 24% interest in MMI from Yellowbear Holdings, Inc. for a consideration of 739 million pesos (US$14.0 million). On 5 December 2018, MMI purchased the remaining 10% in PLI from a shareholder of PLI who reinvested the proceeds for MMI shares. As a result, MPIC's interest in MMI was reduced to 99.2%.

On 14 May 2018, MPW completed the acquisition of a 45% interest in PNW for an initial consideration of 272.4 billion Vietnamese dong (US$11.8 million) of which Vietnamese dong 181.6 billion (US$ 7.9 million) was paid upon completion with the remaining Vietnamese dong 90.8 billion (US$ 3.9 million) being held in escrow. Of the 90.8 billion Vietnamese dong held in escrow, 22.7 billion Vietnamese dong (equivalent to US$1.0 million) was released in September 2018. On 29 January 2019, due to the non-fulfillment of several commitments, notice was given to return the remaining amount 68.1 billion Vietnamese dong (equivalent to US$2.9 million) to MPW. PNW has a license to supply water in the Chu Lai Open Economic Zone and adjacent areas in Quang Nam province in Vietnam.

On 16 May 2018, MPW officially received from Dumaguete City Water District a Notice of Award for the rehabilitation, operation, maintenance, and expansion of its existing water distribution system and development of wastewater treatment facilities. The estimated project cost for the duration of the 25-year concession is 1.6 billion pesos (US$30.8 million) with an initial equity investment of 700 million pesos (US$13.3 million), of which MPW's share is at 364 million pesos (US$6.9 million).

On 11 June 2018, MPW completed the acquisition of a 49% interest in TLW for a consideration of 865.6 billion Vietnamese dong (US$38.4 million). TLW is one of the largest water companies in Vietnam, with 310 million liters per day ("MLD") of installed capacity and a billed volume of approximately 102 MLD for the year ended 31 December 2018. TLW has two 50-year build-own-operate concessions (2015-2064 and 2017-2066) for water treatment plants and one 50-year build-own-operate concession (2017-2066) for a sewage treatment plant in Vietnam.

On 14 June 2018, MMI agreed to buy land with an aggregate area of approximately 20 hectares for a consideration of 1.0 billion pesos (US$19.3 million) from The Property Company of Friends, Inc., located in Lancaster Estate, Cavite for development into a distribution facility to support the growth of MMI's logistics business.

On 2 July 2018, PT Metro Pacific Tollways Indonesia ("PT MPTI"), a wholly-owned subsidiary of MPTC, acquired an additional 5.1% interest in PT Nusantara for a consideration of 597 million pesos (US$11.3 million). This transaction increased MPTC's aggregate interest in PT Nusantara to approximately 54.6% which triggered the mandatory tender offer ("the Offer") to the minority shareholders of PT Nusantara. The Offer was completed on 10 September 2018, PT MPTI increased its shareholding in PT Nusantara by 25.3% (for a consideration of 2.9 billion pesos (US$54.7 million)) to 79.9%. On 8 October 2018, PT MPTI acquired an additional 5.1% interest in PT Nusantara for a consideration of 674 million pesos (US$12.8 million) and disposed of 10.2% interest in PT Nusantara to PT Indonesia Infrastructure Finance, a private non-bank financial institution in Indonesia, for a consideration of 1.4 billion pesos (US$25.7 million), as a result PT MPTI's interest in PT Nusantara decreased to 74.8%. On 27 December 2018, through the rights issue conducted by PT Nusantara, PT MPTI acquired an additional 2.0 billion shares of PT Nusantara for a consideration of 1.5 billion pesos (US$28.1 million) which increased PT MPTI's interest in PT Nusantara to 75.9%.

On 19 October 2018, MPHHI completed the acquisition of an additional 14.7% interest in DDH for a consideration of 669 million pesos (US$12.7 million), which increased its effective interest in DDH to 49.9%.

On 13 November 2018, MPW entered into a joint venture agreement with Metro Iloilo Water District ("MIWD") for a 25-year concession for rehabilitation, operation, maintenance and expansion of MIWD's existing water distribution system and the construction of wastewater facilities ("the MIWD project"). The estimated cost covers the concession period is 12.4 billion pesos (US$234.9 million), with an initial equity investment of 600 million pesos (US$11.4 million) in 2019. On 1 February 2019, MPW signed a service contract agreement with MIWD for the MIWD project.

On 19 November 2018, MPIC through its subsidiary Metpower Venture Partners Holdings, Inc. signed an agreement with Dole Philippines, Inc. ("DPI") to design, construct and operate biogas facilities for DPI. The project cost is estimated to be 1.0 billion pesos (US$19.0 million).

MPIC

Power

At Meralco, revenues increased 8% to 304.5 billion pesos (US$5.8 billion) reflecting higher energy sales and pass-through generation charge, partly offset by customers transiting to other retail electricity sellers. Distribution revenues and generation and other pass-through charges rose 4% and 8%, respectively. The number of customers rose 5% to over 6.6 million. The volume of electricity sold rose 5% to 44,313 gigawatt hours, led by an increase of approximately 7% in industrial power demand, 5% in commercial demand and 4% in residential demand. Capital expenditure rose 13% to 13.7 billion pesos (US$259.4 million) mainly for upgrading critical loading of existing facilities and system expansion for demand growth and customer connections.

At GBPC, revenues rose 13% to 26.8 billion pesos (US$509.1 million) reflecting a growth in energy sales. Capital expenditure declined 63% to 514 million pesos (US$9.8 million) reflecting completion of PEDC's expansion plant in May 2018.

As at 31 December 2018, GBPC and Meralco PowerGen had a combined power generating capacity of 1,759 megawatts. Meralco PowerGen and GBPC are currently developing several power projects in the Philippines with a total planned capacity of approximately 3,693 megawatts through SBPL, A1E, RP Energy, St. Raphael, Mariveles Power, and Phase 2 of ATEC. SBPL's power project is expected to be completed around second half of 2019 and Phase 2 of ATEC is on track to come online in 2019.

In 2018, MPIC was involved in two energy from waste projects. The Quezon waste to energy project is expected to receive the Notice of Award in the first half of 2019. The project cost for Phase 1 is approximately 15.3 billion pesos (US$291.0 million). This project is expected to generate approximately 36 megawatts of energy from 3,000 metric tons of waste per day.

The construction of the biogas facility for DPI with project cost of approximately 1.0 billion pesos (US$19.0 million) is expected to be completed in 2020 and have a capacity of 5.7 megawatts of clean energy for DPI and reduce carbon dioxide ("CO_2") emission by 100,000 tons per year.

Toll Roads

MPTC operates NLEX, the Manila-Cavitex Toll Expressway ("CAVITEX") and the Subic Clark Tarlac Expressway ("SCTEX") in the Philippines, and is a shareholder in PT Nusantara in Indonesia, CII B&R in Vietnam and DMT in Thailand.

In 2018, revenues rose 18% to 15.5 billion pesos (US$293.9 million) driven by the consolidation of PT Nusantara, strong traffic growth on all toll roads in the Philippines and a higher toll rate charged for the NLEX Closed System. Growth in NLEX and SCTEX volumes reflected the integration of these two roads and the opening of additional lanes at NLEX, while the higher traffic volume at CAVITEX was driven by growth in the residential population of Cavite and tourism in Batangas.

For toll roads outside the Philippines, the average daily vehicle entries of PT Nusantara, CII B&R and DMT declined 4% to 438,572.

Capital expenditure increased 167% to 11.8 billion pesos (US$223.9 million) mainly reflecting construction of new roads and expansion of existing roads for NLEX, CAVITEX, NLEX Citi Link, the Cavite-Laguna Expressway and the Cebu Cordova Link Expressway in 2018. The construction of NLEX Harbour Link (Segment 10) was completed and commenced operation in February 2019.

MPTC plans to spend approximately 104.3 billion pesos (US$2.0 billion) on road projects over the next five years, with expected completion between 2019 and 2024. It also seeks new toll roads operations and maintenance projects in Thailand.

On 5 March 2019, NLEX's regulator Toll Regulatory Board ("TRB") approved the tariff adjustment due in 2013 and 2015 with a 50% increase effective from 20 March 2019, and the remaining 50% to be implemented in subsequent years. However, tariff adjustments due in 2017 and 2019 are still subject to TRB's approval.

Tariff adjustments for CAVITEX and SCTEX under the terms of these road concessions have been delayed since 2012 even as talks continue with the TRB to resolve these enduring tariff issues. The continuous delay is threatening planned long-term capital expenditure.

Water

Maynilad is the biggest water utility in the Philippines. It operates a concession that runs until 2037 for water distribution and sewerage services for the West Zone of Metro Manila.

In 2018, Maynilad's average non-revenue water measured at the District Metered Area declined to 29.8% from 32.3%. Revenues rose 6% to 22.0 billion pesos (US$418.0 million), reflecting a 3% increase in billed water volumes to 527 million cubic meters, and inflationary tariff increases of 1.9% in April 2017 and 2.8% in January 2018, and 2.7% rebasing adjustment in October 2018.

Maynilad's capital expenditure declined 1% to 11.9 billion pesos (US$226.7 million) and financed upgrading and building reservoirs and pumping stations, primary pipe laying, and construction of wastewater treatment facilities to improve public health. It is building three new sewage treatment facilities and upgrading one sewage treatment plant for its approximately 2 million customers.

MPW is MPIC's investment vehicle for expanding MPIC's water investments outside the Maynilad concession area. MPW also has investments in water projects at Iloilo in the Philippines, and in Vietnam. Its combined installed capacity reached 521 MLD while the billed volume is 253 MLD. MPW's performance is expected to turnaround once its new water projects in Cebu and Iloilo in the Philippines and in Vietnam are completed.

Maynilad's Tariffs Arbitration

In September 2018, Maynilad received approval from the Metropolitan Waterworks and Sewerage System ("MWSS") of new tariffs for Maynilad's fifth rate rebasing period (2018 to 2022) which will be implemented on a staggered basis in four years.

Maynilad continues talks with MWSS on resolution of a dispute over tariffs for the 2013-2017 period. Maynilad won arbitration of this dispute on 29 December 2014 in the Philippines. Next, on 24 July 2017, a three-person Arbitral Tribunal unanimously upheld Maynilad's victory and ordered the Philippine government to pay reimbursement for losses incurred by Maynilad. In February 2018, the Philippine government applied to the High Court of Singapore to set aside the Arbitration Tribunal's ruling and the court's decision upholding the award in favor of Maynilad was made on 4 October 2018. Maynilad is working with MWSS for an efficient collection of its claims.

Despite the delay in the tariff increase it is entitled over the last few years and the associated financial pressure on its projects, Maynilad remains committed to improving its services to customers.

Hospitals

MPIC has the largest network of private hospitals in the Philippines with 3,200 beds and 8,373 accredited doctors as at 31 December 2018. The Hospital business comprises 14 full-service hospitals across the Philippines, three primary care clinics, and one cancer center, as well as indirect ownership of two healthcare colleges.

Aggregated revenues rose 14% to 25.7 billion pesos (US$486.9 million) in 2018, reflecting organic growth of patient revenues across all hospitals and contribution from SEHI which was acquired in the fourth quarter of 2017, partly offset by higher start-up costs for new service programs. The number of inpatients rose 11% to 193,824 and outpatient numbers rose 8% to 3.3 million.

MPHHI is concentrating its growth initiatives on enhancing and expanding healthcare services across all hospitals in its network, and improving patient access to quality medical care by establishing new service centers. The rollout of these long-term revenue growth programs restrained the near-term core income growth before later contributing to earnings growth. MPHHI aims also to enlarge the healthcare portfolio by investing in mid-sized hospitals in the provinces outside Metro Manila.

Rail

LRMC's revenues rose 5% to 3.3 billion pesos (US$62.8 million) reflecting growth of 5% in average daily ridership to 458,021, higher advertising income and a 3% increase in light rail vehicles to 112.

LRMC's 750 million pesos (US$14.2 million) Station Improvement Project covering rail replacement, lining and leveling of platforms in 21 stations is substantially completed with the remaining works expected to be finished by mid-2019. Major improvements have already been seen in passenger safety and LRT1's operational efficiency, resulting in quicker, safer and more comfortable journeys.

LRMC is continuing pre-construction preparations for the LRT1 Cavite Extension and on-site construction will begin in 2019. However, the long-overdue tariff increases remain a financial obstacle to this project.

Logistics

This business contributed a loss of 627 million pesos (US$11.9 million) due to higher operating expenses, financing charges, build-up of its head office and support services, and higher depreciation charges relating to increase of its truck fleet. The average warehouse dispatch rose 3% to over 60 million cases.

MMI is focusing on improving and expanding its service platform by increasing transportation, warehousing and order fulfillment capacity for clients across the Philippines. It plans to invest 8 billion pesos for warehouse expansion in order to catch the growth in the e-commerce industry. MMI broadened its services to cross docking and freight forwarding.

Outlook

MPIC expects continuing strong economic growth will underpin increasing volumes in the electricity, toll road and water businesses. Higher per capita incomes will increase demand for the medical services offered by its hospitals business. Growth in the rail business is constrained by the late supply of new carriages and delays in increasing train speeds. The logistics business is expected to benefit from demand boosted by trade growth but is likely to record another net loss for the year. Similar growth factors are expected in MPIC's investments outside the Philippines. However, core income will be held back by a higher interest bill as MPIC takes on new borrowings to fund the construction of new roads, water supplies, energy projects and the light rail track extension.

FPW / goodman fielder
our homegrown food company

PROFIT CONTRIBUTION

US$21.2 million

FPW's contribution to the Group was US$21.2 million (2017: US$30.3 million) driven by lower core net income of A$62.7 million (2017: A$80.1 million) at Goodman Fielder, reflecting the impact of higher raw material costs, partly offset by higher contributions from Fiji and Papua New Guinea.

Sales increased 2% to A$2.2 billion (US$1.6 billion) as a result of stronger sales from Papua New Guinea and Fiji. Normalized EBIT was A$135.1 million (US$100.4 million) reflecting predominantly unfavorable commodity costs, which had a bigger impact than the improved earnings from the International division.

International Business

Goodman Fielder offers a wide range of leading branded consumer food products to consumers in China, Fiji, Indonesia, New Caledonia, Papua New Guinea, the Philippines, Vietnam and other emerging markets in Asia-Pacific under popular brands including Crest, Flame, Meadow Fresh, Meadow Lea, Olive Grove, Pilot, Praise, Tuckers and White Wings.

Sales from the International division rose 13% on healthy growth in the Fiji, Papua New Guinea and other emerging markets in Asia-Pacific. Papua New Guinea operations showed significant top-line growth in 2018 with a 27% increase in sales, followed by sales growth of 10% in Fiji.

In Fiji, efficiency gains, higher sales volumes of poultry products and higher average selling prices contributed to a stronger performance.

In Papua New Guinea, higher sales volume of rice, the completion of a rice packing plant at Lae, and improved sales of flour despite higher wheat prices, contributed to its stronger performance.

Sales of UHT milk and whipping cream to the food service and retail markets across Southeast Asia and Pacific Islands were weaker than 2017 due to market competition.

New Zealand Business

Goodman Fielder has 12 manufacturing facilities in New Zealand producing a broad range of high-quality baking, dairy and grocery products. It also exports Meadow Fresh UHT milk and other dairy products to International markets.

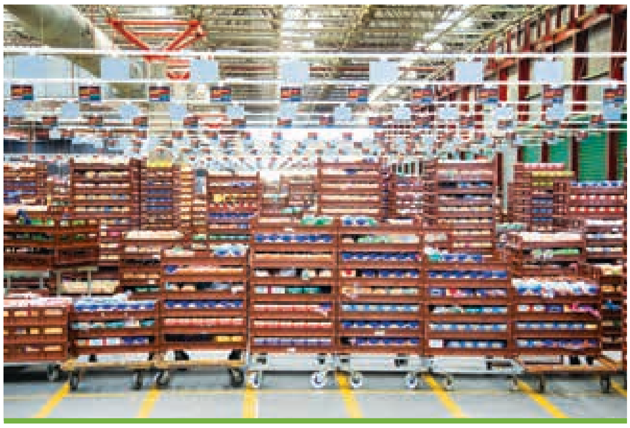
In 2018, New Zealand sales rose 1% mainly reflecting a higher cost of dairy products (with the increased cost contractually passed on to supermarkets), increased sales of oils and dressings, yoghurt, and spreads and butter products, mostly offset by lower sales of baking loafs and private label dairy products. Higher wheat and milk prices, and higher fuel costs eroded its earnings.

New products launch in 2018 included yoghurt pouches, specialty cheese overseas range, Edmonds Baked Donut Bites/Bliss Balls and Puhoi Authentic Greek Yoghurt.

In 2018, Goodman Fielder completed the optimization of its warehousing at Quality Bakers Auckland and Meadow Fresh Christchurch sites. Pie production from the Irvines facility at Auckland was relocated to the Palmerston North facility, and the production of garlic bread and other baked goods was transferred from the Hot Plate bakery at East Tamaki to Quality Bakers Auckland.

Australia Business

In Australia, Goodman Fielder's branded products under the Helga's, Meadow Lea, Pampas, Praise, White Wings, and Wonder White labels remained popular with strong market shares.



However, sales in both the baking and grocery businesses weakened as a result of increased competition in branded products in addition to a reduction in private label loaf and other baking products sales.

In 2018, higher wheat prices, electricity and fuel costs added pressure on Goodman Fielder's earnings.

Goodman Fielder is continuing to focus on network optimization to increase efficiencies in its daily fresh and grocery products businesses. It also launched new products in 2018 including a new range of gluten-free loaf and rolls products, and new products in the dressings and mayonnaise range. Goodman Fielder also expanded its product portfolio in the Mexican category and in ingredients.

Debt Profile

As at 31 December 2018, FPW's net debt stood at A$538.1 million (US$379.2 million) and 51% of borrowings are at fixed rates. Borrowings are funded by a range of domestic and international banks and debt investors. Interest expense was A$38.4 million (US$28.5 million) reflecting additional term on the debt profile.

Outlook

Earnings growth is expected to continue in the International business, with stable growth from Fiji and Papua New Guinea. Increased commodity costs in wheat and farm gate milk prices are likely to impact the earnings predominantly in the Australian and New Zealand markets. Despite this impact, the Australian division is predicting modest earnings growth with the delivery of key capital projects with benefits beginning to be realized in 2019.

On 11 March 2019, First Pacific agreed to sell its 50% interest in Goodman Fielder to Wilmar.

PHILEX MINING
CORPORATION

PROFIT CONTRIBUTION

US$2.9
million

Philex's natural resources portfolio as at 26 March 2019 comprises:

Philex for metal-related assets

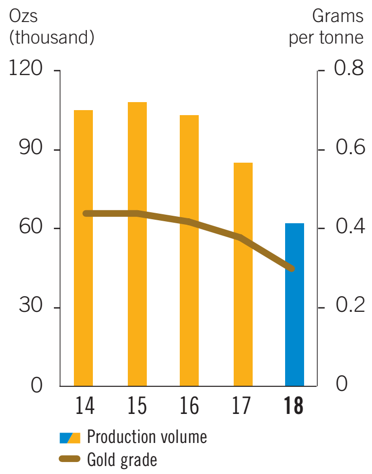
- 100.0% in Padcal mine
- 100.0% in Silangan Mindanao Exploration Co., Inc. ("SMECI")
- 100.0% in Silangan Mindanao Mining Co., Inc.
- 100.0% in Philex Gold Philippines, Inc.
- 99.0% in Lascogon Mining Corporation
- 5.0% in Kalayaan Copper Gold Resources, Inc.

PXP* for energy- and hydrocarbon-related assets

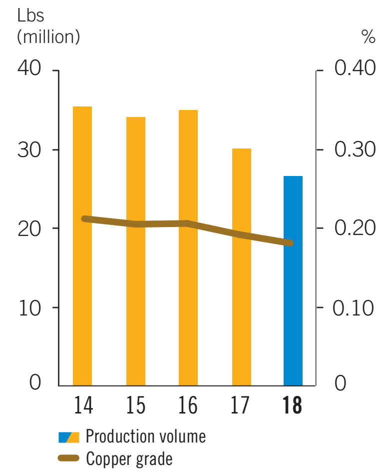
- 75.9% † of Forum Energy Limited ("Forum") which owns 70.0% of Service Contract ("SC") 72 and a 2.3% interest in the Galoc oil field (SC 14C-1), both are located in the West Philippine Sea, and a 66.7% interest in SC 40 located in North Cebu Island
- 53.4% of Pitkin Petroleum Limited ("Pitkin") which owns 25.0% of Peru Block Z-38, an oil and gas exploration asset located in offshore Peru
- 50.0% of SC 75 and 70.0% of SC 74, both located in Northwest Palawan Island

* 30.4% held by Philex, 21.7% held by First Pacific and 6.7% held by Two Rivers Pacific Holdings Corporation, a Philippine affiliate of First Pacific.
† 72.2% held directly by PXP and 6.8% held by PXP's 55.0%-owned subsidiary FEC Resources, Inc., for a total effective interest of 75.9% held by PXP.

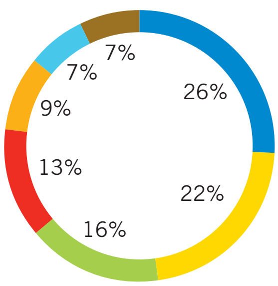
Gold Production and Grade



Copper Production and Grade

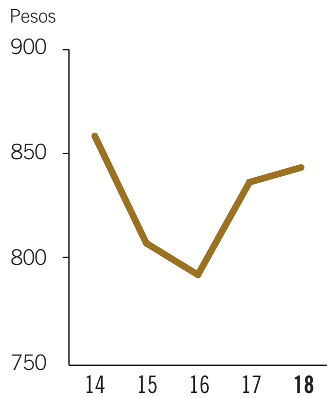


Operating Cost Per Tonne of Ore Milled 2018



	Pesos per tonne
Materials & supplies	217
Depreciation & amortization	188
Power	139
Labor	106
Smelting charges	79
Excise tax and royalties	59
Others	56
Total	**844**

Operating Cost Per Tonne of Ore Milled



Philex's contribution to the Group declined 77% to US$2.9 million (2017: US$12.7 million), reflecting lower volumes of metal sold due to lower production from lower ore grades.

In 2018, the average realized price of gold rose 2% to US$1,294 per ounce while copper declined 1% to US$2.92 per pound.

Total ore milled decreased 2% to 8.5 million tonnes. Average gold grade decreased 21% to 0.298 grams per tonne (2017: 0.377 grams per tonne) and average copper grade decreased 6% to 0.181% (2017: 0.192%). As a result, gold production fell 27% to 61,977 ounces and copper production declined 12% to 26.6 million pounds, resulting in lower volumes of metal sold.

Core net income down 64% to 600 million pesos (US$11.4 million) from 1.7 billion pesos (US$33.5 million)	■ reflecting lower revenue resulting from lower tonnage and metal production ■ increased excise tax rate to 4% from 2% of net revenues ■ higher cash production cost
Net income down 63% to 608 million pesos (US$11.5 million) from 1.7 billion pesos (US$32.9 million)	■ reflecting lower core net income ■ higher foreign exchange losses on U.S. dollar-denominated loans
Revenue (before smelting charges) down 16% to 7.6 billion pesos (US$145.0 million) from 9.1 billion pesos (US$181.5 million)	■ reflecting lower metal output due to lower tonnage and metal grades ■ partly offset by strengthening of the U.S. dollar versus the Philippine peso ■ revenues from gold, copper and silver contributed 51%, 48% and 1% of the total, respectively
EBITDA down 37% to 2.5 billion pesos (US$47.3 million) from 4.0 billion pesos (US$78.9 million)	■ reflecting lower revenue, higher excise tax rate and higher cash production cost
Operating cost per tonne of ore milled at 844 pesos (US$16.0) from 837 pesos (US$16.6)	■ due to lower metal production
Capital expenditure (including exploration costs) up 6% to 2.5 billion pesos (US$47.5 million) from 2.4 billion pesos (US$46.7 million)	■ reflecting lower capital expenditures for the Padcal mine operations ■ partly offset by the increase in the Silangan project's pre-development costs

The mine life of Philex's major operating metal asset Padcal mine is expected to end in 2022.

Debt Profile

In 2018, Philex repaid US$7.9 million of outstanding short-term bank debts. Short-term bank debt declined 12% from year-end 2017 to 2.2 billion pesos (US$41.0 million). As at 31 December 2018, it had 782 million pesos (US$14.9 million) of cash and cash equivalents, and 9.5 billion pesos (US$180.5 million) of borrowings, comprising bonds and short-term bank loans.

Capital Management

Dividend

Philex's Board of Directors declared on 25 July 2018 an interim cash dividend of 0.035 peso (US 0.066 cent) per share paid on 24 August 2018.

No final dividend for 2018 was declared.

Additional Investment in PXP

During 2018, Philex entered into a subscription agreement with upstream oil and gas affiliate PXP, involving the subscription of 260 million new shares of PXP at Pesos 11.85 (US$0.22) per share, for a total consideration of Pesos 3.1 billion (US$58.5 million). The transaction raised Philex's interest in PXP to 30.4% from 19.8%. As at 13 February 2019, Philex has settled 70% of its subscribed portion equivalent to Pesos 2.2 billion (US$40.9 million).

During 2018, PXP also entered an agreement with Dennison Holdings Corporation ("Dennison") of which PXP will issue 340 million new PXP shares at 11.85 pesos (US$0.22) per share to Dennison. In January 2019, Dennison had paid 40.29 million pesos (US$0.8 million) or 1% of its subscription amount as down-payment with the outstanding amount to be settled by 31 March 2019.

Silangan Project

The gold and copper project is located in Surigao del Norte, Northeastern Mindanao in the Philippines. The project has secured and currently maintains all major permits from the Department of Environment and Natural Resources ("DENR") including an environmental compliance certificate, a tree-cutting permit and an approved Declaration of Mining Project Feasibility prior to the declaration of the open pit ban.

The DENR Administrative Order ("DAO") 2017-10 banning the use of open-pit mining in the Philippines remains in effect. Under the Philippine Mining Act of 1995, surface mining such as open-pit mining is allowed in the Philippines.

Philex is currently re-evaluating mining the deposit underground by conducting a series of feasibility studies accompanied by geotechnical and hydrogeological field investigations to de-risk the initial studies. The results of the final feasibility study is expected in May 2019.

PXP

During 2018, petroleum revenues rose 3% to 108 million pesos (US$2.0 million) as a result of a 35% rise in average crude oil price to US$74.3 per barrel from US$55.0 per barrel in 2017, partly offset by a 24% decline in volume to 1.07 million barrels from 1.41 million barrels in 2017. Costs and expenses increased 40% to 221 million pesos (US$4.2 million) reflecting higher depletion charges in SC 14C-1 Galoc and plugging and decommissioning of old SC 14 production wells.

Reported net loss rose 68% to 96 million pesos (US$1.8 million), reflecting decommissioning costs and higher depletion of SC 14C-1, partly offset by higher petroleum revenues and foreign exchange gain.

SC 72

The SC 72 is located in the Reed Bank (Recto Bank) which lies within the Philippines' Exclusive Economic Zone ("EEZ"). Its second sub-phase of exploration activities is currently suspended due to a Force Majeure imposed since 15 December 2014.

On 12 July 2016, the Permanent Court of Arbitration made a favorable decision confirming that PXP's service contracts, particularly SC 72, are within the Philippine's EEZ. PXP, through Forum, will take guidance from the Philippine government in respect of any future activity in SC 72 and other areas covered by the court's decision. Upon the lifting of the Moratorium, Forum will have 20 months to drill two wells as part of its work commitment under SC 72.

In Manila on 13 February 2018, the Philippines and China held their second Bilateral Consultation Meeting on their territorial dispute over the West Philippine Sea. The two countries have agreed to set up a special panel to discuss joint exploration for oil and gas in the disputed waters while sidestepping the question of sovereignty. In addition, they reaffirmed the importance of maintaining and promoting peace and stability, freedom of navigation in and over the territory, freedom of international commerce, and other peaceful uses of the sea. Finally, the two countries agreed to address territorial and jurisdictional disputes via peaceful means, without resorting to the threat or use of force, through friendly consultations and negotiations by the sovereign states directly concerned, in accordance with universally recognized principles of international law, including the Charter of the United Nations and the 1982 UN Convention on the Law of the Seas.

On 20 November 2018, the Philippines and China signed a Memorandum of Understanding ("MOU") on Oil & Gas Development that will pave way for the two governments to create an Intergovernmental Steering Committee. The Committee will endeavor to agree on cooperation agreements within 12 months of the signing of the MOU.

SC 75

The property covered by SC 75 is located in Northwest Palawan. It has been under Force Majeure since 27 December 2015. Upon the lifting of the Force Majeure, PXP will have 18 months to obtain 1,000 square kilometers of 3D seismic data for subphase 2 of its service contract.

PXP will continue to coordinate with the Philippine Department of Energy on the lifting of the Moratorium for both SC 72 and SC 75.

Others

At SC 74 Linapacan Block, the gravity model was completed and will be reviewed by the technical contractor. Fieldwork in the Calamian Islands was conducted in June 2018, while engineering and economic studies of the Linapacan A and B Fields have been recently completed. A joint Rock Physics and Quantitative Interpretation project with the SC14C-2 West Linapacan consortium will be conducted over the Linapacan and West Linapacan areas during the first half of 2019 using 3D seismic and well data. This study will help in delineating leads in both blocks.

In April 2018, SC 40 North Cebu completed a detailed land gravity survey in the towns of Medellin and Daanbantayan in northern Cebu with a total of 94 stations acquired. The survey was composed of two parts: (1) an east-west traverse across Cebu Island aimed at acquiring more information on the structural geology of northern Cebu; and (2) a gridded survey in the Dalingding area to further delineate a gravity high identified in previous gravity surveys. Processing and interpretation of the gravity data are underway and will be completed in the first half of 2019.

In 2018, SC 14C-1 Galoc Field produced a total of 1.07 million barrels of oil from 3 liftings. In 2019, it plans to produce approximately 1.05 million barrels of oil through three liftings in January, May and September. A total of 380,512 barrels were lifted in January 2019.

Philodrill Corporation, the SC 14C-2 West Linapacan operator, continues to analyze 3D seismic data that were reprocessed in 2014. A drilling engineer was recently contracted to study the viability of re-opening the old West Linapacan wells to gather reservoir data and to perform extended well tests. These wells were closed in 1996.

Peru Block Z-38 has been under Force Majeure since 1 September 2013. Upon the lifting of the Moratorium, the joint venture composed of Pitkin and Karoon Gas Australia Ltd. (“Karoon”) will have 22 months to complete the required work for the third exploration period of this project comprising the drilling of two wells. In January 2018, Karoon agreed on the financial participation of Tullow Oil Plc. (UK) (“Tullow”) for drilling the Marina-1X well while Karoon remains the project’s operator. Upon Peruvian government approval of this arrangement, the economic interests of Pitkin, Tullow, and Karoon in Marina-1X will be 25%, 35% and 40%, respectively.

On 12 September 2018, Perupetro S.A. approved the lifting of the Moratorium in Block Z-38. As a result, the third exploration period will now expire on 1 July 2020.

The drilling of Marina-1X is expected in early 2020. Pitkin is no longer required to share the costs of Marina-1X and the second well under a separate farm-in agreement signed with the Karoon in 2009.

Outlook

Philex is aggressively working on key project requirements for its Silangan project set to be launched by 2022. Target completion of on-going definitive feasibility studies for the first of four planned phases of the expansion mine is expected in May 2019. Preliminary mineral resource estimates are indicative of superior ore grades and larger quantity of deposits than previously declared levels.

Padcal mine will continue to be faced with challenges associated with a mature ore body. Strategies are in place to maximize productivity and output as it moves closer to the end of mine life.

PXP will continuously work towards a resolution of the Force Majeure impasse involving two of its major service contracts.

FPM Power / PacificLight

SHARE OF LOSS

US$6.2 million

First Pacific holds a 70% interest in PLP through a 60/40-owned entity with Meralco PowerGen. PLP is the first power plant in Singapore fueled solely by liquefied natural gas and is equipped with some of the most modern and efficient facilities for power generation. The plant's fuel is provided by Shell Gas under a long-term agreement through the SLNG Terminal developed by the Singaporean government.

First Pacific's share of FPM Power's loss narrowed 44% to US$6.2 million (2017: 11.0 million), reflecting a lower core loss at PLP, partly offset by a 2% appreciation of the average Singapore dollar exchange rate against the U.S. dollar.

In 2018, the plant's system availability remained high at 95% and the heat rate is broadly the same as the target level. Unit 10 has operated without a single incident of forced outage since May 2016 and Unit 20, since March 2017.

During 2018, the volume of electricity sold increased 4% to 4,980 gigawatt hours, of which 90% was for retail, vesting contracts, futures and contracts for difference sales, and the remaining 10% was for pool market sales. PLP's generation market share for 2018 was approximately 9.4%.

Core net loss down 46% to S$43.7 million (US$32.4 million) from S$80.9 million (US$58.9 million)	■ reflecting lower interest expense on shareholder loans ■ higher contribution from improved non-fuel margins for retail and pool market sales following an increase in oil prices ■ partly offset by higher marketing and distribution expenses
Net loss up 9% to S$83.5 million (US$61.9 million) from S$76.6 million (US$55.7 million)	■ reflecting higher provision for onerous contracts ■ foreign exchange losses on U.S. dollar-denominated shareholder loans versus gains in 2017 ■ partly offset by a lower core net loss
Revenues up 27% to S$983.5 million (US$728.6 million) from S$776.8 million (US$565.4 million)	■ reflecting a higher average selling price per unit of electricity sold due to higher fuel costs ■ higher volume of electricity sold
Operating expenses up 5% to S$23.3 million (US17.3 million) from S$22.1 million (US$16.1 million)	■ reflecting higher marketing and distribution expenses due to the opening up of retail competition ■ partly offset by higher other operating income
EBITDA down 27% to S$9.5 million (US$7.0 million) from S$13.0 million (US$9.5 million)	■ reflecting higher provision for onerous contracts ■ partly offset by higher revenues

Debt Profile

As at 31 December 2018, FPM Power's net debt stood at US$498.7 million while gross debt stood at US$514.7 million with 18% maturing in 2019, and the remaining borrowings maturing in 2020 and 2021. All of the borrowings were floating-rate bank loans, with 50% effectively hedged to fixed-rate borrowings through interest rate swap arrangements.

Outlook

Electricity demand, which registered an increase of 2% in 2018, is expected to continue to grow in 2019. The domestic sector was progressively opened up for retail competition from April 2018, thus opening another growth path for PLP's retail business. However, the electricity market remains highly competitive as oversupply in capacity persists. PLP will leverage its efficiency advantage, high reliability and operational flexibility to defend its market position, while it actively manages its higher fuel cost compared with other gas-fired electricity producers.

FP Natural Resources / RHi ROXAS HOLDINGS, INC.

SHARE OF LOSS

US$**0.3** million

First Pacific and its indirect agribusiness subsidiary IndoAgri, through a 70/30-owned entity FP Natural Resources and a Philippine affiliate, have an aggregate 62.9% interest in RHI.

In 2018, First Pacific's share of FP Natural Resources' loss narrowed 87% to US$0.3 million (2017: US$2.6 million) reflecting the absence of loss contributed by First Coconut Manufacturing Inc. (2017: loss of US$4.1 million), partly offset by the loss contributed by RHI of US$0.3 million (2017: profit contribution of US$1.5 million).

RHI recorded a core loss of 47 million pesos (US$0.9 million) (2017: core income of 240 million pesos (US$4.8 million)), reflecting higher production costs arising from lower production volume due to changing weather conditions, stiff cane competition and higher feedstock costs.

Together with its associate Hawaiian-Philippine Company, Inc. ("HPC"), RHI is one of the largest integrated sugar producers in the Philippines, accounting for 18% of domestic sugar production. Its three sugar mills in Batangas and Negros Occidental have combined milling capacity of 36,000 tonnes of sugar cane per day, and the refinery facility in Batangas has capacity of 18,000 LKg per day (one LKg is equal to one 50-kilogram bag of sugar). RHI also has two ethanol plants in Negros Occidental with daily production capacity of approximately 255,000 liters.

RHI's sugar business milled 2.9 million tonnes of cane in 2018, down 19% from a year earlier. During 2018, RHI sold from inventory and current production: 2.9 million LKg (2017: 2.4 million LKg) of refined sugar; 1.9 million LKg (2017: 2.1 million LKg) of raw sugar; and 80,000 LKg (2017: 157,000 LKg) of premium raw sugar. Ethanol sales volume rose 6% to 70.9 million liters (2017: 66.7 million liters) owing to higher production.

Core net loss of 47 million pesos (US$0.9 million) instead of a core net income of 240 million pesos (US$4.8 million)	■ reflecting higher production costs ■ lower sales volumes of premium raw sugar and raw sugar ■ higher operating expenses and finance cost ■ partly offset by higher sugar prices
Reported net loss of 47 million pesos (US$0.9 million) instead of a reported net income of 120 million pesos (US$2.4 million)	■ reflecting core net loss instead of core net income for the year
Revenue up 38% to 15.9 billion pesos (US$301.9 million) from 11.5 billion pesos (US$228.9 million)	■ driven by higher sales volumes of refined sugar and ethanol and higher average selling prices of sugar products ■ the recognition of milling revenue under HKFRS 15 ■ partly offset by lower sales volumes of raw sugar and premium raw sugar
Operating expenses up 12% to 1.0 billion pesos (US$19.8 million) from 936 million pesos (US$18.6 million)	■ reflecting higher staff costs
EBITDA down 37% to 1.0 billion pesos (US$19.6 million) from 1.6 billion pesos (US$32.4 million)	■ reflecting a decline in gross margins due to higher production costs
EBITDA margin to 6% from 14%	■ reflecting lower EBITDA despite higher revenue

Debt Profile
As at 31 December 2018, total debt of RHI stood at 11.5 billion pesos (US$219.6 million).

Outlook
Competition remains strong in 2019 but cane quality and yields are expected to improve while energy efficiency is expected to improve as well.

Chairman's Letter

Dear Shareholders

2018 was a year when exchange rates and commodity prices combined to make the biggest impact on First Pacific's earnings, bringing overall contribution and recurring profit down. Against this background, our biggest investments which constitute our core holdings demonstrated resilience, consolidating their market positions for more secure earnings growth going forward.

Our biggest investment, Indofood, saw its earnings growth held back by weak palm oil prices, yet its biggest business Consumer Branded Products surged ahead in all its main product areas. Continuing growth in consumer spending power combined with Indofood's proven ability to innovate and give consumers what they want will ensure its continuing success this year and beyond. PLDT, the biggest telecommunications firm in the Philippines, has seen years of focused capital expenditures result in the construction of the country's most modern and resilient network which is now delivering growth in subscriber numbers, in average revenue per user and in telco earnings. MPIC continues to deliver strong growth in its electricity distribution, toll road and water businesses with targeted capital expenditures capitalising on the steady growth of that economy and increasingly elsewhere in Southeast Asia.

Management of your Company are focused on delivering stronger returns via careful management of our assets, including divestment of those considered non-core. This has the happy consequence of releasing funds to reduce our borrowings and our interest bill even as the stronger returns we anticipate translate into improved dividend flows from our investee companies as we look to the future.

Our companies continue to focus on delivering what consumers want even as they anticipate how best to continue delivering for the needs of their customers in the near term and beyond. We are alert to evolving consumer tastes and demands and are responding accordingly with the aim of delivering quality products and services at a good price, today and going forward. Our investments are well managed companies which dominate in their sectors. We are located in dynamic and fast-growing economies and we are well placed for continuing success in the years ahead.

Yours sincerely

Anthoni Salim
Chairman

26 March 2019

OUR COMPANIES CONTINUE TO FOCUS ON DELIVERING WHAT CONSUMERS WANT EVEN AS THEY ANTICIPATE HOW BEST TO CONTINUE DELIVERING FOR THE NEEDS OF THEIR CUSTOMERS IN THE NEAR TERM AND BEYOND.

To My Fellow Shareholders

2018 has been a year of adjustment to weaker currencies and refocusing on our core investments. Notwithstanding the decline in contribution driven largely by declines in the peso and rupiah exchange rates, we are building a foundation for steady earnings growth at our core investments even as we take steps at First Pacific Head Office to lower our costs and strengthen our balance sheet.

Shortly before issuing our 2018 earnings report in March 2019, we announced the sale of our 50% stake in the parent company of Goodman Fielder to the other owner of this food producer, Wilmar. The funds received from this asset sale will go towards repayment of debt, in particular a US$252 million bond maturing in September 2020. This was an initial big step in fulfilling our commitment to refocus on our core businesses and release funds to finance debt reduction and share repurchases. We will quickly see a drop in our overall borrowings and a reduction in our overall interest bill and the average cost of our borrowings.

At the same time, we have already seen a 6% drop in our net interest expense in 2018, the second such drop in two years, and we are hopeful of a continuing decline looking ahead. Corporate overheads were down for the third year in a row.

The renewed focus on our core businesses is observing results. PLDT, the biggest telecommunications company in the Philippines, is seeing growth in subscriber numbers and telco earnings as a direct consequence of a multi-billion-dollar multi-year capital expenditures program that has seen the buildout of the best and most sophisticated telecommunications network in

WE ARE OPTIMISTIC ABOUT THE FUTURE AND ARE HOPEFUL THAT THIS WILL SOON BE REFLECTED IN THE MARKET'S UNDERSTANDING OF THE STRONG PROSPECTS OF FIRST PACIFIC AND OUR OPERATING COMPANIES GOING FORWARD.

the country. This company can now look ahead to perhaps its best years yet. MPIC continues to grow in its 10th year of ever-stronger earnings thanks to the fruits of large and focused spending on building out its capacity to deliver more electricity, more road traffic and more water to the consumers living in the service areas of its largest investments. MPIC's hospitals business is now up to 14 such institutions and continues to seek new investments around the Philippines while smaller investments in light rail and logistics continue to invest for growth. Indofood continues to dominate in its food categories and expands into new ones, ensuring that increasing consumer spending power is met by its high-quality and diverse food offerings. Philex is turning its focus to development of the Silangan project in the south of the Philippines while PXP seeks to capitalise on potential cooperation between the Chinese and Philippine governments in development of energy assets.

There is much going on with our operating investments as we look ahead and we are confident in their prospects even as we keep a sharp eye on the bottom line. Our confidence is such that your Board of Directors has felt the confidence to maintain First Pacific's distribution unchanged on a per-share basis, meeting our nine-year commitments to distribute 25% or more of recurring profit to First Pacific shareholders. Recent data show a dividend yield of 4.4%, which compares well with our peers, though our share price performance remains a disappointment. We are optimistic about the future and are hopeful that this will soon be reflected in the market's understanding of the strong prospects of First Pacific and our operating companies going forward.

Yours cordially

M V Pangilinan
Managing Director and Chief Executive Officer

26 March 2019

Board of Directors and Senior Executives

Board of Directors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Anthoni Salim 1
Chairman

Age 69, 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 International Advisory Board of Allianz SE, 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 has served as a Director of First Pacific since 1981 and assumed the role of Chairman in June 2003.

Manuel V. Pangilinan 2
Managing Director and Chief Executive Officer

Age 72, Mr. Pangilinan graduated cum laude from the Ateneo de Manila University, with a Bachelor of Arts degree in Economics. He received his MBA degree from the Wharton School at the University of Pennsylvania. In Manila, he worked for Philippine Investment Management Consultants Inc. (PHINMA) in the Philippines, and in Hong Kong with Bancom International Limited and American Express Bank. Thereafter he founded First Pacific in May 1981.

Mr. Pangilinan served as Managing Director of First Pacific since its founding in 1981 until 1999. He was appointed Executive Chairman until June 2003, after which he was named Managing Director and Chief Executive Officer. He holds the positions of President Commissioner of PT Indofood Sukses Makmur Tbk in Indonesia. In the Philippines, Mr. Pangilinan is the Chairman, President and Chief Executive Officer of PLDT Inc. (PLDT) and Smart Communications, Inc. (Smart), Chairman of Metro Pacific Investments Corporation (MPIC), Manila Electric Company (Meralco), ePLDT, Inc., PLDT Communications and Energy Ventures, Inc. (formerly Pilipino Telephone Corporation), Maynilad Water Services, Inc., Metro Pacific Tollways Corporation, NLEX Corporation (formerly Manila North Tollways Corporation), Philex Mining Corporation, PXP Energy 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), and the Vice Chairman of Roxas Holdings, Inc.

In 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 the First Honorary Doctorates Degree in Management by Asian Institute of Management in 2016, 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

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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.

In civic duties, Mr. Pangilinan sits as Chairman of the Philippine Business for Social Progress (PBSP), PLDT-Smart Foundation Inc., One Meralco Foundation Inc., and Co-Chairman of the Philippine Disaster Resilience Foundation (PDRF), and is a Director of the Philippine Business for Education (PBED). He is Chairman of the Board of Trustees of San Beda College, Co-Chairperson of the Board of Trustees of Stratbase Albert del Rosario Institute and Co-Chairman of the U.S.–Philippine Society.

In sports, Mr. Pangilinan is Chairman of the MVP Sports Foundation Inc., Chairman Emeritus of the Samahang Basketbol ng Pilipinas and Chairman of the Amateur Boxing Association of the Philippines (ABAP).

Christopher H. Young 3

Executive Director and Chief Financial Officer

Age 61, Mr. Young graduated from Waid Academy in Scotland and received a Master of Arts (Honors) degree in Economics from St. Andrews University.

He is currently a Director of Metro Pacific Investments Corporation, Goodman Fielder Pty Limited, PacificLight Power Pte. Ltd., Roxas Holdings, Inc. and FPM Power Holdings Limited, and a member of the Advisory Board of PLDT Inc. He also serves as Commissioner of PT Indofood Sukses Makmur Tbk and a Trustee of IdeaSpace Foundation, Inc.

Mr. Young worked for PricewaterhouseCoopers in London and Hong Kong from 1979 until 1987, at which time he joined First Pacific in Hong Kong as Group Financial Controller. He joined Metro Pacific Corporation in 1995 as Finance Director, a position he held until he joined PLDT as its Chief Financial Advisor in November 1998. Mr. Young returned to First Pacific in 2015 as Chief Financial Officer and joined the First Pacific Board in August 2017.

Robert C. Nicholson 4

Executive Director

Age 63, Mr. Nicholson, who is a graduate of the University of Kent, qualified as a solicitor in England and Wales and in Hong Kong. Mr. Nicholson joined First Pacific's Board in 2003. He resigned from the Board of First Pacific, Goodman Fielder Pty Limited and PacificLight Power Pte. Ltd. on 13 December 2018 due to retirement.

As at 13 December 2018, Mr. Nicholson was a Commissioner of PT Indofood Sukses Makmur Tbk and a Director of Metro Pacific Investments Corporation, Philex Mining Corporation and PXP Energy Corporation, all of which are First Pacific Group subsidiaries or associates. He was also an Independent Non-executive Director of Pacific Basin Shipping Limited. Previously, he was a senior partner of Reed Smith Richards Butler from 1985 to 2001, and was 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 crossborder transactions, including mergers and acquisitions, regional telecommunications, debt and equity capital markets, corporate reorganisations and privatisations in China.

Professor Edward K.Y. Chen
GBS, CBE, JP

Independent Non-executive Director

Age 73, educated at the University of Hong Kong and Oxford University, Professor Chen is an Independent Non-executive Director of Wharf Holdings Limited. He 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 the Chairman of the HKU SPACE Board of Directors, a Board Director of the Hong Kong Institute for Monetary Research of the Hong Kong Monetary Authority, a Distinguished Fellow of the Hong Kong Institute for the Humanities and Social Sciences at the University of Hong Kong, and Honorary Professor of the Open University of Hong Kong. Professor Chen joined First Pacific's Board in 1993.

Philip Fan Yan Hok

Independent Non-executive Director

Age 69, Mr. Fan holds a Bachelor's Degree in Industrial Engineering, a Master's Degree in Operations Research from Stanford University and a Master's Degree in Management Science from Massachusetts Institute of Technology.

Mr. Fan had been an Executive Director of CITIC Pacific Limited in charge of industrial projects in China. Prior to his retirement as the Executive Director and General Manager of China Everbright International Limited, he made significant contribution to the company's leadership position in the Chinese Waste-to-energy industry.

Mr. Fan is also an Independent Non-executive Director of China Everbright International Limited, Hysan Development Company Limited, China Aircraft Leasing Group Holdings Limited and PFC Devices Inc. He joined First Pacific's Board in December 2012.

Madeleine Lee Suh Shin

Independent Non-executive Director

Age 56, Ms. Lee graduated with a Bachelor of Arts Honours in Economics and Accounting from the University of Leeds, UK and a Master of Business Administration from the University of Bradford, UK. She obtained her Chartered Financial Analyst qualification in 1989.

Ms. Lee has over 30 years in investment management. She worked with the Government of Singapore Investment Corporation, Chase Manhattan, Morgan Grenfell and as Managing Director at Commerzbank Asset Management Asia. In 2001, Ms. Lee co-founded BowtieAsia Pte Ltd, which matched private equity investments in the technology space with angel investors, using an internet platform, a precursor to "crowdfunding". In 2002, she was made a Fellow of the Eisenhower Exchange Fellowship. From 2005 to 2007, Ms. Lee was the Deputy Chief Investment Officer of the Investment Office of the National University of Singapore. In 2008, she founded Athenaeum Limited, a boutique investment manager of Asian Pacific funds. The funds business was sold to Azimut Group in 2016. Since 2018, Ms. Lee has started an advisory and consultancy partnership to cater to Asian Family Offices.

Ms. Lee has served on the board of directors of Mapletree Investments Pte Ltd, Aetos Security Pte Ltd and ECICS Holdings of the Temasek Holdings stable of companies. She was on Monetary Authority of Singapore's Financial Sector Review Committee on the Liberalisation of the Stockbroking Industry and the Business Development Review Group for the Merged Exchange.

Ms. Lee currently serves on the Board of The Arts House Ltd. and the Governing Council of Singapore Institute of Management. She joined First Pacific's Board in September 2015.

Margaret Leung Ko May Yee
SBS, JP

Independent Non-executive Director

Age 66, Mrs. Leung holds a Bachelor's Degree in Economics, Accounting and Business Administration from the University of Hong Kong. She was the Vice-Chairman and CEO of Hang Seng Bank Limited and Chairman of Hang Seng Bank (China) Limited prior to her retirement on 30 June 2012. Mrs. Leung also held various pivotal positions in HSBC Holdings Plc and The Hongkong and Shanghai Banking Corporation Limited from February 1978 until 30 June 2012. She was the the Deputy Chairman and Managing Director of Chong Hing Bank Limited from February 2014 to May 2018. She was also an Independent Non-executive Director of the Hong Kong listed Swire Pacific Limited, Hutchison

Whampoa Limited and China Construction Bank Limited. Mrs. Leung was the Chairman of the Board of Governors of Hang Seng Management College and Hang Seng School of Commerce until March 2013, and a Member of the Advisory Board and Chairman of the Investment Committee of the Hong Kong Export Credit Insurance Corporation until December 2010.

Mrs. Leung is a council member and Treasurer of the University of Hong Kong, a member of the Public Service Commission and the Advisory Committee on Arts Development. She is an Independent Non-executive Director of Sun Hung Kai Properties Limited, Hong Kong Exchanges and Clearing Limited and Li & Fung Limited. Mrs Leung joined First Pacific's Board in December 2012.

Albert F. del Rosario

Non-executive Director

Age 79, Ambassador del Rosario received a Bachelor's Degree in Economics from New York University.

He served as Secretary of Foreign Affairs of the Philippines from February 2011 to March 2016 and as Philippine Ambassador to the United States of America from October 2001 to August 2006. Prior to entering public service, Ambassador del Rosario was on the Board of Directors of various firms, his business career for over four decades has spanned the insurance, banking, real estate, shipping, telecommunications, advertising, consumer products, retail, pharmaceutical and food industries.

Ambassador del Rosario was conferred the Order of Sikatuna, Rank of Datu, the Order of Lakandula with a Rank of Grand Cross (Bayani) and was recipient of the EDSA II Presidential Heroes Award. He was granted the 2013 Professional Chair for Public Service and Governance by Ateneo School of Government and the Metrobank Foundation, 2014 Management Man of the Year by Management Association of the Philippines, 2016 Outstanding Government National Official, 2016 Asia CEO Awards as Life Contributor, and Manuel L. Quezon Gawad Parangal as Quezon City's Most Outstanding Citizens for 2016. He was also elevated to the Xavier Hall of Fame in New York City in 2006 and received the AIM Washington Sycip Distinguished Management Leadership Award in 2011. He was conferred Doctor of Laws (Honoris Causa) for principled commitment to democracy, integrity and the rule of law by the College of Mount Saint Vincent, New York City in 2015 and Honorary Degree of Doctor of Humanities by the Ateneo de Manila University in September 2018. He received the Rotary Club Makati West's first "Albert del Rosario Award" in 2016, the Outstanding Leadership in Diplomatic Service award by Miriam College Department of International Studies and Philippine Tatler's Diamond Award.

He is Co-founder of Gotuaco del Rosario Insurance Brokers Inc., the Chairman of Philippine Stratbase Consultancy Inc., Stratbase ADR Institute, Inc. and Citizens for Promoting Human Rights, Inc. Ambassador del Rosario is a Director of Rockwell Land Corporation and Asia Insurance (Phil.) Corporation. He is also a trustee of the Carlos P. Romulo Foundation for Peace & Development and Philippine Cancer Society, Inc. A member of Asia Society Global Council and an Advisory Board of Metrobank Foundation, Inc. and CSIS Southeast Asia Program.

Ambassador del Rosario joined First Pacific as an Independent Non-executive Director in June 2003 and served as a Non-executive Director from 2004 until March 2011. He re-joined First Pacific's Board in June 2016. He is also a Director of Indra Philippines, Inc., PLDT Inc., Metro Pacific Investments Corporation and Metro Pacific Tollways Corporation, all of which are First Pacific Group subsidiaries or associates.

Tedy Djuhar

Non-executive Director

Age 67, Mr. Djuhar received a Bachelor of Economics degree from the University of New England in Australia. He has also completed the EMBA program at Cheung Kong School of Business Beijing in June 2014. Mr. Djuhar is Vice President Commissioner of PT Indocement Tunggal Prakarsa Tbk, a Director of Pacific Industries and Development Limited and a number of other Indonesian companies. He joined First Pacific's Board in 1981.

Benny S. Santoso

Non-executive Director

Age 60, Mr. Santoso graduated from Ngee Ann College in Singapore. He serves as a Commissioner of PT Indofood Sukses Makmur Tbk, a President Commissioner of PT Nippon Indosari Corpindo Tbk, a Commissioner of PT Fast Food Indonesia Tbk, a Director of PT Indocement Tunggal Prakarsa Tbk and as a member of the Advisory Board of PLDT Inc. He joined First Pacific's Board in 2003.

Senior Executives

Edward A. Tortorici
Executive Advisor

Age 79, Mr. Tortorici received a Bachelor of Science from New York University and a Master of Science from Fairfield University. He 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. After his retirement in 2017, he continues to serve as an Advisor to the First Pacific Board of Directors and its operating companies where he oversees corporate strategy for First Pacific and guides the Group's strategic planning and corporate development. Mr. Tortorici is an Executive Advisor of Metro Pacific Investments Corporation. He is also an adviser for IdeaSpace Foundation and a Director of Jeti Investments. Mr. Tortorici serves on the Board of Advisors of the Southeast Asia Division of the Center for Strategic and International Studies. He served as a Commissioner of the U.S. ASEAN Strategy Commission.

Mr. Tortorici resigned on 30 August 2017 as an Executive Director of First Pacific due to retirement. He is currently an Executive Advisor of First Pacific.

Marilyn A. Victorio-Aquino
Assistant Director

Age 63, Ms. Aquino was educated at the University of Santo Tomas (A.B.) and University of the Philippines (LL.B., cum laude) and qualified as a barrister in the Philippines in 1981. She joined Sycip Salazar Hernandez and Gatmaitan Law Offices in the Philippines in 1980 where she became a partner in 1989.

Ms. Aquino's practice focused on banking, finance and securities, construction and infrastructure, investments, mergers and acquisitions, and mining and natural resources.

Ms. Aquino is the President and Chief Executive Officer of MetroPac Movers Inc., the logistics company of Metro Pacific Investments Corporation. She is also the President of First Coconut Manufacturing Inc. and a Director of Philex Mining Corporation, Philex Gold Philippines, Inc., PXP Energy Corporation, Silangan Mindanao Mining Company Inc., Lepanto Consolidated Mining Company and Maynilad Water Services, Inc. Ms. Aquino was appointed Chief Legal Counsel of PLDT in December 2018.

Ms. Aquino joined First Pacific in 2012.

Ray C. Espinosa
Associate Director

Age 62, Mr. Espinosa has a Master of Laws degree from the University of Michigan Law School and is a member of the Integrated Bar of the Philippines. He was a partner of SyCip Salazar Hernandez & Gatmaitan from 1982 to 2000, a foreign associate at Covington and Burling (Washington, D.C., USA) from 1987 to 1988, and a law lecturer at the Ateneo de Manila School of Law from 1983 to 1985 and 1989.

Mr. Espinosa is a Director of PLDT Inc., Smart Communications, Inc., Manila Electric Company (Meralco), Roxas Holdings, Inc., Metro Pacific Investments Corporation, Meralco PowerGen Corporation, First Agri Holdings Corporation and First Coconut Manufacturing Inc. He also serves as an Independent Director of Lepanto Consolidated Mining Company (Lepanto) and Maybank Philippines, Inc. (Maybank Philippines). He is the Chairman of the Finance Committee of Meralco, the Audit Committee and Nomination Committee of Lepanto and the Risk Management Committee of Maybank Philippines. Mr. Espinosa is the Chief Corporate Services Officer of PLDT and Smart, the General Counsel of Meralco and Head of PLDT's Regulatory and Strategic Affairs office. He is also a trustee of the Beneficial Trust Fund of PLDT.

Mr. Espinosa joined First Pacific in 2013. He is First Pacific Group's Head of Government and Regulatory Affairs and Head of Communications Bureau for the Philippines.

Joseph H.P. Ng

Associate Director

Age 56, 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 is a Commissioner of PT Indofood Sukses Makmur Tbk and a Non-executive Director of Philex Mining Corporation and PXP Energy Corporation, which are First Pacific Group subsidiary and associates.

He joined First Pacific in 1988 from PriceWaterhouse's audit and business advisory department in Hong Kong. Mr. Ng was appointed as Associate Director in April 2019. Prior to that he was Executive Vice President of Group Finance and served in several senior finance positions within the Group, including as the Head of Finance of the Group's regional telecom division and a director of a number of the Group's telecom joint ventures in India, Indonesia and China.

John W. Ryan

Associate Director

Age 53, 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 subsequently served as Head of Corporate Communications, Asia Pacific for HSBC's wholesale bank. He joined First Pacific in 2010. Prior to his appointment as Associate Director in April 2019, Mr. Ryan was Group Chief Investor Relations and Sustainability Officer, and Executive Vice President of Group Corporate Communications.

Victorico P. Vargas

Assistant Director

Age 66, Mr. Vargas was educated at Ateneo de Manila and University of Santo Tomas.

Prior to his appointment as Assistant Director of First Pacific, Mr. Vargas was the President and Chief Executive Officer at Maynilad Water Services, Inc. He joined PLDT in 2000 as its Human Resources Group Head and through his stay at PLDT got involved in managing the PLDT Business Transformation Office, Asset Protection and Management Group, and the PLDT International Carrier Business. He has worked in senior roles at Union Carbide, Pepsico, Colgate Palmolive and Citigroup.

He is a Director of the PLDT Subic Telecom, Inc. and PLDT Clark Telecom, Inc., President and Member of the Board of Trustees of the First Pacific Leadership Academy, Trustee of the MVP Sports Foundation, and IdeaSpace Foundation and President of the PhilPop Music Fest Foundation. Mr. Vargas was elected President of the Philippine Olympic Committee in February 2018.

Mr. Vargas joined First Pacific in January 2016, overseeing First Pacific Group businesses operating in the Philippines and its region, particularly focus leading the Business Transformation of PLDT.

Richard P.C. Chan

Executive Vice President
Group Financial Controller

Age 49, 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. He serves as a Non-executive Director of Philex Mining Corporation since January 2019, which is First Pacific Group associate.

Mr. Chan joined First Pacific in 1996 from KPMG. Prior to his appointment as Executive Vice President, Group Financial Controller in April 2019, Mr. Chan was Vice President, Group Financial Controller.

Maisie M.S. Lam

Executive Vice President
Group Human Resources

Age 64, Ms. Lam received a Diploma from the Hong Kong Polytechnic University/ Hong Kong Management Association. She joined First Pacific in 1983.

Peter T.H. Lin

Executive Vice President
Group Treasury and Tax

Age 49, 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 Institute of Chartered Accountants in England and Wales, Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. Mr. Lin joined First Pacific in 1998 from KPMG where he was a Tax Manager. Prior to his appointment as Executive Vice President, Group Treasury and Tax in April 2019, Mr. Lin was Deputy Treasurer and Vice President of Group Tax.

Stanley H. Yang

Executive Vice President
Group Corporate Development

Age 42, Mr. Yang received a Bachelor of Science degree in Economics from the Wharton School of the University of Pennsylvania. He oversees the Group's corporate development activities including mergers and acquisitions, strategic investments, joint ventures, and other portfolio company growth initiatives. Prior to joining First Pacific, Mr. Yang worked at Deutsche Bank where he led investment banking coverage for the diversified industrials sector in Asia. He also previously served as a director in Deutsche Bank's mergers and acquisitions department, where he advised clients on mergers and acquisitions, divestitures and leveraged investment transactions in Asia and the United States. Mr. Yang began his career in New York where he gained transaction experience in principal investments and investment banking. He joined First Pacific in 2013 and is currently a Director of FPW Singapore Holdings Pte. Ltd. and PacificLight Power Pte. Ltd.

Sara S.K. Cheung

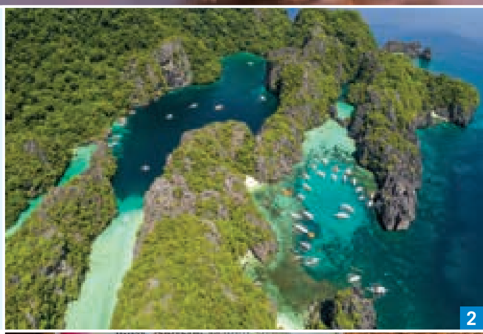
Vice President
Group Corporate Communications

Age 55, 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 Hong Kong Investor Relations Association. She joined First Pacific in 1997 from the Public Affairs department of Wharf Limited and Wheelock and Company.

Nancy L.M. Li

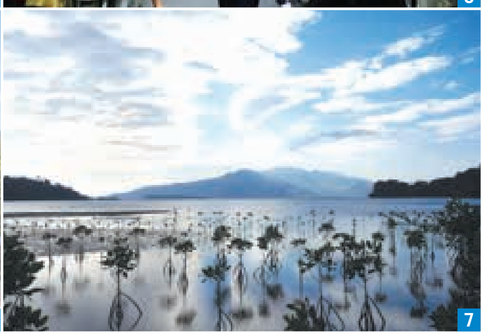
Vice President
Company Secretary

Age 61, 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 2003.



Outstanding photos of the 4th First Pacific Group Photo Competition

1. Sentinels in Rejoice
2. Twin Lagoon
3. Salute
4. Beam of Hope
5. Indomie
6. Stilt Houses
7. Triboa Bay Mangrove



The corporate social responsibility ("CSR") focus of the Group's key operating companies and foundations are highlighted below.

First Pacific Charitable Fund

Supports the Hong Kong community with a focus on:

- Encouraging community involvement
- Environmental care
- Sharing and caring
- Well-being development

Tulong Kapatid

Offers a framework for seamless coordination among First Pacific Group companies to:

- Share information, resources and volunteers for collective impact
- Eliminate inefficient duplication and identify synergies
- Present First Pacific Group companies as trusted partners in nation-building in the Philippines

MVP Sports Foundation

- Aids in the development of National Team Programs and National Athletes in the Philippines
- Primarily supports 9 sports: boxing, badminton, weightlifting, cycling, taekwondo, rugby, golf, football and basketball
- Purveyor of world class sporting events such as the Asian Games, 3x3 Hosting and FIBA Home and Away Game

ideaspace

Promotes technology and science-based entrepreneurship in the Philippines:

- Conducts a national and Southeast Asian startup challenge
- Offers financial support and training
- Established and manages the first public and private sector innovation hub for the Philippines
- Conducts corporate innovation programs through innovation workshops

Indofood

Social and community activities are embodied in Indofood's five CSR pillars:

- Building human capital
- Nutrition for All
- Strengthening economic value
- Protecting the environment
- Solidarity and humanity

PLDT Smart Foundation

Funds and develops programs that promote:

- Education – with a focus on development of teachers and fostering innovation in education
- Livelihood and social enterprise
- Disaster response and recovery
- Youth and arts
- Sports development
- Local economic and social development

Metro Pacific Investments Foundation

- Offers quality education through Mano Amiga ("Friendly Hands")
- Promotes employee teamwork, creativity and camaraderie by upcycling office trash
- Promotes environmental awareness through Shore It Up

goodman fielder

Promotes partnerships to deliver against our sustainability focus areas, including:

- Responsible sourcing and sustainable agriculture
- Sustainable packaging
- Improved environmental outcomes
- Health, hunger and nutrition

Philex Group Foundation, Inc.

Provides funding and practical support for:

- Highland agriculture
- Social enterprise development
- Market establishment for the community goods, through PxCFMI

PacificLight

Supports Singapore-based charities through both financial and practical assistance:

- Socially responsible and acts ethically in the environment of Singapore
- Supports the community through volunteering and donations, particularly relating to the environment, the disadvantaged and education

RHi

Focuses on social and environmental initiatives:

- Poverty alleviation
- Clean water and sanitation
- Responsible consumption

One Meralco Foundation

Leads programs which focus on:

- Electrification of low-income households in the Meralco franchise area and public schools in remote and island communities throughout the Philippines
- Energy education
- Electrical facilities rehabilitation of public schools
- Youth development through education, sports and the arts
- Community relations and employee volunteerism
- Power restoration support in disaster areas and relief efforts

Maynilad

Leads initiatives and forges partnerships that promote:

- W.A.S.H. (water, sanitation and hygiene) programs for the marginalized
- Rehabilitation of water resources
- Social entrepreneurship
- Disaster response

MPTC Metro Pacific Tollways

Supports activities that lead to improvements in:

- Road safety and safe expressway driving
- The environment
- Education
- Health
- Youth engagement in sports

- Forges Public-Private Partnerships for the organizational strengthening of public hospitals, military medical treatment facilities and provincial/LGU (local government units) hospitals
- Conducts surgical-medical missions and adopts indigent patients through the Health Heroes Program
- Responds to pandemic, disaster and emergency preparedness challenges during both natural and man-made calamities through the PPPREPared (Public-Private Partnerships for Rescue and Emergency Preparedness) Program
- Facilitates donation of hospital equipment and medical supplies through the EQUIPPP (Equipment Upgrade and Improvement through Public-Private Partnerships) Program

Alagang Kapatid Foundation, Inc.

Funds activities that promote:

- Disaster response, recovery and rehabilitation programs with a focus on providing food and relief goods, education tools and stress relief support to fire and typhoon victims
- Medical and social services in partnership with the Metro Pacific Hospitals group and other organizations

A Culture of Responsibility and Sustainable Advancement

First Pacific

The First Pacific Group, including subsidiaries, affiliate companies and associates, employs over 130,000 people, and is located mostly in the fast-growing economies of Southeast Asia. The communities where our operating companies are located are at various stages of economic, social and technological development. Each company sets its own plan to best support and serve their communities as a good corporate citizen.

First Pacific Group's companies conduct business with the highest standards of principled responsibility while protecting and enhancing the interests of stakeholders. We offer equal career opportunity to all employees, regardless of race, age, religion and gender. Our commitment to creating long-term value springs from our close connection to the communities where our businesses operate. Our businesses are built upon vital services such as food, raw materials, telecommunications, power, toll roads, water, medical services, rail and logistics.

First Pacific Group leads its CSR initiatives from top management level at Head Office and within our operating companies. Our executives leverage their leadership, industry expertise and connections, plus employees' participation and commitment, to provide timely and continuing support to our communities.

To promote good corporate governance and establish clear standards, First Pacific published the *Code of Business Practice* and *Supplier Code of Conduct* for the Head Office in 2018. Both documents are available on the Company's website at www.firstpacific.com/sustainability/policies.

The Code of Business Practice includes the following eight policies which aim to provide the requirements and guidance for which First Pacific people conduct their business with integrity.

- Political Activities Policy
- Anti-Bribery and Corruption Policy
- Diversity and Equal Opportunity Policy
- Human Rights Policy
- Volunteering Policy
- Sustainability Policy
- Environment, Health and Safety Policy
- Community Investment and Donations Policy

Staff training

In support of its policies and their successful implementation, First Pacific conducted the following training sessions at the Head Office for all staff:

- In October 2018, an education session on First Pacific's Code of Business Practice
- In November 2018, a mandatory training session on cybersecurity

Employee benefits

At the Head Office in Hong Kong, First Pacific offers a wide range of benefits to support employee welfare:

- Medical coverage for employees, their spouses and children
- Annual medical health checks, and life and accident insurance
- Special leave when required by personal circumstances
- Continuing education
- Staff Recreation Club offering leisure and community service activities for employees and their families

Community support

In Hong Kong, we supported:

- Hong Kong Green Day 2018 hosted by Green Council
- Scholarships at Lingnan University
- Hong Kong Management Association Talent Development Fund

With the courtesy of Lingnan University

- Walk for Millions and Dress Casual Day hosted by The Community Chest
- Philippine Independence Day Charity event hosted by the Philippine Association of Hong Kong
- 2018 Katutubo Haute Couture hosted by Likhang Pamana
- Caritas Hong Kong
- The Society for the Relief of Disabled Children
- Causeway Bay Rugby Football Club

The Volunteering Policy encourages employees to participate in charitable activities. During 2018, First Pacific staff provided services to the following organizations:

- Food Angel
- HandsOn Hong Kong

To further encourage employees' participation and contributions to our community, First Pacific grants a day off on the designated day of blood donation at the Hong Kong Red Cross donor centers or at the mobile donation vehicle.

First Pacific also supports:

- Asian Forum on Enterprise for Society annual conference hosted by Asian Institute of Management
- U.S. Philippines Society, Inc.
- First Pacific Leadership Academy
- Arete at the Ateneo de Manila University

Environmental care

At the office, we practice:

- Encouraging e-communication and filing
- Eliminating disposable utensils
- Reducing paper and electricity consumption
- Recycling of paper, plastic, glass and metal waste
- Using energy-efficient lighting items and appliances
- Donation of old computers, office equipment and furniture

In March and August 2018, a total of three large bags of clothes and shoes, and 35 pieces of office equipment, chairs and home furniture – all in good condition – were donated by First Pacific and its employees and delivered to Crossroads Foundation in Hong Kong.

In June 2018, employees of First Pacific participated in a workshop "Beat Plastic Pollution". The event is hosted by a volunteer group EcoDrive Hong Kong with a mission to promote the reduction and awareness of single use plastics. We believe in the importance of our contribution to minimizing and reversing the impacts of pollution on our environment.

First Pacific Group employee engagement

The 4th First Pacific Group Photo Competition took place in 2018, with employees of all our companies invited to participate. Photography themes were "sustainability initiatives, my company's unique products and services, and scenery of my country". We received a record total of 611 photos from 28 operating companies. Seven outstanding quality entries from our enthusiastic photography lovers were selected:

- Champion: "Sentinels in Rejoice" by Ranelle H. Gango from Meralco
- 1st Runner-up: "Twin Lagoon" by Marc Edgar Sevilla from PLDT
- 2nd Runner-up: "Salute" by Heinz Reimann D. Orais from Metro Pacific Tollways South

- 3rd Runner-up: “Beam of Hope” by Elvira C. Gumangan from Smart Communications
- 4th Runner-up: “Indomie” by Binsar David A. Nababan from ICBP
- Honorable Mention: “Stilt Houses” by Jon Carlo Chavez from PLDT
- Honorable Mention: “Triboa Bay Mangrove” by Ser Jo S. Simeon from Meralco

A better sustainable future

At First Pacific, we believe a responsible corporate citizen aware of its responsibilities creates a stronger, more resilient and more competitive business in the long run.

Our leaders and management are involved in community development and sustainable programs at the highest level. We are committed to fostering the well-being of our people and others, through supporting the welfare and development of the communities in which they live and work. We foster caring, education, entrepreneurship and innovation, through which we are closely connected and dedicated to the economic, environmental and social landscape around us.

Tulong Kapatid

Celebrating caring and sharing at Camp Aquino Child Development Center

Tulong Kapatid is the corporate responsibility consortium of the First Pacific Group in the Philippines.

In July 2018, Tulong Kapatid organized a CSR-focused birthday celebration for Mr. Manuel V Pangilinan, First Pacific’s Managing Director and Chief Executive Officer. The celebration was held at the Philippines’ Camp Aquino Child Development Centre in Tarlac. Tulong Kapatid provided gifts of caring and practical support to the children.

The gifts included Sack of Joy kits, a desktop computer and printer and MVP shirts, as well as provisions packs from PLDT-Smart Foundation. One Meralco Foundation gave a television set, two desktop computers and 50 pieces of “Powerpack” lunchbox kits. MPIC distributed 10 water filtration devices, a DVD player, toys and rubber mats. MVP Sports Foundation gave 70 items of sports equipment for the soldiers while Maynilad distributed tumblers and school supplies. Alagang Kapatid Foundation, Inc. gave milk and spaghetti; PLDT Community Relations unit provided McDonald’s meals, a mascot and photobooth; Roxas Holdings, Inc. gave 50 packs of sugar and prizes for games while tollways group presented a Magic show.

Paskong Kapatid

Tulong Kapatid coordinated the annual Christmas CSR activities with First Pacific Group companies. The highlight event was Paskong Kapatid which was designed to share joy and the blessings of entertainment, presents, laughter and love. In December 2018, our Group companies brought together 200 kids from different charities to the Meralco Compound who enjoyed gift bags, Noche Buena packs, raffle prizes and entertainment from Kuya RJ the Magician and the Kundirana Music Ministry.

IdeaSpace

IdeaSpace is a non-profit accelerator in the Philippines which aims to uplift, develop, and equip Filipino technology entrepreneurs to answer the needs of the 21st century and build a thriving Philippine economy.

2018 demonstrated growth in the Philippine startup ecosystems with IdeaSpace's continued commitment to nurture startups and increasing cooperation with the government, academe, partners and donor companies. By the end of 2018, over 500 entrepreneurs have benefited from the acceleration program. Moreover, IdeaSpace has reached and inspired over 32,000 people in 40 cities about technology entrepreneurship.

IdeaSpace adds new startups in the acceleration program

2018 marked the 6th year of the IdeaSpace startup competition where six new tech-based businesses were selected from hundreds of applications, bringing the total number of startups that have benefited from this program to 74. They took part in the flagship acceleration program that trains them to develop the mindset and the skills needed to run a potentially successful technology-based enterprise.

IdeaSpace alumni reaching new heights

The graduates from each year continue to demonstrate increased traction in various sectors.

Batch 2013 – Timefree Innovations, has deployed the queue management solution QMobile in 150 branches of a major bank in the Philippines. They also grew their revenues by 30% year-on-year.

Batch 2014 – Tambio, a startup that provides effective event registrations and raffle promo management solution for companies has deployed their solutions to eight Megaworld Lifestyle Malls in the Philippines.

Batch 2015 – Frontlearners, an Edu-tech startup, is now serving more than 80 schools with their BlendEd™ Learning System including three Philippine Science campuses (Davao, Cebu, Goa) and eight indigenous community schools, bringing the total number using the BlendEd™ e-school in a box to 100,000 students.

Batch 2016 – InvestEd helps college students finish their degree through its student loan program has released approximately 10 million pesos in loans to 300 students, with a 100% repayment rate.

Batch 2016 – Tarkie, a complete field workforce automation startup, sealed a partnership with a major client that ensured 100% increase in their user base from 3,500 users to 7,000 users.

Batch 2017 – Style Genie, the very first clothes and styling subscription box in the country has shipped over 2,500 boxes in 2018, and displaying overall sales growth of 57%.

Batch 2018 – 1Export, a startup that provides a platform where buyers are matched with local sellers, grew their customer base from 6 to 80 buyers by the end of 2018.

IdeaSpace launches Opportunity Fund

2018 marked the launch of the IdeaSpace Opportunity Fund which aims to provide financial support to Philippine startups that are ready for scale. The Fund is a part of the multi-million pesos startup fund endowed by First Pacific companies in the Philippines.

Recent additions to the IdeaSpace Opportunity Fund portfolio are Philippine startups including FAME, a hardware and software company that makes gateways and transponders for the aviation and maritime industry, Acudeen, an online platform for receivables discounting, and AQWIRE, a blockchain-based multi-listing platform for real estate.

Increasing cooperation with government, academe, partners and donor companies

In 2018, we have also implemented initiatives to increase cooperation between different stakeholders to achieve a more seamless practice of open innovation.

IdeaSpace continued the promotion of its competition and the technopreneurial mindset in cities outside of Manila, particularly in the provinces of Cebu, Davao, Cagayan de Oro and Zamboanga.

At the academia level, IdeaSpace continues to support the creation of sustainable university-based entrepreneurial ecosystems at higher education institutions in Indonesia and the Philippines. This is achieved through the grant received from the BEEHIVE initiative, co-funded by the Erasmus+ Program of the European Union. In 2018, a Technology and Business Incubator training session was held at Saint Louis University in Baguio City participated in by Mapua University, Saint Louis University, University of Cebu, Binus University, and Universitas Indonesia. The training session focused on Startup business planning, validation and pitch development, recruitment and mentoring of student entrepreneurs and fostering an entrepreneurial ecosystem and grant management.

In the last quarter of 2018, IdeaSpace collaborated with the Philippine Department of Information and Communications Technology to conduct a startup mapping initiative. The goal is to create a publicly-available Startup Ecosystem Canvas, Startup Community Map, and Startup Community Maturity Model scorecard. These tools are useful in identifying strengths and gaps of startups and their communities as well as determining how best to support startups and to grow the innovation ecosystem.

IdeaSpace and the startup alumni roster has been actively involved in innovation initiatives of First Pacific companies in the Philippines, including mentorship and judging of teams who participated in the inaugural MVP Geek Olympics, and the Cardinal Santos Medical Center Leaders in Innovation training.

In August 2018, IdeaSpace launched Innovation Mornings. These exclusive monthly meetups offer the opportunity to get together, learn, find ways to collaborate, and have fun in the process. The event is attended by executives of different ranks from companies across the First Pacific Group.

QBO Innovation Hub (Kubo) ("QBO"), the very first private-public partnership for innovation established by IdeaSpace, JP Morgan, Department of Trade and Industry, and The Department of Science and Technology, continuously contributes to the growth of the Philippine startup community. In 2018, QBO had over 4,000 individual members and 274 startups. In addition, QBO has helped facilitate funding to nine startups in their incubation program.

Indofood

Indofood strives to operate sustainably and responsibly to ensure that, aside from achieving economic growth, its business activities also contribute to environmental preservation and provide benefits to the community throughout its value chain.

Environmental stewardship

Our environmental governance includes the establishment of the Indofood Environmental Policy, according to government requirements and working to relevant environmental management systems.

- Indofood implements ISO 14001 for its Environmental Management System and ISO 50001 for its Energy Management System.
- Indofood conducts environmental self-assessment based on Indonesian Government criteria on Pollution Control, Evaluation and Rating (PROPER) to ensure environmental compliance in all operating units.

Carbon footprint: managing energy and greenhouse gas (“GHG”) emissions

Indofood recognizes the environmental impact of climate change. We strive to mitigate our carbon footprint through energy efficiency initiatives, renewable energy utilization, better land management and carbon sequestration.

Managing water and waste

Indofood commits to manage its water and waste responsibly. Operating units are equipped with wastewater treatment plants (“WWTP”) where discharged wastewater is controlled and monitored in accordance with the government standard. Indofood applies Reduce, Reuse and Recycle (“3R”) to its non-hazardous solid waste, including utilizing all Agribusiness group mills’ by-products. Disposal of hazardous waste is handled responsibly through authorized third parties.

Sustainable plantation

Indofood’s Agribusiness group adopts sustainable palm oil principles based on ISPO standards, maintaining High Conservation Value (“HCV”) and High Carbon Stock (“HCS”) areas, preserving peatland, improving organic agricultural input and preventing haze risk.

Labor practices, occupational safety and health practices

Employee safety and health are key Indofood priorities, as outlined in the Safety and Health Policy. Some operating units are certified to the National Occupational Health and Safety Standard and the Occupational Health and Safety Assessment Series (“OHSAS”) 18001 standard. Indofood has established a Health and Safety Committee (“P2K3”) that monitors the implementation of health and safety principles in its operating units.

The company offers equal career opportunities to all employees, regardless of race, religion and gender. It complies with Indonesian labor laws, including the elimination of child and forced labor. Its employees enjoy healthcare benefits, maternity and religious pilgrimage leave. Indofood provides a scholarship program for employees’ children, and has numerous employee training programs and centers.

Social and community development

The five pillars underlying our social and community development are: Building Human Capital, Nutrition for All, Strengthening Economic Value, Protecting the Environment, and Solidarity and Humanity.

Building human capital

Indofood’s programs include the Indofood Scholarship program (“BISMA”), the Indofood Riset Nugraha research grant (“IRN”) and Indofood Rumah Pintar educational community centers.

Nutrition for all

As a company producing food for consumers of all ages in society, Indofood is accountable for the nutritional value of its products. We participate actively in initiatives to raise public awareness of the importance on balanced diets and healthy lifestyles. These include: the Scaling-Up Nutrition Movement; Integrated Health Post revitalization and Indofood Nutrition Care to educate village communities; involvement in a youth-targeted healthy lifestyle mobile application; Healthy Breakfast to raise awareness among elementary school children; Nutrition for Workforce, and Lactation Rooms for working mothers.

Strengthening economic value

The company established partnerships with farmers, cow breeders, tempe producers and plasma smallholders to generate long-term economic value. Indofood has been a member of Partnership for Indonesia Sustainable Agriculture ("PISAgro") since 2011, and is the Chair of Potato Working Group and a member of Soybean Working Group.

Indofood continued the Bogasari Mitra Card Program for its small-medium enterprise flour partners, the *Warmindo* program for Indomie food stall owners, and *Pojok Selera* Program to encourage culinary entrepreneurs who live in Indofood-related communities.

Protecting the environment

The company encourages community participation in conserving the environment through waste bank, the Green *Warmindo* program to collect and recycle post-consumer packaging waste from the *Warmindo* network and tree planting programs to support nature rehabilitation and conservation across Indonesia.

Solidarity and humanity

Indofood continuously supports relief programs for people and communities in need. In 2018, we provided food supplies to victims of floods in Pangenan, Tegal, Ciledug, Pasaleman, Brebes and Cirebon; fire in Flores; earthquakes in Lombok, Palu and Donggala; and the tsunami in Pandeglang and Lampung due to the eruption of the Anak Krakatau Mountain. We also contributed to the construction of permanent housing for Palu's earthquake victims.

Indofood supports communities during Ramadan and other major religious events through Safari Ramadan and Qurban Donations Programs. Additionally, the Agribusiness group supports cleft lip surgeries for children from families who cannot afford the cost of surgery.

Delivering responsible products

Ensuring food safety

Food safety remains our top priority, guided by the Indofood Quality Pledge to deliver safe and high-quality products to our customers. Food safety standards are carefully controlled in accordance with Indofood's Integrated Total Quality Management Program and Good Manufacturing Practices. The standards are applicable to all suppliers in our value chain.

Our production processes are certified to international quality and food safety standards including ISO 9001, Food Safety System Certification ("FSSC") 22000, ISO 22000, AIB International Standard, as well as ISO 17025 for laboratory competence.

Producing only halal products

Indofood produces halal products that comply with requirements set by the government and the Assessment Institute for Food, Drugs and Cosmetics of the Indonesian Council of Ulamas ("LPPOM MUI"). All Indofood's products are LPPOM MUI certified. Indofood also has a Halal operating system, certified by Halal Assurance System ("HAS") and maintained by Indofood Halal Secretariat ("IHS").

Product labelling

All Indofood products are labelled with clear and accurate descriptions on the contents and details such as ingredients, nutritional values, date of expiry, place of production and feedback channels.

Consumer facilities

Indofood regards public feedback as a way of improving its offerings. The Indofood Customer Service provides a centralized platform for receiving and responding to consumer feedback and is contactable via a toll-free line and email.

Indofood's extensive and long-lasting CSR programs

Through its extensive CSR programs, Indofood continuously strives to create better lives as it intends to grow with the country and people of Indonesia and supports the country's Sustainable Development Goals.

PLDT (PLDT-Smart Foundation)

Sack of Joy

As part of PLDT's 90th Anniversary celebrations, PLDT-Smart Foundation ("PSF") aims to share a light of hope and joy to students across the Philippines by giving out Sacks of Joy ("SOJ") packed with school supplies to support their studies. PSF considers Education as one of the pillars of nation-building.

In November 2018, PSF team, and volunteers of PLDT and their friends travelled 13 hours from Manila to two of Sagada's most remote schools, bringing SOJ and smiles to the students in the Mountain Province. For the year 2018, a total of 3,782 SOJs were given by PSF.

School in a Bag

PSF, together with Smart Community Partnerships, implemented the School in a Bag ("SIAB") Program, using technology to make educational materials accessible to schools in remote and underserved communities, even those without access to electricity. It combines mobile technology with an innovative, 21st century teaching pedagogy and K+12 content. UBS Philippines donated Pesos 1 million to PSF in 2017 to provide for 10 recipient schools, in Quirino Province, Occidental Mindoro, Bohol, Negros Occidental, Sumilon Island, Hikdop Island, Leyte, Sulu and Sahaya.

Each SIAB included an LED TV, one teacher's laptop, five mobile tablets, one solar panel with batteries, one teacher's tablet, one Smart Bro LTE pocket wifi with starter load and memory drive for storage of curriculum-based educational content and training for teachers in the Dynamic Learning Program Methodology.

PSF also donated three SIABs to elementary schools in the 4th district of Ormoc, one of the areas devastated by Typhoon Yolanda in 2013. The ceremonial turnover was conducted with Mr. Manuel V Pangilinan and Congresswoman of Ormoc, Lucy Torres-Gomez.

Gabay Guro

Gabay Guro ("2G") is a response to the call of the Department of Education for the private sector to support the improvement of the quality of education. It is a flagship education project of PSF in partnership with the PLDT Manager's Club, Inc. 2G provides scholarship grants to deserving students taking up Bachelors of Science in Education, together with teachers' training, livelihood programs, broadbanding and computerization, housing and educational facilities and teachers' tribute.

PSF has had 808 graduates since its inception in 2007, of which 582 are Licensure Examination for Teachers ("LET") graduates.

Accomplishments in education

- 3,078 MVPAEA grantees since 2004
- 37,559 teachers trained since 2007
- 146 classrooms donated since 2007
- 571 total Philippine National Police scholarship grantees since 2008
- 10 school-in-a-bag donations since 2017
- 34 schools reached through Sack-of-Joy and 3,782 bags distributed in 2018
- 500 Gabay Guro active scholars in 2018

MVP Academic Excellence Award

This is an academic grant given to deserving dependents of PLDT and Smart employees to support their educational needs. A total of 255 grantees were selected for 2018 of which 103 were from Smart and 152 were from PLDT.

Philippine National Police ("PNP") Educational Grant

This is a one-time grant given to the children of PNP officers who were killed or injured during service. A total of 50 dependents have benefited from this program in 2018. Celebrating a decade this year, the partnership has benefited a total of 571 qualified dependents of PNP personnel.

Dynamic Learning Program

PSF and Smart lead the Dynamic Learning Program ("DLP"), a framework for teaching that develops children to become independent learners, while using the prescribed curriculum of the Department of Education. The DLP was developed by renowned physicists Dr. Christopher Bernido and Dr. Ma. Victoria Carpio Bernido. Smart and PSF have been supporting the program since 2011 and it is now being implemented by over 1,000 public and private schools.

In 2018, DLP reached 158 schools nationwide: in Batangas, Lanao del Norte, Sarangani, Davao City and Bohol.

Bahay Aruga

In November 2018, PSF, Mr. Manuel V. Pangilinan and the Ateneo MBA Project Management Class 2018 visited Bahay Aruga in Ermita Manila. Bahay Aruga provides free accommodation to pediatric cancer patients undergoing chemotherapy at the Philippine General Hospital. Most of the patients live in the provinces and travel to Manila to get their cancer treatment. The PSF group gave gifts of Noche Buena packages, fruits, MVP shirts and hygiene kits to the patients.

The PSF-AKFI Foodtruck catered meals for staff, patients and their parents. Mr. Pangilinan and PSF also donated financial support for ongoing medical needs.

Accomplishments in disaster response and recovery

Relief Operation is part of our continuing disaster response program.

- 108,020 families served from relief operations since 1994
- 8,020 families who were victims of typhoons, flooding, fire and the Marawi conflict benefited from relief operations in 2018
- 11,350 families served through food truck by PSF-AKFI in 2018

Donations

Since 2015, PSF has financially supported Fr. Al's Children Foundation, Inc., which aims to serve the poorest Filipino children by providing food, clothing, shelter and education through the Sisters of Mary Boystown and Girlstown Schools. In 2018, the turnover of a cheque was followed by a talk that benefited more than 2,000 high school students in Boystown, Silang Cavite. The insightful and engaging talk was given by PLDT and Smart Head of Human Resources for Learning and Development Mr. Deng Kibanoff. It provided great insights on how to live one's life to the fullest as one maximizes every opportunity that comes along the way.

Antonio Ismao, an 18-year old senior high school student commented, "I believe that I can graduate here and I can excel with all the skills that I have learned. I stand for my family because even if I come from a poor family, I never let this become a hindrance in achieving my dreams."

OFWins

PSF welcomed overseas Filipino workers ("OFW") returning to the Philippines for the Christmas, at the Smart OFWins Christmas Grand Salubong at NAIA Terminals, Manila. This project was in partnership with Smart and Duty Free Philippines.

PSF provides helpful communication tools and various avenues for progress and empowerment through partnerships with non-government organizations, people's organizations and cooperatives throughout the Philippines.

MPIC

CSR is an integral part of MPIC's philosophy, with a scope that is clearly defined in our infrastructure businesses. MPIC's increasing profitability has enabled the company to be actively involved in making strides to alleviate poverty, by providing high quality education to children and by acting as a steward of our natural resources.

MPI Foundation, Inc. ("MPIF")'s strategic program has evolved throughout its ten years of existence and is now geared towards three areas of Social Infrastructure: Education, Environment and Economic Empowerment.

MPIF is committed to all its programs, particularly to benefit communities, organizations, families and individuals in the areas in which MPIC companies operate. As MPIC continues to grow, so will MPIF's involvement in noteworthy and transformative corporate social responsibility initiatives.

#ShoreItUpNa10 – Shore It Up's 10th anniversary celebration

Shore It Up ("SIU") launched "#ShoreItUpNa10" or "Our Shore It Up" to mark our 10th year of environmental sustainability. The program drew interest from various sectors and created a movement among thousands of volunteers who worked with us on marine-related programs to increase awareness of environmental responsibility.

The campaign started with a confluence in 2017 involving our partner mayors, marine experts, and stakeholders, where MPIF charted a direction for a sustainable future and shared practices and insights. MPIF also joined the Dive Resort Travel Show to expand our network and entice volunteers.

Sustaining the momentum, SIU held a Photo Contest from October 2017 to February 2018 to promote coastal life. A photo exhibition at The Gallery, Greenbelt 5 in Metro Manila featured monthly winning photos taken by SIU's advocates.

The highlight of the campaign was a nationwide coastal and underwater cleanup conducted by 12,155 volunteers in 5 municipalities and 1 province: Cordova, Cebu, Alaminos City, Pangasinan, Mabini, Batangas, Puerto Galera, Oriental Mindoro and Surigao Del Norte.

The celebration culminated in a grand event in Metro Manila which featured the launch of new SIU merchandise and the awarding of the photo contest grand winner.

Mangrove Propagation/Protection and Information Center

- Groundbreaking of the Cordova Mangrove Propagation and Information Center – The construction of the Center began with a groundbreaking event during Shore It Up Weekend. The Cordova Mangrove Center, like its predecessors, serves as a legacy project of MPIC for the protection and propagation of mangrove trees in coastal estuaries, including the rehabilitation of degraded mangroves, while providing education on the value and benefits of mangroves in the ecosystem.
- Mangrove planting – Volunteers from MPIC and the Rotary Club of Makati Lumina traveled to the Mangrove Propagation and Information Center in Alaminos, Pangasinan on two occasions to plant a total of 300 mangrove seedlings.

Mangrove Eco-Guides

- Provision of uniforms – To further support the work of our Mangrove Eco-Guides in both Alaminos City, Pangasinan and Del Carmen, Siargao, MPIF provided them with new sets of uniforms.
- Tulong sa Bakawan para sa Kalikasan – 455 shirts were given to Alaminos City and Del Carmen to augment the income of the Mangrove Centers. A portion of sale proceeds goes to the Centers.

Marine Protection, Inspection and Conservation (MPIC) Guardians

- Scuba training for selected marine guardians – Nine MPIC Guardians underwent open water scuba training.
- Provision of equipment and uniforms – MPIF equipped the Bantay Dagat volunteers with uniforms and necessary equipment.

Junior Environmental Scouts

- JES Cordova – Elementary students in Cordova, Cebu shared their thoughts on the environment's current state and how they can help.
- Shore It Up Forum – High school students of Del Carmen, Siargao learned about the importance of mangrove ecosystems and marine conservation. They then presented their own environmental programs on Solid Waste Management.

Underwater Cleanup

In addition to SIU's annual March cleanups, an underwater cleanup was held in September in Batangas with volunteers from MPIC, Meralco, the media, and others. A total of 692 pieces of trash were collected, weighing 22 kilograms.

SIU Scuba Diving Scholarship

The Shore It Up Scuba Diving Scholarship Program provides an opportunity for well-deserving partners to enter the underwater marine world with funding and logistical support. It provides an introduction to underwater and other aquatic-related endeavors for those considering to be advocates of marine conservation. This year, three new scholars joined the program.

Mano Amiga

- Scholarship support – MPIF supports 30 scholars from the Mano Amiga Academy with an annual 1 million pesos scholarship grant. Support began at kindergarten and MPIF intends to see them through to high school.
- Teacher training and benefits support – MPIF grants the school 500,000 pesos per year for teacher training and development.
- Annual outreach with MPIC employee volunteers – 18 volunteers from MPIC conducted a summer program for Mano Amiga Academy students with lessons in badminton, cooking, dancing and singing. The summer program aimed to help build confidence, instill positive values and hone students' skills and talents.

Relief support for disaster victims

After typhoons, portable water filters were given to affected communities nationwide, to provide safe drinking water.

Medical assistance

As MPIC's lobby guard, Mr. Rey Torlao has served the company for 22 years. MPIF offered support when he was diagnosed with a chronic kidney disease. From July 2017 to October 2018, MPIF donated a total of 835,000 pesos for his kidney transplant and maintenance medications.

Tulong Kapatid

- MVP birthday celebration – It has been a yearly tradition to share the blessings of the MVP Group around the birthday of our Chairman, Mr. Manuel V. Pangilinan. On 13 July 2018, MPIF provided Camp Aquino Child Development Center Inc. with ten water filtration systems for safe drinking water, and toys and rubber mats.
- Paskong Kapatid – MPIF shares the love and joy of Christmas with over 200 beneficiaries of the annual Paskong Kapatid event.

Puno ng Pag-Ibig

Puno Ng Pag-Ibig, a play on words which can be translated to either Tree of Love or Full of Love, is an upcycling competition that encourages MPIC employees to reduce waste and to promote a green Christmas. Teams compete to create the best upcycled tree out of recycled office materials. The team's prize money from the competition was used to purchase gifts and snacks for their assigned worthy beneficiary.

Goodman Fielder

Goodman Fielder's CSR activities in 2018 focused on supporting hunger relief services in local communities and improving the way we source our ingredients and raw materials. We collaborate with suppliers, peers and customers in a pre-competitive environment to drive our sustainability priorities.

Supporting our local communities

GF Cares (New Zealand)

The GF Cares program continues to support hunger relief programs throughout New Zealand, which included donating NZ$45,000 to the James Liston Hostel for their new kitchen. The hostel in central Auckland provides emergency accommodation for both women and men who are homeless, or at risk of being homeless, for up to three months. In addition to providing safe and clean accommodation, the hostel also provides support and case management services to residents.

Foodbank (Australia)

Goodman Fielder continued our long association with Foodbank, Australia's largest hunger relief organization, providing them with resources in the form of volunteers as well as donating products. Volunteer activities by Goodman Fielder employees included packing of hampers as well as participating in other Foodbank activities. Goodman Fielder's donations provided the equivalent of 1.25 million meals, based on Foodbank's last annual update.

Career Trackers and Career Seekers

Goodman Fielder expanded the relationship with the Career Trackers and Career Seekers programs in 2018. Career Trackers is a non-profit with the goal of creating pathways for indigenous young adults to complete university and get jobs in the professional workforce. As part of the program, Goodman Fielder employed interns in Australia and Papua New Guinea. For our interns in Papua New Guinea, this was their first professional job. Goodman Fielder also received the Career Trackers Co-Chair's Award for supporting the expansion of the program to Papua New Guinea and creating valuable opportunities for students from regional and remote areas.

Goodman Fielder also entered an Article 23 partnership with Career Seekers (a sister program supporting Australia's humanitarian entrants into professional careers) and have employed two staff via that program.

Staff engagement

As part of our National Recycling Week initiative, Goodman Fielder eliminated single use utensils from our regular head office activities. The team also conducted a "swap meet" for business clothes with over 160 items given to Dress for Success for donation to women preparing for interviews and a professional career, to help women thrive in work and in life.

Responsible sourcing and sustainable agriculture

In 2018, Goodman Fielder's responsible sourcing activities included a focus on deforestation, human rights and animal welfare. We achieved Roundtable on Sustainable Palm Oil ("RSPO") certification for 21 manufacturing facilities across Australia and New Zealand. We also implemented new traceability requirements for bulk palm purchases.

Goodman Fielder continued implementing our transition to cage-free eggs, with all Praise products now using fresh free-range Australian eggs. More than 30,000 hens are now housed in a free-range environment rather than in a conventional caged farm.

Modern slavery research

As a signatory to the *Australian Business Pledge against Forced Labour*, Goodman Fielder contributed to leading research on best practice approaches to remedy for human rights infringements in supply chains. The resulting report, "*The business response to remedying human rights infringements: The current and future state of corporate remedy*", is now an open resource for all stakeholders working on this important issue.

Supporting active lifestyles for children (Australia)

Through the Wonder White healthy kids campaign, Goodman Fielder is sponsoring 20 grassroots sports clubs across Australia to encourage about 4,000 children between the ages of 5 to 12 years to be involved in local sports programs. Clubs are using sponsorship funds in a variety of ways, including to buy new equipment and uniforms, run skills clinics and subsidise player fees. Goodman Fielder has also partnered with Matilda's star Chloe Logarzo to deliver football clinics to over 400 children.

Sustainable packaging

We continued our focus on reducing the environmental impacts of packaging. In 2018, Goodman Fielder agreed to participate in the 2025 National Packaging Waste Target to set a sustainable path for Australia's recyclable waste.

Our Darwin site partnered with Foodbank to donate used flour bulk bags to remote communities in the Tiwi Islands. These communities then use the bags to collect bottles and cans for shipping back to Darwin so they can claim a rebate of A$0.01 per bottle/can under the container deposit scheme and raise money for community projects.

Philex

Environmental compliance

As a principled mining advocate, Philex's core values include environmental stewardship as exemplified in its Environmental Protection and Enhancement Programs ("EPEP"). The EPEP ensures that the impacts of mining activities are mitigated and standards for land, air and water quality are met, to safeguard the well-being of future generations.

In 2018, Philex's EPEP spent equivalent to 5% of its direct mining and milling costs for water resource management, hazardous and toxic waste management, air quality management and multi-partite monitoring activities.

Land resource management

As early as the exploration phase, Philex prepares and implements an Environmental Work Program ("EWP") that addresses the potential environmental impacts of explorations and ensures the progressive rehabilitation of affected areas.

Philex's planting and reforestation program surpassed eleven million trees as of end December 2018 (see below). The total reforested areas are almost five times the areas disturbed by the mining operations.

Name of project	Area disturbed (hectares)	Area reforested (hectares)	Estimated number of trees planted (thousands)
Padcal mine	580	2,850	8,762
Bulawan	146	821	1,263
Sibutad	38	185	777
Lascogon	37	5	8
Silangan	24	174	384
Total	825	4,035	11,194

Water resource management

Philex constantly monitors water quality and provides treatment, in accordance with regulatory requirements. All the results showed that we meet government water quality standards.

Padcal mine

In addition to water quality monitoring, Tailings Storage Facility ("TSF") 3 spillway raising stages 1 and 2 were completed last year, further strengthening the dam's impounding capacity. Civil works continued on the offset dyke maintenance, land bridge raising, and beaching, during the completion period of the TSF Decant System Project.

At TSF2, sanitary landfill operations, concreting of the diversion tunnel invert, and grass management were undertaken to maintain the site, while construction of overland channels (Phase 4) and concreting of canals were carried out at TSF1.

Silangan project

In support of the Department of Environment and Natural Resources ("DENR") and Environmental Management Bureau's ("EMB") "Adopt-an-Estero/Water Body Program" to promote the nationwide rehabilitation of rivers and creeks, Silangan adopted two water bodies: the Cagaasan – Paragayo-Timamana River and the Belwang -Hilaw-An Creek-Payao River. Philex conducted regular water quality monitoring, clean-up activities, and river bank stabilization measures.

Air quality monitoring

Philex manages impacts in air quality, focusing on managing GHG emissions and particulate matter (PM 2.5).

Solid waste management

Philex integrates best practices in ecological waste management in its operations. The segregation of recyclables, residuals, degradable and special waste is conducted at source. Disposal of residuals is by a sanitary land fill ("SLF"), while recyclables are generally repurposed. Toxic and hazardous waste is properly stored on designated areas before transport and treatment by DENR Accredited Hazardous Waste Treaters. The management of harmful waste is in accordance with RA 6969: Toxic Substances and Hazardous and Nuclear Waste Control Act, OHSAS 18001:2007 and ISO 14001:2015.

Social Responsibility

Padcal mine

Philex allocated sizable funds in 2018 for its Social Development Management Program ("SDMP"), Community Development Programs ("CMP") and for Livelihood Projects of Philex Group Foundation Inc. ("PGFI").

Under SDMP, the Development of Host and Neighboring Communities ("DHNC") comprised the biggest share, with activities in Health and Sanitation, Education, Livelihood and Skills Development, and Public Infrastructure Support.

Health and sanitation

Padcal mine's Sto. Niño Hospital treated 31,558 patients in 2018, mostly employees, their families, and from our host and neighboring communities ("HNCs").

Education

Philex supports the improvement of literacy within the camps and HNCs by providing educational assistance and improving school buildings and facilities.

The 2,000 students at Philex Mines Elementary School and St. Louis High School-Philex are subsidized annually. The company also provided scholarships to 202 college and 471 high school students in 2018.

To date, these programs have produced hundreds of professionals – such as doctors, lawyers, engineers, accounting firm partners – who now raise and support their own families.

Livelihood and skills development

In 2018, Philex supported its local farmers and entrepreneurs through projects and financial assistance for small and medium enterprises ("SMEs"), to enhance opportunities for profitable livelihoods.

Philex Group Foundation

Sustaining the socio-economic intervention

For the last four years, PGFI has implemented an organic vegetable and coffee roasting program in its HNCs.

Empowering farmer partners

Through a grant from Metrobank Foundation, Inc., PGFI implemented a community-based coffee farm rehabilitation program in 2018. This enables the long-time partner coffee farmers of PGFI as trainers within their own communities. This strengthens local knowledge and raises indigenous trainers in the HNCs.

Commitment to education

PGFI was a conduit for school books donated from the US-based Eagle Scouts. 4,155 books were distributed by Philex-Padcal Community Relations Department to 23 remote schools of Tuba and Itogon, Benguet. Some books were also donated to the Mayon evacuees and to the Tarlac Development Center.

Silangan project

In 2018, SMMCI conducted a wide range of outreach activities to its HNCs.

Health

Health programs are an integral component of our Community Development Plan ("CDP").

The Medical-Dental Outreach Program offers free circumcision and tooth extraction for residents of host communities – in time for the opening of the academic year.

70% of the total 556 beneficiaries were school-aged children from the three host municipalities.

Education
Almost 50% of the total budget for the CSR Plan was allocated to subsidies for school children. We provide school supplies annually under the Silangan ng Karunungan Program. Over 5,000 students benefited from the program.

Livelihood
In partnership with the First Coconut Manufacturing Inc. ("FCMI"), SMMCI conducted a Coconut Demo Farm Livelihood meeting for the Board of Directors of Bansiwag Corporation, a community-based corporation.

PLP

PLP's focus on community engagement in 2018 revolved around social support, sustainability and education-related initiatives. A fruitful year in all aspects, staff volunteered their time and manpower in hands-on projects for the community. Through assisting the needy and disadvantaged, our CSR initiatives serve as a timely reminder to treasure what we have.

Crea8 Sustainability

In 2018, PLP's Crea8 Sustainability competition broadened its focus to include primary, secondary and tertiary students. Established in 2016, the competition aims to nurture an awareness and appreciation of resource preservation and to encourage students to be individual catalysts of change.

The winning artwork, essays and video submissions on the theme of "Reducing Your Carbon Footprint" were displayed at the Crea8 Sustainability competition award ceremony, held at the Clean and Green Carnival Singapore ("CGS") organized by the Ministry of the Environment and Water Resources ("MEWR") in November 2018. With entries submitted by over 120 students from 31 participating schools, 2018 Crea8 Sustainability was an invaluable platform to promote sustainability within the community.

Educational site visits

Staff at PLP's Jurong Island power plant engaged in educational outreach via site visits, hosting over 630 students and members from 19 educational institutions and various community organizations throughout 2018.

Run for Hope

In February, PLP employees and families came together for a charity run activity in support of cancer research. The annual Run for Hope was organized by the National Cancer Centre Singapore and Four Seasons Hotel Singapore.

Creating a clean environment for preschoolers

Our collaboration with Beyond Social Services Singapore involved a 15-member team of PLP volunteers in an afternoon at the Healthy Start Child Development Centre. Volunteers cleaned and tidied the premises to ensure a clean, conducive environment for children from under-privileged backgrounds to learn and play.

Landscape and farm maintenance at Kampong Kampus

Modelled after a traditional Malay village *(kampong)*, Kampong Kampus seeks to reconnect volunteers with sense of community spirit by working on the land. Twelve PLP staff swapped their office attire for straw hats and casual clothing, working on landscaping and farm maintenance tasks. Their efforts were rewarded with a farm-to-table lunch, promoting the importance of sustainable agriculture and consumption.

Willing Hearts food preparation

PLP staff volunteered at Willing Hearts soup kitchen, helping with food preparation for an estimated 5,000 needy beneficiaries, including the elderly, low-income families as well as migrant workers.

Bowling with Life Community Services (joint-CSR with SLNG)

PLP ended the year with a friendly bowling competition in a joint CSR organized by the Singapore LNG Corporation ("SLNG"). Six staff members teamed up with under-privileged children from the Life Community Services Society for a spirited showdown. It was an afternoon of friendship, camaraderie and sportsmanship.

RHI

Sustainability is at the core of the business operations of RHI and its subsidiaries. RHI's initiatives in 2018 focused on environmental stewardship, climate-resilient initiatives that maximize the potential of RHI group's by-products and promote sustainable production and consumption, and local partnerships to improve the lives of people in its communities.

Improving lives through Community Partnership Projects

RHI taps into the expertise and resources of various government and local agencies and organizations to achieve the goal of environmental protection, poverty alleviation and inclusive business ventures. One such partnership is a tree-growing project called "A Community Based Certificate of Stewardship Contract ("CSC") Sustainable Livelihood Agroforestry Program" in Negros Occidental.

RHI, together with subsidiaries San Carlos Bioenergy, Inc. ("SCBI") and RHI Agri-business Development Corporation ("RHI ADC"), implement the tree-growing project with Minapasok Farmers Association ("MIFA"), a group of CSC holders. Government partners provide technical support.

RHI also partnered with the Management Association of the Philippines ("MAP") and small farmers of Nasugbu, Batangas, for The Educated Marginalized Entrepreneurs Resources Generation ("EMERGE"), which delivered 110 tonnes of napier for the biofuel requirement of Central Azucarera Don Pedro, Inc. ("CADPI").

RHI also works with FEDMUCO, a local cooperative, to produce bio-organic fertilizer from mud press and mill ash generated from CADPI.

Alleviating poverty through education

In 2018, RHI helped 176 scholars from employee dependents in CADPI in Batangas and Central Azucarera de la Carlota, Inc. ("CACI") – Negros Occidental. It also continued with its *Lingkod Aral* and *Tulong Aral* programs which channel financial donations from RHI employees to 78 deserving students in RHI communities.

Community health and well-being

RHI supported its communities with access to free medical and dental services, medicines and health awareness. In 2018, we reached six remote communities, assisting 1,000 patients.

Innovating for responsible production and consumption

RHI promotes resource and energy efficiency.

Water Sustainability Program

RHI's Waste Water Minimization Program lowers waste water generation in its plants, achieving a reduction of 50% by this year.

RHI turns wastes to energy and fertilizer

RHI invested in waste-to-energy infrastructure to reduce its fuel dependence. It installed seven Anaerobic Digesters ("ADs") that process wastewater or spent wash into biogas. During 2017-2018, total biogas produced by ADs in Roxol Bioenergy Corporation ("RBC") displaced about 23% of biomass solid fuel.

Spent wash contains nutrients valuable to crops. RHI engages and educates planters on the benefits of using RHI's waste water to irrigate and fertilize their farms. The spent wash is given free to the farmers. This crop year, 81 farmers benefited from the delivery of 453,397 tonnes of liquid fertilizer from RBC and SCBI.

CO_2 capture/recovery

Our Biogas generation and fermentation reactions result in the production of relatively high purity CO_2. This crop year, SCBI gained additional revenues from the sale of 4,720 tonnes recovered CO_2.

Environmental Stewardship

In cooperation with DENR, the company adopted select river systems. A quarterly community-wide clean up with hundreds of volunteers from RHI, the government and other entities is held for coastal areas and river systems. These efforts are complemented by campaigns on solid waste management, sanitation and hygiene.

Corporate Governance Report

Governance Framework

First Pacific is committed to building and maintaining high standards of corporate governance. The Company's Corporate Governance Committee, comprised of a majority of Independent Non-executive Directors (INEDs) and chaired by an INED, was delegated with the responsibility for supervision of the Company's corporate governance functions.

On 13 December 2018, Mr. Robert C. Nicholson (Mr. Nicholson) resigned as an Executive Director of the Company due to retirement and ceased to be a member of the Corporate Governance Committee. Mr. Christopher H. Young (Mr. Young), Executive Director and Chief Financial Officer of the Company, was appointed as a member of the Corporate Governance Committee in his stead. As a result, the Corporate Governance Committee comprises two INEDs, being Mrs. Margaret Leung Ko May Yee (Chairperson of the Corporate Governance Committee) and Mr. Philip Fan Yan Hok, together with Mr. Young.

The Committee carried out a review of its corporate governance practices in respect of the year ended 31 December 2018 to ensure the Company's compliance with the Listing Rule requirements. This Committee is also tasked with the responsibility to oversee the process of Environmental, Social and Governance (ESG) reporting, in compliance with the Listing Rule requirements. With the approval of the Corporate Governance Committee, the Company's 2017 ESG report was published on the websites of the SEHK and the Company on 10 July 2018.

The Company has adopted its own Corporate Governance Code (the First Pacific Code), which incorporates the principles and requirements set out in the Corporate Governance Code contained in Appendix 14 of the Main Board Listing Rules (the CG Code). The First Pacific Code has been updated and approved on 26 March 2019 following recent amendments to the Listing Rules to enhance the corporate governance framework in Hong Kong.

Throughout the current financial year, First Pacific has applied the principles and complied with the Code Provisions and, where appropriate, adopted the Recommended Best Practices contained in the CG Code with the following exceptions:

Code Provision B.1.5: Issuers should disclose details of any remuneration payable to members of senior management by band in their annual reports. Recommended Best Practice B.1.8: Issuers should disclose details of any remuneration payable to members of senior management, on an individual and named basis, in their annual reports.

The Company does not disclose details of any remuneration payable to members of senior management, either by band or on an individual and named basis as a large number of the senior executives employed by the Group are employed in jurisdictions that do not require disclosure of such information. It will create inequality across the Group if only the remuneration of the senior executives at the head office is disclosed.

Recommended Best Practices C.1.6 and C.1.7: An issuer should announce and publish quarterly financial results within 45 days after the end of the relevant quarter.

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.

Code Provision C.2.5: The Issuer should have an internal audit function. Issuers without an internal audit function should review the need for one on an annual basis and should disclose the reasons for the absence of such a function in the Corporate Governance Report.

As an investment holding and management company, the Company does not have an internal audit department. However, the Group has multiple listed companies in the Philippines, Indonesia and Singapore, as well as a joint venture company in Australia, each of which has its own internal audit and/or risk management functions to monitor their internal control system for operational and financial, compliance and risk management. Accordingly, the Company relies on group resources to carry out the internal audit/risk management functions for members of the Group. Taking this into account, the Company does not consider it necessary to have a separate internal audit function. The Company will review the need for such a function on an annual basis.

Compliance of the Model Code for Securities Transactions by Directors of Listed Issuers

The Company has adopted its own Model Code for Securities Transactions by Directors (the Model Code) on terms no less exacting than the required standards of the Model Code for Securities Transactions by Directors of Listed Issuers, as set out in Appendix 10 of the Listing Rules. All Directors have confirmed, following specific enquiries by the Company, that they have complied with the required standards set out in the Model Code for the year ended 31 December 2018.

Directors' interest in securities of the Company and its associated corporations as at 31 December 2018 have been disclosed in the Report of the Directors as set out in this Annual Report.

Whistleblowing Policy

To promote good governance, the Company has put in place a Whistleblowing Policy, which is intended to assist employees and those who deal with the Group to disclose information relevant to any suspected misconduct, malpractice or irregularity which he/she has become aware of or genuinely suspects that the Group has been or may become involved in. Any suspected cases can be reported through a confidential reporting channel directed to the Chairman of the Audit and Risk Management Committee. The policy is regularly reviewed to ensure its effectiveness and is posted on the Company's website (www.firstpacific.com). In 2018, the Company did not receive any disclosure of information under the Whistleblowing Policy.

Board of Directors

As at the date of this Annual Report, the Board is comprised of ten Directors, of whom two are Executive Directors, eight are NEDs, of whom four are INEDs. Since four out of our current ten-member Board are INEDs, the Company complies with the Listing Rule requirements that INEDs shall represent at least one-third of the Board. The composition of our current Board is as follows:

Non-executive Directors	Independent Non-executive Directors	Executive Directors
Anthoni Salim *(Chairman)* Term of Re-appointment: 5 June 2018 (re-elected) to 2021 AGM	**Prof. Edward K.Y. Chen,** *GBS, CBE, JP* Term of Re-appointment: 6 June 2016 (re-elected) to 2019 AGM	**Manuel V. Pangilinan** Term of Re-appointment: 6 June 2016 (re-elected) to 2019 AGM
Benny S. Santoso Term of Re-appointment: 7 June 2017 (re-elected) to 2020 AGM	**Margaret Leung Ko May Yee,** *SBS, JP* Term of Re-appointment: 6 June 2016 (re-elected) to 2019 AGM	**Christopher H. Young** Term of Re-appointment: 5 June 2018 (re-elected) to 2021 AGM
Ambassador Albert F. del Rosario Term of Re-appointment: 7 June 2017 (re-elected) to 2020 AGM	**Philip Fan Yan Hok** Term of Re-appointment: 5 June 2018 (re-elected) to 2021 AGM	
Tedy Djuhar Term of Re-appointment: 5 June 2018 (re-elected) to 2019 AGM	**Madeleine Lee Suh Shin** Term of Re-appointment: 6 June 2016 (re-elected) to 2019 AGM	

Note: Mr. Nicholson resigned as an Executive Director of the Company due to retirement on 13 December 2018.

Board Process

The Board usually meets formally at least five 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 for its decision.

The schedule for regular Board/Board Committee meetings in each year (subject to amendment) is made available to all Directors/ Board Committee members before the end of the preceding year, in order to provide sufficient notice to Directors to enable them to attend meetings. In addition, notice of at least 14 days will be given for a regular Board meeting to give all Directors an opportunity to attend meeting. For all other Board/Board Committee meetings or special meetings, reasonable notice will be given. Apart from attending the scheduled meetings, all Directors will use their best endeavors to attend ad-hoc meetings, even on short notice, either in person or by teleconference, when necessary.

Meeting agendas for regular Board meetings are set after consultation with the Chairman and the Executive Directors. All Directors are given an opportunity to include matters in the agenda. Directors have access to the advice and services of the Company Secretary to ensure that Board procedures, 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 in a timely manner to the Directors prior to the scheduled date for the Board meetings.

The Company has implemented since March 2014 the distribution of Board/Board Committee papers through an electronic platform to those Directors who choose to access Board/Board Committee papers through the electronic platform. A reading room has been added to the electronic platform to provide Directors with access to relevant information relating to the Company. The electronic platform ensures timely and secure provision of information to Directors, while also reducing paper usage.

Minutes of the Board/Board Committee meetings 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/Board Committee meetings are recorded in detail and include matters considered by the Board/Board Committees, decisions reached, any concerns raised by the Directors/Board Committee members or dissenting views expressed. Draft and final versions of the minutes of Board/Board Committee meetings are sent to all Directors/Board Committee members for their comments and records respectively within a reasonable time after each meeting. Chairmen of the Board Committees report on important issues discussed and reviewed by the Board Committees at each Board meeting.

In addition to the regular financial performance reports submitted to the Board at its regular meetings, the Directors also receive monthly financial and business updates with information on the Company's latest financial performance. Directors can therefore have a balanced and understandable assessment of the Company's performance, position and prospects throughout the year.

The Board reviews and evaluates its work process and effectiveness annually, with a view to identifying areas for improvement and further enhancement. The Board also regularly reviews the time commitment required from the NEDs (including the INEDs).

Under the bye-laws of the Company, a Director should not vote or be counted in the quorum in respect of any contract, arrangement, transaction or other proposal in which he/she or his/her associate(s) is/are materially interested.

Board Evaluation

The Company believes that good corporate governance involves a strong and effective Board, one that understands its role and responsibility, provides leadership and strategic guidance for the Company, establishes effective controls, oversees management and sets the Company's values and standards. In this respect, it is important to measure the effectiveness of the Board through a proper Board Evaluation process, on a regular basis.

For the period from 2016 to 1H2017, the Company conducted a facilitated Board Evaluation prepared by Practising Governance Limited, an independent consultant specializing in corporate governance. In respect of the period from 2H2017 to FY2018, the Company conducted an internally-administered Board Evaluation by sending a Board Evaluation questionnaire, based primarily on the previous questionnaire, together with a Skill Matrix, to all Directors for their participation.

In the latest exercise, top ranked areas include satisfaction with financial statements integrity; and in terms of team dynamics that the Board works cohesively and effectively together, with an open and candid exchange of ideas among the Board and Board Committee members. There is a good diversity of talents, especially at the independent director level, with expertise in accounting and finance, investment banking, mergers and acquisitions, strategic planning and executive leadership. These are critical to a healthy, functioning Board, and laid the foundation for implementing continuous enhancements.

For the purpose of devoting more time on strategic discussions at Board meetings, corresponding refinements in Board processes have been implemented, including more timely release of Board materials, meeting arrangements, information provision, and training. The Directors will continue discussion on group strategies in Board Meetings on a regular basis. The Board will further discuss other suggestions arising out of the Board Evaluation exercise, such as convening regular session on succession planning and having more regular updates on the disposal plan of non-core assets.

Attendance Records

The Board held six meetings in 2018, of which five were scheduled physical Board meetings and one was held on an ad hoc basis (by teleconference) when a Board decision was required on a major issue. The attendance records of the Board and Board Committee meetings as well as the AGM held in 2018 are shown in the following table. The overall attendance rate of Directors at Board Meetings is 90% while for the Board Committee meetings is approximately 93%. The high attendance record at the Board and Board Committee meetings in 2018 demonstrates Directors' strong commitment to the Company.

	Meetings held in 2018						
	Physical Board	Board via Teleconference	Audit and Risk Management Committee	Corporate Governance Committee	Remuneration Committee	Nomination Committee	2018 AGM
Number of Meetings	5	1	4	3	1	2	1
Executive Directors							
Manuel V. Pangilinan	5/5	1/1	–	–	1/1	2/2	1/1
Christopher H. Young	5/5	1/1	4/4#	2/3#	1/1#	–	1/1
Robert C. Nicholson*1	5/5	1/1	3/4#	3/3	–	1/2#	1/1
Non-executive Directors							
Anthoni Salim	5/5	0/1	–	–	–	1/2	1/1
Benny S. Santoso*2	5/5	1/1	1/1	–	–	–	1/1
Ambassador Albert F. del Rosario	5/5	1/1	–	–	–	–	1/1
Tedy Djuhar	4/5	0/1	–	–	–	–	0/1
Independent Non-executive Directors							
Prof. Edward K.Y. Chen, *GBS, CBE, JP*	5/5	1/1	4/4	–	1/1	2/2	1/1
Margaret Leung Ko May Yee, *SBS, JP*	5/5	1/1	3/4	2/3	–	–	1/1
Philip Fan Yan Hok	5/5	1/1	2/4#	3/3	1/1	2/2	1/1
Madeleine Lee Suh Shin	5/5	1/1	4/4	–	–	2/2	1/1
Average Attendance Rate	98%	82%	92%	89%	100%	90%	91%

Not a member of the respective Board Committees but attended the Committee meetings.
*1 Mr. Nicholson resigned as an Executive Director and ceased to be a member of the Corporate Governance Committee with effect from 13 December 2018.
*2 Mr. Santoso ceased to be a member of the Audit and Risk Management Committee with effect from 20 March 2018.

Board Diversity

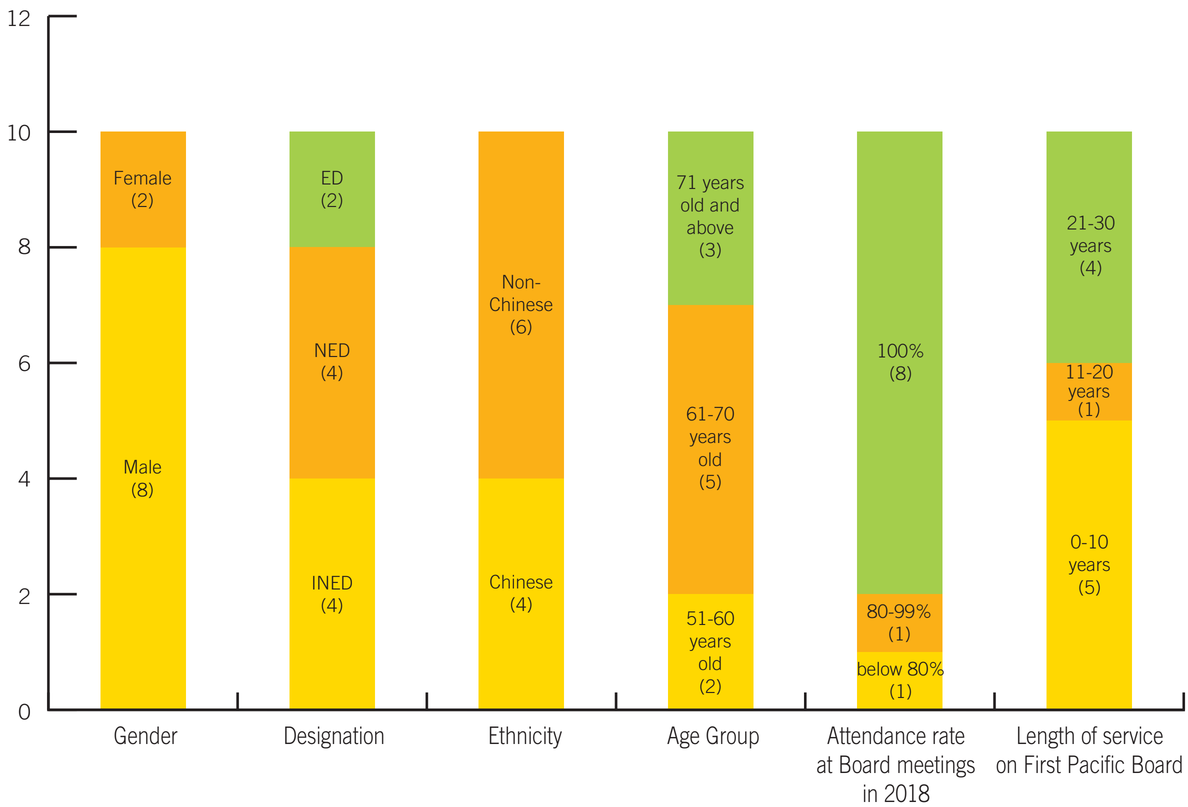
The Directors are collectively responsible for promoting the success of the Company by directing and supervising the Company's affairs. The Board has a balance of skills and experience appropriate for the requirements of the Group's businesses.

As at the date of this Annual Report, Members of the Board came from different background, with a diverse range of academic, business and professional expertise. Brief biographical information of each of our Directors is set out in the section "Board of Directors and Senior Executives" on pages 42 to 45 of this Annual Report.

The Board considers that its diversity, including gender diversity, is a vital asset to its businesses. In August 2013, the Board adopted a Board Diversity Policy, which is available on the Company's website (www.firstpacific.com) under the Corporate Governance Section. Board appointments are based on merit and candidates are considered against objective criteria, having due regard for the benefits of diversity on the Board, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The Company remains committed to meritocracy in the Board room, which requires a diverse and inclusive culture where Directors believe that their views are heard, their concerns are attended to and they serve in an environment where bias, discrimination and harassment on any matter are not tolerated.

An analysis of the Board's current composition is set out in the following chart:

Number of Directors



The Company has maintained on its website (www.firstpacific.com) and on the designated issuer website of the SEHK (www.hkexnews.hk) an updated list of its Directors identifying their roles and functions and whether they are INEDs. INEDs are also identified as such in all corporate communications that disclose the names of the Company's Directors.

Chairman and Chief Executive

The roles of the Chairman and Chief Executive Officer of the Company are separate, with a clear division of responsibilities.

Currently, Mr. Anthoni Salim, a Non-executive Director, is the Chairman of the Company and Mr. Manuel V. Pangilinan, an Executive Director, 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.

Responsibilities of Directors

The Board is responsible for the success of the Company by directing and supervising its affairs in a responsible and effective manner. Each Director has a duty to act in good faith and in the best interests of the Company. Directors are expected to devote sufficient time and attention to performing their duties and responsibilities. The Directors are aware of their collective and individual responsibilities to all shareholders for the manner in which the affairs of the Company are managed, controlled and operated.

In July 2018, three of our INEDs, Prof. Edward Chen, Mrs. Margaret Leung and Mr. Philip Fan, together with our Executive Director, Mr. Young, and senior executives of the Company (the "FPC Team"), travelled to Jakarta, Indonesia for site visits for the purpose of gaining more understanding of the Group's businesses based in Indonesia. The INEDs also held meeting sessions in Jakarta with our Chairman (Mr. Anthoni Salim), our Non-executive director (Mr. Benny Santoso) and senior executives of Indofood and its subsidiary companies.

The FPC Team was accompanied by local executives to visit Indofood's distribution center, Indomarco, as well as other business centers in the region in order to gain a better understanding of the business environment in Indonesia. The INEDs also met with the Indofood CCT Team to further understand their work in the related areas. They also gained a better understanding of the Salim Group and its projects in Indonesia.

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 subsidiaries, associated and joint venture 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 expenses. The Board will arrange separate independent professional advice to Directors to assist the relevant Director or Directors to discharge his/her/their duties to the Company as and when requested or necessary.

The Company has arranged Directors' and Officers' Liability Insurance for a total liability limit of US$45 million, renewable annually in May of each year. The underwriters are Berkshire Hathaway Specialty Insurance Company and AIG Insurance Hong Kong Limited, who are both specialists in the Directors' and Officers' Liability Insurance market.

If a substantial shareholder or a Director has a conflict of interest in a matter to be considered by the Board, which the Board determines 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 INEDs who, and whose associates, have no material interest in the transaction shall be present at such Board meeting.

Appointment and Re-election of Directors

The Company uses a formal, considered and transparent procedure for the appointment of new Directors. Before a prospective Director's name is formally proposed, opinions of the existing Directors (including the NEDs and INEDs) will be solicited. The proposed appointment will first be reviewed by the Nomination Committee, taking into account the balance of skills, knowledge and experience and diversity of the Board. Upon recommendation by the Nomination Committee, the proposed appointment will then be reviewed and, if thought fit, approved by the Board after due deliberation.

In accordance with the Company's bye-laws, any new Director appointed by the Board to fill a casual vacancy shall remain as a Director of the Company until the next following AGM and then he/she shall be eligible for re-election at that meeting.

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

Each year, the Nomination Committee receives an annual confirmation of each INED's independence. The independence of the INEDs has been assessed in accordance with the guidelines set out in Rule 3.13 of the Listing Rules. As a good corporate governance practice, each Nomination Committee member abstained from assessing his/her own independence.

Following such assessment, the Nomination Committee affirmed, and the Board concurred, that all the INEDs continued to demonstrate strong independence in judgment and are free from any business or other relationship which could interfere with their ability to discharge their duties effectively, and they are therefore considered as independent. Each INED is required to inform the Company as soon as practicable if there is any change in their own personal particulars that may affect their independence. No such notification was received during 2018.

None of the Directors have any financial, business, family, or other material/relevant relationship with each other. Non-executive Directors (including INEDs) have the same duties of care and skill and fiduciary duties as Executive Directors. The biographies of the Directors are set out in the section "Board of Directors and Senior Executives" on pages 42 to 45 of this Annual Report.

Succession Planning

The Board recognizes the importance of having continuity in the senior management, maintaining leaders with appropriate skills and experience to support the delivery of the Group's strategic priorities. An Executive Session attended by only Directors of the Company was held after the December 2018 Board meeting to review and discuss succession planning. The Board agreed that succession planning will be discussed at an Executive Session and/or Board Meetings on an annual basis.

Directors' Training

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

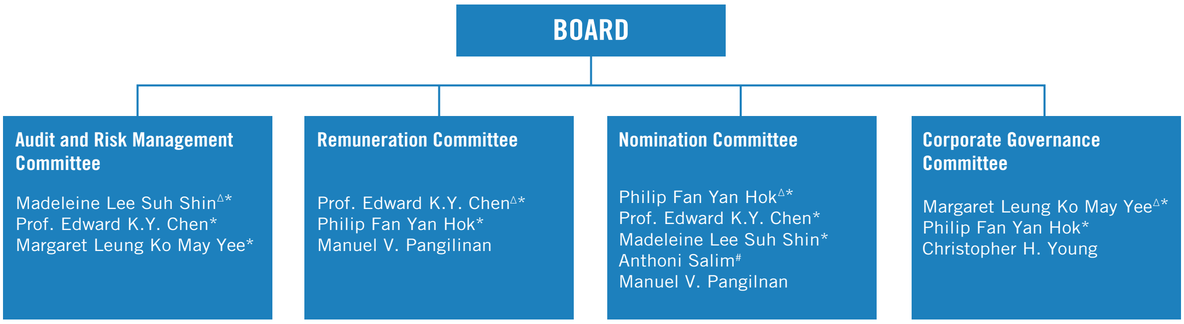
Further, all Directors are provided with briefings and training on an on-going basis each year to ensure that they have a proper understanding of the Company's operations and business and are fully aware of their responsibilities under applicable laws, rules and regulations. Such briefings and training are provided at the Company's expenses.

During the year, the Company arranged for a Directors' training provided by the Company's IT consultant, PwC, in relation to Cyber Security, as well as an update on Corporate Governance and Legal and Regulatory issues presented by Gibson Dunn, our legal counsel. The Directors' Training was attended by a majority of our Directors and senior management.

Furthermore, certain Directors also attended external seminars on topics relevant to their duties as Directors, including topics such as disclosure of inside information, risk management and internal controls. The Company maintains proper records of the training provided to and received by its Directors during the year.

Board Committee

The Board has set up four Board Committees, namely the Audit and Risk Management Committee, Remuneration Committee, Nomination Committee and Corporate Governance Committee, in order to assist the Board in carrying out its responsibilities. The current composition of the four Board Committees is as follows:



Δ Chairman of the Committee

* INED

NED

Each of these Board Committees has specific written terms of reference, which set out in detail their respective authorities and duties. Each Board Committee reviews regularly its terms of reference and effectiveness. The terms of reference of all the Board Committees have been made available on the Stock Exchange's and Company's websites. All Board Committees are comprised of a majority of INEDs and chaired by an INED. All Board Committees report to the Board on their decisions and/or recommendations on a regular basis.

Audit and Risk Management Committee

The Audit and Risk Management Committee currently comprises of all INEDs, and is chaired by Ms. Madeleine Lee Suh Shin, who possesses appropriate professional qualifications and experience in financial matters. The other two members, Mrs. Margaret Leung and Prof. Edward Chen, also possess relevant qualification and experience in financial matters. The biographical information of the three members are set out in the section "Board of Directors and Senior Executives" on page 44 of this Annual Report. This is in compliance with Rule 3.21 of the Listing Rules.

The Audit and Risk Management Committee's written terms of reference, which describe its authorities and duties, are regularly reviewed and were recently updated by the Committee following relevant amendments in the Listing Rules. The updates were subsequently approved by the Board on 26 March 2019. Reporting to the Board, the Audit and Risk Management Committee reviews matters such as financial statements, risk management and internal control systems, in order to protect the interests of the Company's shareholders. The Audit and Risk Management Committee also performs an independent review of the interim and annual financial statements.

Members of the Audit and Risk Management Committee meet regularly with the Company's external auditor and hold separate sessions in the absence of management. The Audit and Risk Management Committee discussed the audit process and accounting issues and reviewed the effectiveness of risk management and internal control systems. Special meetings are also convened, where appropriate, to review significant financial or management issues. In 2018, two additional meetings were held with the Company's Risk Assessment Committee focusing on discussions relating to risk management. Minutes of the Audit and Risk Management Committee meetings are prepared with details of the matters considered and decisions reached.

The Audit and Risk Management Committee reports to the Board following each Committee meeting, drawing the Board's attention to significant issues or matters of which the Board should be aware, identifying any matters in respect of which it considers that action or improvement is needed, and making relevant recommendations.

During the year, the Audit and Risk Management Committee held four meetings. The attendance record of each Committee member is shown in the section headed "Attendance Records" on page 73 of this Annual Report. Major work performed by the Audit and Risk Management Committee during the year was as follows:

- reviewed the Company's annual results and financial statements for the year ended 31 December 2017 and the related documents, financial reporting and audit issues noted by the Company's external auditor;
- reviewed the Company's interim results and financial statements for the six months ended 30 June 2018 and the related documents, financial reporting and accounting issues noted by the Company's external auditor;
- considered the 2018 Audit Plan for the First Pacific Group and the audit fee arrangement;
- approved First Pacific's Risk Management Policy and Procedures;
- approved the formation of a Risk Assessment Committee;
- reviewed the report from the Risk Assessment Committee on First Pacific's Head Office Risk Matrix on a semi-annual basis;
- reviewed the revised accounting standards and prospective changes to accounting standards, and the impact on the Group's financial statements;
- conducted annual reviews of the Group's continuing connected transactions pursuant to the Listing Rule requirements;
- reviewed the engagement of the Company's external auditor, its independence and objectivity, and the effectiveness of the audit process;
- recommended the re-appointment of external auditor for shareholders' approval at the 2018 AGM;
- reviewed the adequacies of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budgets;
- exercised oversight over the Group's financial reporting system, risk management and internal control systems;
- exercised oversight over the audit and/or risk management committees of the Company's major operating companies;
- reviewed the forecast on potential provisions of write-downs for FY2018; and
- reviewed the Audit and Risk Management Committee's effectiveness in discharging its role and responsibilities and made recommendations to the Board for any changes.

Remuneration Committee

The Remuneration Committee is currently comprised of a majority of INEDs, and chaired by Prof. Edward Chen, an INED. It has specific written terms of reference which deal clearly with its authorities and duties. The terms of reference of the Remuneration Committee have included the specific authorities and duties set out in paragraphs B.1.3(a) to (j) of the First Pacific Code, with appropriate modifications, where necessary.

In determining the Company's remuneration policy, the Remuneration Committee takes into account the Company's business objectives, people strategy, short-term and long-term performance, business and economic conditions, market practices, compliance and risk control, in order to ensure that the remuneration aligns with business and individual performance, promotes effective risk management, facilitates retention of quality personnel and is competitive in the market. The Committee may invite any Director, senior executive, consultant or other relevant party to provide advice in this respect, if necessary.

The Remuneration Committee reports to the Board following each Committee meeting, drawing the Board's attention to significant issues or matters of which the Board should be aware, identifying any matters in respect of which it considers that action or improvement is needed, and making relevant recommendations.

During the year, the Remuneration Committee held one meeting with the Company's Head of Human Resources. The attendance record of each Committee member is shown in the section headed "Attendance Records" on page 73 of this Annual Report. Major work performed by the Remuneration Committee during the year was as follows:

- made recommendations to the Board on the Company's policy and structure for Directors' and senior management's remuneration;
- assessed the performance of Executive Directors and approved the terms of Executive Directors' service contracts;
- reviewed and approved the management's remuneration proposals with reference to the Board's corporate goals and objectives;
- determined, with delegated responsibility, the remuneration packages of individual Executive Directors and senior management;
- reviewed the 2019 salary budget and 2018 annual bonus; and
- reviewed the Remuneration Committee's effectiveness in discharging its role and responsibilities and made recommendations to the Board for any changes.

Nomination Committee

The Nomination Committee is currently comprised of a majority of INEDs, and chaired by Mr. Philip Fan, an INED. It has specific written terms of reference which deal clearly with its authorities and duties. The terms of reference of the Nomination Committee include specific authorities and duties set out in paragraphs A.5.2(a) to (d) of the First Pacific Code, with appropriate modifications, where necessary.

The Nomination Committee reports to the Board following each Committee meeting, drawing the Board's attention to significant issues or matters of which the Board should be aware, identifying any matters in respect of which it considers that action or improvement is needed, and making relevant recommendations.

During the year, the Nomination Committee held two meetings. The attendance record of each Committee member is shown in the section headed "Attendance Records" on page 73 of this Annual Report. Major work performed by the Nomination Committee during the year was as follows:

- reviewed the structure, size and composition of the Board;
- reviewed succession planning for the Board;
- reviewed and confirmed the independence of INEDs (details of which are set out in the section headed "Appointment and Re-election of Directors" on page 75 of this Annual Report);
- nominated the retiring Directors to stand for re-election at the 2018 AGM;
- made recommendations to the Board on the appointment or re-appointment of Directors;
- reviewed the composition and diversity of the Board and monitored the implementation of the Board Diversity Policy;
- reviewed and approved the Nomination Policy;
- reviewed and approved the revised Terms of Reference of the Nomination Committee;
- considered the internally-administered Board evaluation for the period from 2H2017 to FY2018; and
- reviewed the Nomination Committee's effectiveness in discharging its role and responsibilities and its terms of reference and made recommendation to the Board for any changes.

Corporate Governance Committee

The Corporate Governance Committee is currently comprised of a majority of INEDs, and chaired by Mrs. Margaret Leung, an INED. On 13 December 2018, Mr. Nicholson ceased to be a member of the Corporate Governance Committee and Mr. Young was appointed as a new member in his stead. It has specific written terms of reference which deal clearly with its authorities and duties. The terms of reference of the Corporate Governance Committee have included the specific authorities and duties set out in paragraphs D.3.3(a) to (e) of the First Pacific Code, with appropriate modifications, where necessary.

The Corporate Governance Committee reports to the Board following each Committee meeting, drawing the Board's attention to significant issues or matters of which the Board should be aware, identifying any matters in respect of which it considers that action or improvement is needed, and making relevant recommendations.

During the year, the Corporate Governance Committee held three meetings. The attendance record of each Committee member is shown in the section headed "Attendance Records" on page 73 of this Annual Report. Major work performed by the Corporate Governance Committee during the year was as follows:

- developed and reviewed the Company's policies and practices on corporate governance and made recommendations to the Board;
- reviewed and monitored the training and continuous professional development for Directors and senior management;
- reviewed and monitored the Company's policies and practices on compliance with legal and regulatory requirements;
- reviewed the Company's compliance with the CG Code and disclosure in this Corporate Governance Report;
- reviewed and monitored the progress for ESG reporting and approved the formation of a management committee to finalize the 2017 ESG report for uploading to the websites of the Company and the SEHK before 31 July 2018;
- reviewed the proceedings for Board meetings and recommended that more time should be devoted to strategy discussion;
- reviewed the Code of Business Practices and internal policies;
- considered SEHK's proposed amendments to the CG Code and related Listing Rules;
- approved the migration from ICSA BoardPad to Diligent Boards;
- reviewed the measures for reduction of carbon emission and treatment of waste and plastics; and
- reviewed the Corporate Governance Committee's effectiveness in discharging its role and responsibilities and made recommendations to the Board for any changes.

Directors' Service Contracts

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.

Disclosure of Inside Information

The Company has put in place a framework for the disclosure of inside information, in compliance with the Securities and Futures Ordinance of Hong Kong. The framework sets out the procedures for the handling and dissemination of inside information in a timely manner so as to allow the shareholders, staff and other stakeholders to understand major developments within the Company and its major operating companies. The framework and its effectiveness are subject to review on a regular basis in accordance with the established procedures.

Dividend or Distribution Policy

Policy on payment of dividends or distributions is determined and reviewed by the Board from time to time, taking into account the Group's performance and financial conditions as well as the cashflow of the Company. This is disclosed in the Company's annual reports and is available on the website of the Company (www.firstpacific.com).

Barring unforeseen circumstances, the Company is currently paying dividends or distributions of not less than 25% of the Group's recurring profit every year. This is paid to our shareholders twice a year through one interim dividend or distribution in respect of the six months ended 30 June and a final dividend or distribution in respect of the full year ended 31 December. Details of the dividend or distribution payment in respect of the current financial year, including the ex-dividend/distribution dates and record dates of the dividend/distribution, can also be found on the Company's website (www.firstpacific.com).

Financial Reporting

In order to enable the Directors to present a balanced, clear and comprehensive assessment of the Company's performance, financial position and prospects to its shareholders, financial reports with adequate information and explanations are prepared by the Company's management and sent to the Board 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 results and cash flows 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 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 to prevent and detect fraud and other irregularities.

Auditor's Remuneration

An analysis of auditor's remuneration in respect of audit and non-audit services is as follows:

US$ millions	2018	2017
Auditor's remuneration		
– Audit services	**4.5**	4.1
– Non-audit services[(i)]	**0.6**	0.7
Total	**5.1**	4.8

(i) Pertains to due diligence, review of continuing connected transactions and other transactions relating to the Group's business development

Company Secretary

All Directors have access to the advice and services of the Company Secretary, who is an employee of the Company and reports to the Executive Directors on Board governance matter. She is responsible for ensuring that the Board procedures are followed and for facilitating communications among Directors as well as with shareholders and management.

The Company Secretary's biography is set out in the "Board of Directors and Senior Management" section of the 2018 Annual Report. During 2018, the Company Secretary undertook over 15 hours of professional training to update her skills and knowledge in the corporate governance field.

Constitutional Documents

During 2018, there was no change in the constitutional documents. These documents are available on the Stock Exchange's and the Company's websites.

Communications with Shareholders

Effective Communication

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 shareholders' meetings. The annual and interim reports seek to communicate, both to shareholders and the wider investment community, developments in the Company's businesses. 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. The Company's Chairman, Executive Directors, Chairmen of the Board Committees and NEDs (including INEDs), will be present at the AGM, when practicable, to answer questions from shareholders about specific resolutions being proposed at the meeting and also about the Group in general. In addition, the Company will convene a special general meeting (SGM) to approve transactions in accordance with the Listing Rules and the Company's corporate governance procedures, if and when necessary. This provides further opportunity for shareholders to comment and vote on specific transactions.

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.

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 2018 AGM, the chairman demanded a poll on all resolutions. The procedures for demanding a poll by the shareholders were incorporated in the respective 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.

Shareholders Communication Policy

The Company has put in place a Shareholders Communication Policy to ensure that Shareholders are provided with ready, equal and timely access to balanced and understandable information about the Company. The policy is regularly reviewed to ensure its effectiveness and is posted on the Company's website (www.firstpacific.com).

Calling a Special General Meeting

Shareholders holding at the date of the deposit of the requisition not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Company, to require a SGM to be called by the Board for the transaction of any business specified in such requisition.

The requisition:

- must be in writing and state the purposes of the meeting;
- must be signed by all the Shareholders concerned;
- may consist of several documents in like form each signed by one or more Shareholders concerned; and
- may either be deposited at the principal office of the Company at 24th Floor, Two Exchange Square, 8 Connaught Place, Central, Hong Kong in hard copy form or sent by email to companysecretary@firstpacific.com.

Details of the abovementioned procedures are set out in a document titled "Rights and procedures for shareholders to convene meetings/put forward proposals" which is available on the Company's website.

Putting Forward Proposals at General Meetings

Shareholders can make a request to circulate a resolution at a general meeting or circulate a statement (of not more than one thousand words) in connection with a proposed resolution or the business to be dealt with at a general meeting; the number of shareholders necessary for such requisition shall be:

(a) shareholders representing not less than one-twentieth of the total voting rights of all the shareholders having at the date of the requisition a right to vote at the meeting to which the requisition relates; or
(b) not less than one hundred shareholders of the Company.

A copy or copies of requisition signed by all requisitionists shall be deposited, with a sum reasonably sufficient to meet the Company's expenses in giving notice of the proposed resolution or circulating any necessary statement, either at the principal office of the Company at 24th Floor, Two Exchange Square, 8 Connaught Place, Central, Hong Kong in hard copy form or sent by email to companysecretary@firstpacific.com in the case of:

(a) a requisition requiring notice of a resolution, not less than six weeks before the meeting; and
(b) any other requisition, not less than one week before the meeting.

Details of the abovementioned procedures are set out in a document titled "Rights and procedures for shareholders to convene meetings/put forward proposals" which is available on the website of the Company.

Further, a shareholder may propose a person other than a Director of the Company for election as a Director of the Company at a general meeting at which elections to the office of directors are to be considered. For such purpose, the shareholder must send to the Company's principal address (for the attention of the Company Secretary) (i) a written notice of intention to propose a resolution at the general meeting; and (ii) a notice signed by the proposed candidate of his/her willingness to be elected, together with that candidate's information as required to be disclosed under the Listing Rules and such other information as required by the Company, and his/her written consent to the publication of his/her personal data. Such notice must be sent within a period of not less than seven days before the date of the general meeting. Procedures for shareholders to propose a person for election as a Director of the Company are also available on the website of the Company.

Putting Enquiries to the Board

Shareholders may send enquiries requiring the Board's attention to the Company Secretary at the Company's principal office located at 24th Floor, Two Exchange Square, 8 Connaught Place, Central, Hong Kong in hard copy form or by email to companysecretary@firstpacific.com. Questions concerning the procedures for convening or putting forward proposals at an AGM or SGM may also be put to the Company Secretary in the same manner.

Continuing Connected Transactions

During the year, the INEDs agreed with the Directors in relation to the following continuing connected transactions and approved the disclosure of those transactions in the form of published announcements:

- 12 March 2018 announcement: following the Company's previous announcement made on 16 January 2015 in relation to, among other things, the execution of the framework agreement between D.M. Consunji, Inc. (DMCI) and Maynilad Water Services, Inc. (Maynilad) dated 13 January 2015, the Company announced that the framework agreement expired in accordance with its terms on 31 December 2017. In order to continue performance of the services under the framework agreement and allow DMCI to continue to submit proposals for business put out to competitive tender by Maynilad, DMCI and Maynilad have entered into a renewal agreement, pursuant to which DMCI and Maynilad have agreed to renew the framework agreement for a period of three years. Save for the new annual caps set for the years ending 31 December 2018, 2019 and 2020, all other terms and conditions of the framework agreement will remain in full force and effect.

- 6 June 2018 announcement: following the Company's previous announcements made on 6 September 2017 and 10 November 2016 and the Company's circular dated 30 December 2016 in relation to certain CCTs relating to the Indofood Group, due to expansion of businesses, the Company has undertaken a review in respect of Indofood's Flour Business Transactions, Packaging Business Transactions and Noodles Business Transactions. As a result of that review, the Company has revised the Annual Caps for each of those business categories for 2018 and 2019 in order to more closely reflect the projected transaction amounts.

  In addition, due to the addition of new CCTs, the 2018 and 2019 aggregated Annual Caps in respect of Indofood's Flour Business Transactions, Distribution Business Transactions, Snack Foods Business Transactions, Property Business Transactions and Beverages Business – Salim Transactions, have been revised and are subject to the reporting and announcement requirements, but not the Independent Shareholders' approval requirements, under Chapter 14A of the Listing Rules.

- 19 October 2018 announcement: following the Company's previous announcements made on 6 June 2018, 6 September 2017 and 10 November 2016 and the Company's circular dated 30 December 2016 in relation to certain CCTs relating to the Indofood Group, the Company has undertaken a review of each individual transaction within the Flour Business Transactions. As a result of the review, a new continuing connected transaction was disclosed. In addition, the Annual Caps for certain transactions in 2019 have been revised to more closely reflect current projections of the activity levels between the relevant parties to those transactions for 2019.

  After undertaking a review of the individual Noodles Business Transactions, the 2018 Annual Caps have been revised to more closely reflect current projections of the activity levels between the relevant parties to those transactions for 2018. However, there is no change in the 2018 aggregated annual cap for the Noodles Business Transactions. In addition, both the individual and aggregated Annual Caps for 2019 remain unchanged.

I. Details of those continuing connected transactions relating to the Indofood Group, which are required to be specified by Rule 14A.49 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 2018 (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)	Dufil Prima Foods PLC (Dufil), an associate of Mr. Anthoni Salim	ISM/ICBP (1) grants an exclusive licence in respect of the "Indomie" trademark in Nigeria and provides technical services in connection with instant noodle manufacturing operations in Nigeria; and (2) sells and supplies ingredients, noodle seasonings and packaging used for instant noodle products	1 January 2017	31 December 2019	44.7
ISM/ICBP	Pinehill Arabian Food Ltd. (Pinehill), an associate of Mr. Anthoni Salim	ISM/ICBP (1) grants an exclusive licence in respect of the "Indomie", "Supermi" and "Pop Mie" trademarks in certain countries in the Middle East; (2) provides technical services in connection with instant noodle manufacturing operations in certain countries in the Middle East; and (3) sells and supplies ingredients, noodle seasonings and packaging used for instant noodle products	1 January 2017	31 December 2019	59.7
ISM/ICBP	Salim Wazaran Group Limited (SAWAZ), an associate of Mr. Anthoni Salim	ISM/ICBP (1) grants a non-exclusive licence in respect of the "Indomie" trademark in certain countries in the Middle East and Africa; (2) provides technical services in connection with instant noodle manufacturing operations in certain countries in the Middle East and Africa; and (3) sells and supplies ingredients, noodle seasonings and packaging used for instant noodle products	1 January 2017	31 December 2019	38.9
ISM and its subsidiaries	PT Indomobil Sukses Internasional Tbk (Indomobil) and its subsidiaries, an associate of Mr. Anthoni Salim	Indomobil and its subsidiaries sell/rent vehicles, provide vehicle services and sell spare parts to ISM and its subsidiaries	1 January 2017	31 December 2019	5.2
Aggregated transaction amount					**148.5**

B. Transactions relating to the Plantations 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 2018 (US$ millions)
PT Salim Ivomas Pratama Tbk (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 and other derivative products to vessels	1 January 2017	31 December 2019	0.5
SIMP and its subsidiaries	PT Rimba Mutiara Kusuma (RMK), an associate of Mr. Anthoni Salim	SIMP and its subsidiaries (1) lease heavy equipment and buy building materials from RMK; (2) rent office space, trucks and tug boats from RMK; (3) use transportation services from RMK; and (4) purchase road reinforcement services from RMK	1 January 2017	31 December 2019	0.9
SIMP and its subsidiaries	IndoInternational Green Energy Resources Pte. Ltd. (IGER Group), an associate of Mr. Anthoni Salim	SIMP and its subsidiaries (1) provide operational services to IGER Group; (2) sell seedlings to IGER Group; (3) buy prefabricated housing materials from IGER Group; (4) sell fertilizer products to IGER Group; (5) lease office space to IGER Group; and (6) buy palm oil and its derivatives products from IGER Group	1 January 2017	31 December 2019	51.7
ISM and its subsidiaries	PT Indotek Konsultan Utama (IKU), an associate of Mr. Anthoni Salim	IKU provides consulting services for project development to ISM and its subsidiaries	1 January 2017	31 December 2019	–
ISM and its subsidiaries	PT Lajuperdana Indah (LPI), an associate of Mr. Anthoni Salim	ISM and its subsidiaries buy sugar from LPI	1 January 2017	31 December 2019	–
SIMP	PT Fast Food Indonesia Tbk (FFI), an associate of Mr. Anthoni Salim	SIMP sells deep fat frying oil to FFI	1 January 2017	31 December 2019	3.6

B. Transactions relating to the Plantations Business of the Indofood Group (continued)

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 2018 (US$ millions)
ISM and its subsidiaries	Indomobil and its subsidiaries, an associate of Mr. Anthoni Salim	Indomobil and its subsidiaries sell and rent vehicles, provide vehicle services and sell spare parts to ISM and its subsidiaries	1 January 2017	31 December 2019	6.4
SIMP	Shanghai Resources International Trading, Co. Ltd. (Shanghai Resources), an associate of Mr. Anthoni Salim	SIMP sells palm oil and its derivative products to Shanghai Resources	1 January 2017	31 December 2019	35.2
SIMP	PT Nippon Indosari Corpindo (NIC), an associate of Mr. Anthoni Salim	SIMP sells margarine to NIC	1 January 2017	31 December 2019	0.9
ISM	LPI, an associate of Mr. Anthoni Salim	ISM grants an exclusive license of its "Indosugar" trademark related to sugar to LPI	1 January 2017	31 December 2019	0.4
PT Inti Abadi Kemasindo (IAK)	LPI, an associate of Mr. Anthoni Salim	IAK sells packaging materials to LPI	1 January 2017	31 December 2019	0.4
SIMP and its subsidiaries	PT Indomarco Prismatama (Indomaret), an associate of Mr. Anthoni Salim	SIMP and its subsidiaries sell finished goods to Indomaret	1 January 2017	31 December 2019	52.9
SIMP and its subsidiaries	PT Inti Cakrawala Citra (Indogrosir), an associate of Mr. Anthoni Salim	SIMP and its subsidiaries sell finished goods to Indogrosir	1 January 2017	31 December 2019	27.3
SIMP and its subsidiaries	PT Cipta Subur Nusa Jaya (CSNJ), an associate of Mr. Anthoni Salim	SIMP and its subsidiaries rent infrastructure from CSNJ, and vice versa	1 January 2017	31 December 2019	0.0
Aggregated transaction amount					**180.2**

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

Parties to the agreement/arrangement			Period covered by the agreement/arrangement		
Name of entity of the group	Name of connected party and relationship between the parties	Nature of agreement/arrangement	From	To	Transaction amount for the year ended 31 December 2018 (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 2017	31 December 2019	17.6
IAP	FFI, an associate of Mr. Anthoni Salim	IAP sells chilli and tomato sauces, seasonings and dairy products to FFI	1 January 2017	31 December 2019	1.8
PT Putri Daya Usahatama (PDU)	LS, an associate of Mr. Anthoni Salim	PDU distributes various consumer products to LS	1 January 2017	31 December 2019	1.3
ISM and its subsidiaries	Indomobil and its subsidiaries, an associate of Mr. Anthoni Salim	Indomobil and its subsidiaries sell and rent vehicles, provide vehicle services and sell spare parts to ISM and its subsidiaries	1 January 2017	31 December 2019	3.6
ISM and its subsidiaries	PT Sumberdaya Dian Mandiri (SDM), an associate of Mr. Anthoni Salim	ISM and its subsidiaries use human resources outsourcing services from SDM	1 January 2017	31 December 2019	9.9
IAP	Indomaret, an associate of Mr. Anthoni Salim	IAP sells finished goods to Indomaret	1 January 2017	31 December 2019	141.6
IAP	Indogrosir, an associate of Mr. Anthoni Salim	IAP sells finished goods to Indogrosir	1 January 2017	31 December 2019	50.2
PDU	Indomaret, an associate of Mr. Anthoni Salim	PDU sells finished goods to Indomaret	1 January 2017	31 December 2019	9.7
IAP	RMK, an associate of Mr. Anthoni Salim	RMK rents warehouses and office space from IAP	1 January 2017	31 December 2019	–
IAP	Indomaret, an associate of Mr. Anthoni Salim	Indomaret rents warehouses and office space from IAP	1 January 2017	31 December 2019	0.2
IAP	LS, an associate of Mr. Anthoni Salim	LS rents warehouses and office space from IAP	1 January 2017	31 December 2019	0.3
IAP	PT Indolife Pensiontama, an associate of Mr. Anthoni Salim	IAP's pension plan assets are managed by PT Indolife Pensiontama	2 January 2017	31 December 2019	0.3
PDU	Indogrosir, an associate of Mr. Anthoni Salim	PDU sells finished goods to Indogrosir	1 January 2017	31 December 2019	3.1
Aggregated transaction amount					**239.6**

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

Parties to the agreement/arrangement: Name of entity of the group	Name of connected party and relationship between the parties	Nature of agreement/arrangement	Period covered by the agreement/arrangement: From	To	Transaction amount for the year ended 31 December 2018 (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 2017	31 December 2019	6.5
ISM and its subsidiaries	PT Central Asia Raya (CAR), an associate of Mr. Anthoni Salim	CAR provides insurance services for personal accident and health to ISM and its subsidiaries	1 January 2017	31 December 2019	4.3
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 2017	31 December 2019	0.4
Aggregated transaction amount					**11.2**

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

Parties to the agreement/arrangement: Name of entity of the group	Name of connected party and relationship between the parties	Nature of agreement/arrangement	Period covered by the agreement/arrangement: From	To	Transaction amount for the year ended 31 December 2018 (US$ millions)
Bogasari	NIC, an associate of Mr. Anthoni Salim	Bogasari sells flour to NIC	1 January 2017	31 December 2019	15.0
Bogasari	FFI, an associate of Mr. Anthoni Salim	Bogasari sells flour and spaghetti to FFI	1 January 2017	31 December 2019	1.1
ISM and its subsidiaries	IKU, an associate of Mr. Anthoni Salim	IKU provides consulting services to ISM and its subsidiaries	1 January 2017	31 December 2019	0.0
ISM and its subsidiaries	Indomobil and its subsidiaries, an associate of Mr. Anthoni Salim	Indomobil and its subsidiaries sell and rent vehicles, provide vehicle services and sell spare parts to ISM and its subsidiaries	1 January 2017	31 December 2019	2.9
ISM and its subsidiaries	SDM, an associate of Mr. Anthoni Salim	ISM and its subsidiaries use human resources outsourcing services from SDM	1 January 2017	31 December 2019	5.5
ISM and its subsidiaries	PT Primajasa Tunas Mandiri (PTM), an associate of Mr. Anthoni Salim	ISM and its subsidiaries use human resources outsourcing services from PTM	1 January 2017	31 December 2019	2.4
Bogasari	Shanghai Resources, an associate of Mr. Anthoni Salim	Bogasari sells pasta products to Shanghai Resources	1 January 2017	31 December 2019	0.0
Bogasari	Indomaret, an associate of Mr. Anthoni Salim	Bogasari sells finished goods to Indomaret	1 January 2017	31 December 2019	4.6

E. Transactions relating to the Flour Business of the Indofood Group (continued)

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 2018 (US$ millions)
Bogasari	Indogrosir, an associate of Mr. Anthoni Salim	Bogasari sells finished goods to Indogrosir	1 January 2017	31 December 2019	8.6
ISM and its subsidiaries	PT Indotirta Suaka (PTIS), an associate of Mr. Anthoni Salim	ISM and its subsidiaries sell by-product to PTIS	6 June 2018	31 December 2019	6.5
ISM and its subsidiaries	PT Eastern Pearl Flour Mills (EPFM), an associate of Mr. Anthoni Salim	EPFM provides manufacturing services to ISM and its subsidiaries	26 June 2018	31 December 2019	0.6
ISM and its subsidiaries	PT IDmarco Perkasa Indonesia (IDP), an associate of Mr. Anthoni Salim	ISM and its subsidiaries sell finished goods to IDP	19 October 2018	31 December 2019	0.0
Aggregated transaction amount					**47.2**

F. Transactions relating to the Beverage 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 2018 (US$ millions)
PT Indofood Anugerah Sukses Barokah (IASB)#	SDM, an associate of Mr. Anthoni Salim	IASB uses human resources outsourcing services from SDM	1 January 2017	31 December 2019	0.8
IASB	Indomaret, an associate of Mr. Anthoni Salim	IASB sells finished goods to Indomaret	1 January 2017	31 December 2019	0.0
IASB	Indogrosir, an associate of Mr. Anthoni Salim	IASB sells finished goods to Indogrosir	1 January 2017	31 December 2019	–
IASB	Indomobil and its subsidiaries, an associate of Mr. Anthoni Salim	Indomobil and its subsidiaries sell/rent vehicles, provide vehicle services and sell spare parts to IASB	1 January 2017	31 December 2019	1.3
IASB	LS, an associate of Mr. Anthoni Salim	IASB sells drinking products to LS	1 January 2017	31 December 2019	–
IASB	FFI, an associate of Mr. Anthoni Salim	IASB sells drinking products to FFI	1 August 2017*	31 July 2022	7.8
ISM and its subsidiaries	PTM, an associate of Mr. Anthoni Salim	ISM and its subsidiaries use human resources outsourcing services from PTM	1 January 2017	31 December 2019	0.1
Aggregated transaction amount					**10.0**

* PT Indofood Asahi Sukses Beverage took over this 5-year (1 August 2012 to 31 July 2017) agreement in September 2013, subsequent to PT Indofood Asahi Sukses Beverage and PT Asahi Indofood Beverage Makmur completing the acquisition of PT Prima Cahaya Indobeverage (formerly known as PT Pepsi-Cola Indobeverage). Therefore, this agreement has become a continuing connected transaction of the Indofood Group since September 2013. The agreement has been renewed for another 5 years (1 August 2017 to 31 July 2022) after the expiration of the agreement on 31 July 2017.

Formerly known as PT Indofood Asahi Sukses Beverage.

G. Transactions relating to the Dairy 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 2018 (US$ millions)
ISM and its subsidiaries	Indomobil and its subsidiaries, an associate of Mr. Anthoni Salim	Indomobil and its subsidiaries sell and rent vehicles, provide vehicle services and sell spare parts to ISM and its subsidiaries	1 January 2017	31 December 2019	0.2
ISM and its subsidiaries	SDM, an associate of Mr. Anthoni Salim	ISM and its subsidiaries use human resources outsourcing services from SDM	1 January 2017	31 December 2019	1.9
PT Indolakto (Indolakto)	Indomaret, an associate of Mr. Anthoni Salim	Indolakto sells finished goods to Indomaret	1 January 2017	31 December 2019	5.0
Indolakto	Indogrosir, an associate of Mr. Anthoni Salim	Indolakto sells finished goods to Indogrosir	1 January 2017	31 December 2019	0.0
Indolakto	LS, an associate of Mr. Anthoni Salim	Indolakto sells finished goods to LS	1 January 2017	31 December 2019	0.6
Indolakto	NIC, an associate of Mr. Anthoni Salim	Indolakto sells finished goods to NIC	1 January 2017	31 December 2019	2.0
Indolakto	FFI, an associate of Mr. Anthoni Salim	Indolakto sells finished goods to FFI	1 January 2017	31 December 2019	0.3
Aggregated transaction amount					**10.0**

H. Transactions relating to the Revolving Loan Facility 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 2018 (US$ millions)
SIMP	IGER Group, an associate of Mr. Anthoni Salim	SIMP provides a revolving loan facility to IGER Group	2 January 2017	31 December 2019	39.2
Aggregated transaction amount					**39.2**

I. Transactions relating to the Customer Relationship Management of the Indofood Group

Parties to the agreement/arrangement			Period covered by the agreement/arrangement		
Name of entity of the group	Name of connected party and relationship between the parties	Nature of agreement/arrangement	From	To	Transaction amount for the year ended 31 December 2018 (US$ millions)
ISM and its subsidiaries	PT Transcosmos Indonesia, an associate of Mr. Anthoni Salim	PT Transcosmos Indonesia provides call center services to ISM and its subsidiaries	1 January 2017	31 December 2019	0.3
ISM and its subsidiaries	PT Data Arts Xperience, an associate of Mr. Anthoni Salim	ISM and its subsidiaries use digital media buying services from PT Data Arts Xperience	1 January 2017	31 December 2019	0.3
ISM and its subsidiaries	PT Popbox Asia, an associate of Mr. Anthoni Salim	ISM and its subsidiaries brand on PT Popbox Asia's lockers	1 January 2017	31 December 2019	0.6
Aggregated transaction amount					**1.2**

J. Transactions relating to the Baby Diapers Business of the Indofood Group

Parties to the agreement/arrangement			Period covered by the agreement/arrangement		
Name of entity of the group	Name of connected party and relationship between the parties	Nature of agreement/arrangement	From	To	Transaction amount for the year ended 31 December 2018 (US$ millions)
PT Indo Oji Sukses Pratama (IOSP)	LS, an associate of Mr. Anthoni Salim	IOSP sells finished goods to LS	–	–	–
IOSP	Indomobil and its subsidiaries, an associate of Mr. Anthoni Salim	Indomobil and its subsidiaries sell and rent vehicles, provide vehicle services and sell spare parts to IOSP	–	–	–
IOSP	Indomaret, an associate of Mr. Anthoni Salim	IOSP sells finished goods to Indomaret	–	–	–
IOSP	Indogrosir, an associate of Mr. Anthoni Salim	IOSP sells finished goods to Indogrosir	–	–	–
IOSP	SDM, an associate of Mr. Anthoni Salim	IOSP uses human resources outsourcing services from SDM	–	–	–
Aggregated transaction amount					**–**

K. 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 2018 (US$ millions)
PT Surya Rengo Containers (SRC)	FFI, an associate of Mr. Anthoni Salim	SRC sells carton box packaging to FFI	1 January 2017	31 December 2019	0.0
ISM and its subsidiaries	Indomobil and its subsidiaries, an associate of Mr. Anthoni Salim	Indomobil and its subsidiaries sell/rent vehicles, provide vehicle services and sell spare parts to ISM and its subsidiaries	1 January 2017	31 December 2019	0.7
ISM and its subsidiaries	SDM, an associate of Mr. Anthoni Salim	ISM and its subsidiaries use human resources outsourcing services from SDM	1 January 2017	31 December 2019	0.2
ISM and its subsidiaries	PTM, an associate of Mr. Anthoni Salim	ISM and its subsidiaries use human resources outsourcing services from PTM	1 January 2017	31 December 2019	0.6
ISM/ICBP	NIC, an associate of Mr. Anthoni Salim	ISM/ICBP sell packaging materials to NIC	1 January 2017	31 December 2019	1.1
ISM/ICBP	Indomaret and its subsidiaries, an associate of Mr. Anthoni Salim	ISM/ICBP sell packaging materials to Indomaret and its subsidiaries	1 January 2017	31 December 2019	0.1
ISM/ICBP	LPI, an associate of Mr. Anthoni Salim	ISM/ICBP sell packaging materials to LPI	6 September 2017	31 December 2019	0.1
Aggregated transaction amount					**2.8**

L. Transactions relating to the Snack 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 2018 (US$ millions)
ICBP – Biscuit Division	FFI, an associate of Mr. Anthoni Salim	ICBP – Biscuit Division sells biscuit crumb to FFI	1 January 2017	31 December 2019	0.0
ISM and its subsidiaries	Indomobil and its subsidiaries, an associate of Mr. Anthoni Salim	Indomobil and its subsidiaries sell/rent vehicles, provide vehicle services and sell spare parts to ISM and its subsidiaries	1 January 2017	31 December 2019	0.9
ISM and its subsidiaries	PTIS, an associate of Mr. Anthoni Salim	ISM and its subsidiaries sell scrap products to PTIS	6 June 2018	31 December 2019	0.0
ICBP – Biscuit Division	Shanghai Resources, an associate of Mr. Anthoni Salim	ICBP – Biscuit Division sells biscuit products to Shanghai Resources	6 June 2018	31 December 2019	0.0
Aggregated transaction amount					**0.9**

M. Transactions relating to the Property 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 2018 (US$ millions)
PT Aston Inti Makmur (AIM)	Indomaret, an associate of Mr. Anthoni Salim	Indomaret rents space from AIM	1 January 2018	31 December 2018	0.0
AIM	PT Central Asia Financial, an associate of Mr. Anthoni Salim	PT Central Asia Financial rents space from AIM	1 February 2017	31 January 2019	0.1
AIM	PT Cyberindo Mega Persada, an associate of Mr. Anthoni Salim	PT Cyberindo Mega Persada rents space from AIM	1 January 2017	31 December 2019	0.1
AIM	IDP, an associate of Mr. Anthoni Salim	IDP rents space from AIM	1 January 2017	31 December 2019	0.1
AIM	PT Ciptabuana Sukses Lestari, an associate of Mr. Anthoni Salim	PT Ciptabuana Sukses Lestari rents space from AIM	6 June 2018	31 December 2018	0.1
AIM	CAR, an associate of Mr. Anthoni Salim	CAR rents space from AIM	6 June 2018	23 August 2019	0.2
AIM	PT Transcosmos Indonesia, an associate of Mr. Anthoni Salim	PT Transcosmos Indonesia rents space from AIM	6 June 2018	31 December 2018	0.0
AIM	Bank INA Persada, an associate of Mr. Anthoni Salim	Bank INA Persada rents space from AIM	1 October 2018	30 September 2021	0.1
Aggregated transaction amount					**0.7**

N. Transactions relating to the New 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 2018 (US$ millions)
IAP	LPI, an associate of Mr. Anthoni Salim	IAP buys sugar from LPI	6 June 2018	31 December 2019	0.5
IAP	IDP, an associate of Mr. Anthoni Salim	IAP pays commision fee to IDP	19 October 2018	31 December 2019	1.2
IAP	PT Indo Natasha Gemilang (ING), an associate of Mr. Anthoni Salim	IAP buys products from ING	6 June 2018	31 December 2019	1.2
Aggregated transaction amount					**2.9**

O. Transactions relating to the Beverage Business – Asahi Transactions

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 2018 (US$ millions)
IASB	Asahi Breweries Ltd. (ABL), a substantial shareholder of the Indofood Group	Secondment agreement to assign certain Japanese employees of ABL who have certain skills and expertise to conduct beverages business	1 January 2017	31 December 2019	0.0
ISM	PT Asahi Indofood Beverage Makmur (AIB)	AIB rents office space from ISM	1 January 2017	31 December 2019	0.0
SRC	AIB and its subsidiaries	SRC sells carton box packaging to AIB and its subsidiaries for product packaging	1 January 2017	31 December 2019	0.4
ICBP	AIB and its subsidiaries	ICBP sells lids to AIB and its subsidiaries for product packaging	1 January 2017	31 December 2019	0.2
IASB and its subsidiaries	AIB and its subsidiaries	AIB and its subsidiaries sell drinking products to IASB and its subsidiaries	1 January 2018	31 December 2019	26.2
IASB and its subsidiaries	PT Calpis Indonesia (PTCI), a substantial shareholder of ABL	PTCI pays supply fee to IASB and its subsidiaries	–	–	–
Aggregated transaction amount					**26.8**

II. Details of those continuing connected transactions entered into between Maynilad and DMCI Holdings, which are required to be specified by Rule 14A.49 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 2018 (US$ millions)
Name of entity of the group	Name of connected party and relationship between the parties	Nature of agreement/arrangement	From	To	
Maynilad Water Services, Inc. (Maynilad)	D.M. Consunji, Inc. (DMCI), a subsidiary of DMCI Holdings	DMCI provides construction services for pipelaying improvement along Dominga Street, P. Burgos Street and P. Zamora Street in Pasay City under South Manila-Pasay-Makati Business Area	15 January 2018	14 April 2019	
Maynilad	DMCI	DMCI provides construction services for flowmetering vault along F. Delos Santos Street, near Bagbag Pump Station & Reservoir, Novaliches, Quezon City	19 January 2018	16 January 2019	
Maynilad	DMCI	DMCI provides construction services for asphalt overlaying project to Maynilad in Imus, Cavite (HA33) under Cavite Business Area	19 January 2018	17 February 2018	
Maynilad	DMCI	DMCI provides construction services for pipelaying improvement along Doña Carmen Subdivision, Brgy. Commonwealth, Quezon City under Fairview-Commonwealth Business Area	20 September 2018	17 May 2019	
Maynilad	DMCI	DMCI provides construction services for pipe realignment of 750mm steel pipes in South Caloocan, under South Caloocan BA	28 December 2018	27 March 2019	
Maynilad	DMCI	DMCI provides pipelaying services along I. Francisco to Daang Kariton Corner Rincon Road and along G. Lazaro to T. Santiago Brige Crossing near Plastic City in Valenzuela City	28 December 2018	23 October 2019	
Maynilad	DMCI	DMCI provides pipe relocation services in Valenzuela City	28 December 2018	27 March 2019	
Aggregated transaction amount					**23.2**

In respect of the financial year ended 31 December 2018, each of the continuing connected transactions has been subject to annual review by the INEDs of the Company pursuant to Rule 14A.55 of the Listing Rules and confirmation of the auditor of the Company pursuant to Rule 14A.56 of the Listing Rules.

The INEDs 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 agreements governing them, or the relevant written memorandum recording their terms; 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 auditor, was 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.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to SEHK.

Risk Management and Internal Control

As an investment holding and management company, the Company does not have an internal audit department, each of the Group's operating companies has its own internal audit and/or risk management functions responsible for the implementation and monitoring of an effective internal control system. Their effectiveness is continuously being evaluated and enhanced by the respective operating companies' audit committees/risk committees, which are reviewed by the Company's Audit and Risk Management Committee on a semi-annual basis.

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

- conducting regular Board meetings to focus on business strategy, operational issues and financial performance;
- active participation on the Boards of subsidiaries, associated companies and joint venture companies;
- participating in the 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 the First Pacific Code;
- monitoring the quality, timeliness, and content of internal and external reporting; and
- monitoring risks and the effectiveness of internal controls.

The Board is responsible for maintaining an adequate system of risk management and internal controls in the Group and reviewing their effectiveness through the Audit and Risk Management Committee. The Company's Risk Assessment Committee, currently comprising of one Executive Director and senior executives, oversees head office's risk management function, in relation to its role as an investment holding and management company. This Committee reports to the Audit and Risk Management Committee twice each year.

In respect of the financial year ended 31 December 2018, the Board confirmed that it has received confirmations from the operating companies' audit committees, risk committees and/or internal auditor/chief risk officer on the effectiveness of the Group's risk management and internal control systems and that there is no significant area of concern to be disclosed.

The key controls and risk management measures undertaken by the operating companies for the year ended 31 December 2018 are summarized below:

Operational Controls

- The Executive Directors and senior executives of the Company actively participate in the various Boards of Directors of the operating companies (which includes attending Board Meetings) and such Boards manage the operating companies' operating and financial activities, approving the operating companies' respective annual budgets, and monitoring of their compliance with applicable laws and regulations and the quality of internal and external reporting.
- Prior to the investments in new businesses, extensive due diligence regarding the operational, financial, regulatory aspects and risk management of the concerned businesses are conducted. Risks to investment returns are calibrated and specific measures to manage these risks are also determined.
- Quality and timely monthly management reports and quarterly Board papers or financial packages, with appropriate analysis of actual operational and financial performance against budgets, forecasts and prior periods, are prepared and reviewed by the operating companies' management and submitted to their directors.
- The management teams of the operating companies continuously evaluate the performances of their businesses and provide periodical operational and financial reforecasts to the Executive Directors and senior executives of the Company for their review.

- The Executive Directors and senior executives of the Company review monthly management reports and conduct regular meetings with the management teams of the operating companies to understand their businesses' actual operational and financial performances against budgets and forecasts, and business risks and strategies.
- To promote good governance, whistleblowing policies and procedures are in place in certain operating companies, which provide stakeholders with clearly defined processes to report concerns to their audit committees about any suspected misconduct, malpractice or irregularity which he/she has become aware of or genuinely suspects that the operating companies may have been involved.

Financial Controls

- The management of each of the operating companies manages and ensures that the optimal capital structure of its company is maintained. Information about the Group's capital management is set out in Note 40(A) to the Consolidated Financial Statements.
- The finance and treasury teams in each of the operating companies undertake the management of the financial risks relating to foreign exchange, interest rates, liquidity and commodities. Information about the Group's management of its financial risks is set out in the "Financial Review – Financial Risk Management" section and Note 40(B) to the Consolidated Financial Statements.

Compliance Controls

- The Company Secretary and legal teams in the operating companies undertake the monitoring of compliance with relevant laws, rules and regulations. In some of the regulated businesses, specific regulatory management groups with experienced personnel are established to mitigate risk arising from potential differences with regulators in the interpretation of relevant laws, rules and regulations.
- The financial reporting teams and audit committees in the operating companies ensure that the financial statements of their companies comply with the relevant financial reporting and accounting standards and regulatory requirements, and are based on suitable accounting policies as well as prudent and reasonable judgments and estimates.
- The treasury teams in the operating companies undertakes the monitoring of compliance with relevant covenants for their borrowings.

Risk Management

- The Head Office's Risk Assessment Committee, currently comprising of one executive director and senior executives of the Company, oversees the Head Office's risk management functions, in relation to its role as an investment holding and management company. The Risk Assessment Committee developed a Risk Matrix with reference to the probability/likelihood and consequence/impact of the major risks identified within the Head Office. The Risk Matrix was reviewed by the Audit and Risk Management Committee (ARMC) and the Board on a semi-annual basis. At the December 2018 ARMC meeting, Members approved the Company's Enterprise Risk Management (ERM) Policy and Procedures (the Policy), which was based on the principles, framework and processes outlined in the International Standards Organization ISO 31000: 2018 Risk Management – Guidelines. This Policy was formulated in the context of the Company's role as an investment management and holding company, and provides a framework to identify, evaluate, respond to and monitor the major risks identified.

- The major risks identified for the Head Office by the Risk Assessment Committee related to the lack of succession planning, currency risk (in particular the Peso and Rupiah exchange rates), operating performance of the underlying businesses (accounting profit/dividends/capital call), disposals of non-core assets by the Company, country/political risk of the Philippines and Indonesia, constraints on capital raising and liquidity risks. In order to mitigate those risks, the Group has set up FP Leadership Academy to help identify and train potential talents and include succession planning as a regular Board agenda item. In order to mitigate currency risk, management will hedge expected dividends, sale proceeds to be received and consideration to be paid. There are strategies, budget and ongoing review at the operating companies' level where FPC management will attend and participate.

- To ensure effective implementation of risk management and internal control systems, risk management processes are conducted according to the operating companies' prescribed risk management policies and procedures, based on carefully defined risk management framework for the effective management of risks at all levels across all operating and functional units in the operating companies.

- Telecommunications – The PLDT group's Enterprise Risk Management Department, under the leadership of its Chief Risk Management Officer, develops and manages a comprehensive integrated risk management program that is implemented across all levels of the organization, with the goal of managing the PLDT group's risks to an acceptable level, so as to enhance opportunities, reduce threats, and thus create even more value for the business and its stakeholders. PLDT's Risk Committee assists the PLDT Board in overseeing Management's adoption and implementation of a system for identifying, assessing, monitoring and managing key risk areas. The Committee reviews Management's reports on the company's major risk exposures as well as Management's plans and actions to minimize, control or manage the impact of such risks. A risk assessment exercise was undertaken by the Top Management Team to identify and prioritize the most important risks affecting the PLDT group. For 2018, the top risks were: (i) competitive situation and economic conditions; (ii) rapid speed of disruptive innovations and new technologies; (iii) regulatory changes/scrutiny; (iv) privacy/identity management challenges and increase in information security issues; (v) regular occurrence of natural disasters; and (vi) people risks. Treatment strategies have been developed, and mitigation initiatives were put in place. Risk management activities are continuously monitored and reviewed to ensure that critical risks are appropriately addressed across the organization.

- Consumer food products – the major risks that Indofood identified include food safety and quality risks, health and safety risk in the working environment, risks arising from the availability of raw material and commodity price fluctuations, environmental risk, publication and reputation risks due to negative news or unsubstantiated rumors, sustainability risk, system and information risk, talent and people risk due to unavailability of replacement, competition risk with existing and new emerging competitors in the same/similar industry and product segment, natural disaster and global warming. In order to mitigate the risks relating to food safety and quality, Indofood implements "Good Manufacturing Practices" to ensure that products are manufactured through hygienic processing and follows requirements set by authorities such as the Halal standards. In order to mitigate the risk relating to the availability of raw materials and fluctuations in respect of prices in the international market, Indofood has increased contribution of local commodity/raw materials producers and monitor the commodity/material price fluctuation/movements. It has also considered alternative suppliers, commodity/materials substitution without reducing the quality of final products marketed to consumers. As part of its committed efforts to the environmental sustainability, Indofood strives to comply with the applicable government regulations and guidelines relating to sustainability and conduct improvement of environmental awareness and facilities to satisfy proper requirements. As for rising competition, Indofood maintains its strong brand awareness and brand loyalty, conducts ongoing innovation to develop new leading products, and conducts competitive marketing advertisements. Indofood establishes people development and professional training programs both internally and externally and continues with succession plan assessment. Indofood ensures adequate insurance coverage in the event of natural disaster and implements system of crisis management.

- Branded consumer foods – Goodman Fielder. The Audit and Risk Management Committee of Goodman Fielder was established to assist the Board in fulfilling its responsibility to oversee the quality and effectiveness of the risk management system and framework. The framework sets out the policy and procedures to be followed to enable the timely identification, assessment, treatment, reporting and monitoring of risks on a business and group basis. Goodman Fielder considered competition and potential regulatory changes in the Dairy industry in the New Zealand market as a key risk. Other key risks include achieving group strategic objectives and delivering on key projects and programs related thereto; ensuring a safe, high quality, low cost, flexible supply chain, manufacturing and distribution network; identifying suitable export products and increasing export sales in key growth markets; managing volatility of commodity prices; and managing liquidity and cash flow within strict financial criteria. Through the management of working capital, sale of surplus assets and equity injections from shareholders, Goodman Fielder generated cashflows for the purpose of supporting the pursuit of its strategic objectives; compliance with loan covenants and funding of capital expenditure.

- Infrastructure – MPIC, through its Risk Management Committee, identifies the key potential risks specific to its businesses as political and regulatory risks which are directly regulated by the state or any agency thereof such as: electricity distribution; water supply and distribution along with sewage treatment; tollroads and light rail. MPIC also identifies risks relating to liquidity, value realization, competition, business development and current portfolio operational execution. In order to mitigate those risks, each operating company has a risk management team which is responsible for managing the risks and dedicated regulatory management groups with experienced personnel to establish partnership with government, monitor global political risks and its possible implications in the local market, strengthen alliances with various government leaders and personnel, and to maintain close coordination with government counterparts in implementing projects, monitor upcoming changes in the political landscape and prepare for any possible adverse consequences to the MPIC. Management will need to monitor status of arbitrations, material legal disputes, regulations and potential changes in the regulatory bodies' leadership teams and to be actively engaged with regulators to ensure the preservation of key provisions of contracts of MPIC's various businesses. With MPIC's increasing debt level compounded by late and staggered implementation of tariff adjustments in MPTC and LRMC and the resolution of tariff in Maynilad, MPIC will review its cash projections regularly and continuously explore possible fairly priced asset sales and closely monitor its projects. MPIC has appointed management teams in new businesses acquired who have expertise in those business segments. It will adhere to strong discipline on bidding while focusing the operating terms on meeting bid assumptions. MPIC has governance and oversight structure in place to closely monitor performance and execution of long-term plans of the operating companies.

- Meralco recognizes the regulatory uncertainty risks relating to inaction or delayed decisions/resolutions on pending and future applications, petitions and cases before the Energy Regulatory Commission (ERC), risks related to unjustified/unequitable modification of performance based regulation (PBR), violation of Meralco Franchise Risk, changes in laws and regulation risk, Smart Grid Recovery, Competitive Selection Process (CSP) Risk, system loss cap risk, and uncertainty in the policies on retail competition and open access. Meralco's management is closely monitoring and actively engaging ERC on applications filed, manifesting with the ERC on Meralco's capex requirements. Meralco will file manifestations showing emergency of the CAPEX filings and the need for immediate ERC approval. It will also actively participate in the deliberations of ERC on proposed rule changes. It has engaged qualified/competent technical consultants to conduct study covering comparable international locations and operating environment.

- GBPC recognizes political risk in the delay and/or non-approval of permits, competition risk due to difficulty in contracting the capacity of the diesel plants, equipment risk, liquidity risk relating to the volatility of commodity prices. Management mitigates the risks through strengthening and maintaining communication lines with provincial and municipal governments, securing Retail Supply Contracts so as not to lose the capacity sales, marketing diesel plants as an ancillary service provider, lowering operating costs to allow its plants to be competitive, coordinating and communicating with contractor to rectify the defects of the plant while still under warranty and to closely monitoring the rectification works.

- Maynilad recognizes the changing laws and regulations and behavior of the MWSS-Regulatory Office and the interpretation of the concession agreement as a major risk as it may result in decreased investment returns or adversely impact the economic value of the company. It continues to review and monitor compliance with the service obligations and service level commitments, Regulatory Office Policies and other directives of MWSS/RO. In respect of its legal and regulatory compliance risk, Maynilad engages the services of a consultant to assess its existing wastewater treatment facilities and recommends solutions on how to comply with the new standards. Maynilad manages its water supply risk by closely monitoring the water allocation from Angat Dam, establishing water optimum withdrawal pattern, construction of Laguna Lake Treatment Plant (Putatan 3) and further reduction of non-revenue water through proactive and prompt leak repairs.

- MPTC manages the risk relating to the delay in commercial operations of new projects/segments due to delay in project completion by ensuring the engagement of qualified contractors, accreditation of contractors/service providers, and close coordination with contractors and other government agencies. Other risks identified are the non-approval of adjusted and periodic toll rates, unfavorable decision in the arbitration case against the government on unrealized and future toll rate adjustments. MPTC mitigates the risks through exploring and timely pursue of appropriate legal remedies and close coordination with government agencies.

- LRT1 identifies risks relating to terror and malicious acts, natural/manmade events, business continuity, train and railway accidents and infrastructure obsolescence. In order to mitigate those risks, LRT1 has several internal controls that prevent, detect and mitigate natural/manmade events, as well as having crisis management procedure and system in place. It has all risk insurance cover, including political violence, terrorism, natural/manmade events and infrastructure. LRT1 has implemented existing security policies, procedures, access controls and work instructions that would mitigate the risk of terrorism. It has regular coordinated drills and emergency response training, rehabilitation projects, regular inspection and maintenance for the trains.

- Electricity generation business – risk management programs are undertaken by PLP to mitigate business and financial risks, including non-compliance of loan covenants, widening spread between PNG and LNG, and increasing SBLC requirements due to increase in oil price; regulatory risks such as changes in vesting prices and LNG terminal tariff that will impact its competitiveness, technical risks of plant and network that may result in its inability to run the generation units at full capacity. PLP's management monitors the movement in the market and regularly revisits the forecast on loan covenant, conducts weekly cash flow updates to monitor the cash flow position, proposes equity injection and explores refinancing to match obligations with expected cash flow. PLP achieved contract level up to the minimum stable load through retail contracts and electricity contracts. It will conduct bi-annual assessment of the SBLC limits, monitor market conditions and forecast requirement and if needed, request banks to increase facility amount.

- Natural resources – Philex has undertaken a risk management program that will mitigate if not eliminate identified physical, social ecological and economic risks inherent in its mining business, thereby ensuring a productive and efficient operation. It employs a comprehensive, integrated risk management program, effected across all levels of the organization, with the goal of identifying, analyzing and managing its risks to an acceptable level, so as to increase productivity, enhance opportunities, reduce threats, and thus sustain competitive advantage. As the local mining industry is heavily regulated, Philex continues to ensure strict compliance with existing regulations and maintain strong working relationships with local and national government agencies directly and indirectly. It continues to engage local and international consultants to resolve technical issues and concerns relating to capital project execution at the Padcal mine and the Silangan project. With regard to strategic, operational and financial issues, Philex will communicate the business potential of the Silangan project to prospective investors, following finalization of the Definitive Feasibility Studies and appointment of equity and project finance advisors, and will continuously review the cash generation potentials of Padcal mine based on the remaining resources and reserves. Lastly, the company will constantly monitor developments and dialogue with industry associations and concerned government agencies.

- Risk assessments are conducted regularly by each operating company's management team and reported to its audit and/or risk management committee and its board of directors. The audit and/or risk management committees of the operating companies meet with internal and external auditors as well as the operating companies' management teams regularly to communicate on the issues regarding the operating companies' risks in order to ensure accuracy of risk assessment reports and proper implementation of the reported risk mitigation strategies and controls.

During the year ended 31 December 2018, the Audit and Risk Management Committee reviewed and advised that:

- The risk management and internal controls systems of the Group function are effective 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.
- There are adequate resources, qualified and experienced staff, training programs and budget for the Group's accounting and financial reporting function.

Remuneration Policy

Details of Directors' remuneration for the year are set out in Note 37(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. Salary adjustments are based on effective management of the Company and on increased responsibility, with consideration of cost of living and the expected pay increase in the market. 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 performance targets, and normally correlate with annual profit movements. Long-term incentives comprise monetary payments, share options and/or share awards that link reward to the achievement of predetermined objectives, such as, retention of key employees for the Group's operations and future development, achievement of recurring profit targets. 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 does not pay any fees to the Company's Executive Directors for attending Board or Board Committee meetings. As for the Company's NEDs (including the INEDs), they are paid at the sum of US$7,000 for each meeting of the Board (which he or she attends in person or by telephone conference call) and each general meeting of Shareholders (which he or she attends in person); and the sum of US$6,000 for each meeting of Board Committees (which he or she attends in person or by telephone conference call).

Pension Contributions

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

Financial Review

Financial Performance and Position

Analysis of Consolidated Income Statement

An analysis of the Group's 2018 reported results compared with 2017's follows.

For the year ended 31 December US$ millions	2018	2017	% change
Turnover	**7,742.4**	7,296.8	+6.1
Gross profit	**2,177.8**	2,152.5	+1.2
Operating expenses	**(1,174.4)**	(1,152.4)	+1.9
Other operating (expenses)/income, net	**(63.9)**	10.7	–
Net finance costs	**(357.7)**	(330.6)	+8.2
Share of profits less losses of associated companies and joint ventures	**319.5**	204.0	+56.6
Taxation	**(292.6)**	(322.9)	-9.4
Non-controlling interests	**(476.9)**	(440.4)	+8.3
Recurring profit	**289.5**	300.0	-3.5
Profit attributable to owners of the parent	**131.8**	120.9	+9.0

Significant changes in the consolidated income statement items are explained as follows:

Turnover – increased by 6.1%, mainly reflecting the growth in Indofood's sales (increased by 4.6% in rupiah terms), MPIC's revenues (increased by 32.8% in peso terms) and PLP's revenues (increased by 26.6% in S$ terms), partly offset by the impact of the depreciation in the average rupiah and peso exchange rates against the U.S. dollar of 6.2% and 4.4%, respectively. The growth in Indofood's sales mainly reflects an increase in sales volumes for all major products, partly offset by a lower average selling price of CPO. The growth in MPIC's revenues mainly reflects the consolidations of PT Nusantara from July 2018 and GBPC from June 2017, higher traffic volumes at MPTC and higher average tariff and billed water volume at Maynilad. The increase in PLP's revenues mainly reflects higher average selling price and volume of electricity sold.

Gross profit – increased by 1.2%, mainly reflecting the increase in gross profits at both Indofood and MPIC, partly offset by the depreciation in the average rupiah and peso exchange rates against the U.S. dollar. The decrease in gross margin (2018: 28.1% vs 2017: 29.5%) mainly reflects a decrease in Indofood's gross margin (2018: 27.5% vs 2017: 28.2% (restated)) as a result of a lower average selling price of CPO.

Operating expenses – increased by 1.9%, mainly reflecting the increase in freight and handling expenses at Indofood and employees expenses at both Indofood and MPIC, partly offset by the depreciation in the average rupiah and peso exchange rates against the U.S. dollar.

Other operating (expenses)/income, net – the net other operating expenses for 2018 mainly reflects the Group's impairment provision for the investment in Philex. The net other operating income for 2017 mainly reflects MPIC's dividend income from Beacon Electric's preferred shares, partly offset by impairment provisions made by Indofood and MPIC.

Net finance costs – increased by 8.2%, mainly reflecting higher average debt level at Indofood and MPIC reflecting their investments and capital expenditure, Indofood's consolidation of AIBM and MPIC's consolidation of PT Nusantara.

Share of profits less losses of associated companies and joint ventures – increased by 56.6%, mainly reflecting the increase in net profit contributions from Meralco and PLDT.

Taxation – decreased by 9.4%, principally reflecting the absence of Indofood's write-off of deferred tax assets and the depreciation in the average rupiah and peso exchange rates against the U.S. dollar, partly offset by a higher taxable profit at MPIC.

Non-controlling interests – increased by 8.3%, mainly attributable to higher profits at MPIC and Indofood's CBP group, partly offset by a lower profit at Indofood's Agribusiness group.

Recurring profit – decreased by 3.5%, mainly reflecting the decrease in recurring profit contributions from Indofood, Philex, FPW and PLDT, partly offset by lower Head Office net interest expense and corporate overhead.

Profit attributable to owners of the parent – increased by 9.0%, mainly reflecting lower non-recurring losses, partly offset by the decrease in recurring profit and foreign exchange and derivative gains.

Analysis of Consolidated Statement of Financial Position

An analysis of the Group's consolidated statement of financial position at 31 December 2018 compared with 31 December 2017's follows.

At 31 December US$ millions	2018	2017	% change
Property, plant and equipment	5,157.4	5,321.1	-3.1
Associated companies and joint ventures	4,877.3	5,203.2	-6.3
Goodwill	1,111.5	1,095.1	+1.5
Other intangible assets	4,182.5	3,659.4	+14.3
Cash and cash equivalents(i)	1,734.0	2,238.3	-22.5
Other assets	3,838.8	2,937.4	+30.7
Total Assets	**20,901.5**	20,454.5	+2.2
Borrowings	8,517.9	7,969.7	+6.9
Other liabilities	3,673.2	3,742.3	-1.8
Total Liabilities	**12,191.1**	11,712.0	+4.1
Net Assets	**8,710.4**	8,742.5	-0.4
Equity attributable to owners of the parent	3,083.6	3,227.1	-4.4
Non-controlling interests	5,626.8	5,515.4	+2.0
Total Equity	**8,710.4**	8,742.5	-0.4

(i) Includes short-term deposits and restricted cash

Significant changes in the consolidated statement of financial position items are explained as follows:

Property, plant and equipment – decreased by 3.1%, mainly reflecting depreciation, a retranslation effect (mainly reflecting the depreciation of the closing exchange rates of the rupiah, peso and S$ against the U.S. dollar of 6.4%, 5.0% and 2.0%, respectively), and the reclassification of RHI's sugar milling and refining assets in Batangas to assets held for sale, partly offset by capital expenditure incurred by Indofood, MPIC and RHI, Indofood's consolidations of AIBM and NICI, MPIC's consolidations of PT Nusantara and DDH, and Indofood's investments in newly planted area and maintenance of immature plantations.

Associated companies and joint ventures – decreased by 6.3%, mainly reflecting a retranslation effect (mainly reflecting the depreciation of the closing exchange rates of the peso and A$ against the U.S. dollar of 5.0% and 9.7%, respectively), payments of dividends by the associated companies and joint ventures, the Group's impairment provision for the investment in Philex, MPIC's consolidations of PT Nusantara and DDH, and Indofood's consolidations of AIBM and NICI, partly offset by the Group's share of net profits from Meralco, PLDT and Goodman Fielder, MPIC's acquisitions of 49% interest in TLW and 45% interest in PNW.

Goodwill – increased by 1.5%, mainly reflecting the goodwill arising from MPIC's consolidation of PT Nusantara and DDH, and Indofood's consolidation of NICI, partly offset by a retranslation effect (mainly reflecting the depreciation of the closing exchange rates of the rupiah, peso and S$ against the U.S. dollar).

Other intangible assets – increased by 14.3%, mainly reflecting MPIC's capital expenditure for its water, toll road and rail concessions and consolidation of PT Nusantara and Indofood's consolidation of AIBM, partly offset by a retranslation effect (mainly reflecting the depreciation of the closing exchange rates of the rupiah and peso against the U.S. dollar) and amortization.

Cash and cash equivalents – decreased by 22.5%, mainly reflecting the Group's payments for new investments, capital expenditure, distributions/dividends to shareholders of the Company and non-controlling shareholders of its subsidiary companies, partly offset by operating cash inflows from Indofood and MPIC, and net new borrowings.

Other assets – comprising biological assets, investment properties, accounts receivable, other receivables and prepayments, financial assets at fair value through other comprehensive income/available-for-sale assets, deferred tax assets, other non-current assets, inventories and assets classified as held for sale, increased by 30.7%, mainly reflecting Indofood's advances for acquisition of property, plant and equipment and investments in financial assets at fair value through other comprehensive income, MPIC's consolidation of PT Nusantara and advances to contractors for construction projects.

Borrowings – increased by 6.9%, mainly reflecting Indofood's consolidations of AIBM and MPIC's consolidation of PT Nusantara and their net new borrowings for financing their investments and capital expenditure.

Other liabilities – comprising accounts payable, other payables and accruals, provision for taxation, deferred liabilities, provisions and payables, liabilities directly associated with the assets classified as held for sale and deferred tax liabilities, decreased by 1.8%, mainly reflecting a retranslation effect (mainly reflecting the depreciation of the closing exchange rates of the rupiah and peso against the U.S. dollar) and MPIC's instalment payments for its acquisition of 50% interest in Beacon Electric from PLDT Communications and Energy Ventures, Inc. ("PCEV"), partly offset by Indofood's consolidation of AIBM and MPIC's consolidation of PT Nusantara.

Equity attributable to owners of the parent – decreased by 4.4%, mainly reflecting an unfavorable movement in the Group's exchange reserve due mainly to the depreciation of the closing exchange rates of the rupiah and peso against the U.S. dollar and the Company's payments for 2017 final distribution (US$30.4 million) and 2018 interim distribution (US$44.2 million), partly offset by the Group's net profit for 2018 (US$131.8 million).

Non-controlling interests – increased by 2.0%, mainly reflecting the share of profits by non-controlling shareholders and MPIC's consolidations of PT Nusantara and DDH, partly offset by dividends paid to non-controlling shareholders by Indofood, MPIC and their subsidiary companies and a retranslation effect (mainly reflecting the depreciation of the closing exchange rates of the rupiah and peso against the U.S. dollar).

Liquidity and Financial Resources

Analysis of Consolidated Statement of Cash Flows

An analysis of the Group's 2018 consolidated statement of cash flows compared with 2017's follows.

For the year ended 31 December US$ millions	2018	2017	% change
Operating Activities			
Net cash flows from operating activities	**734.1**	776.1	-5.4
Investing Activities			
Dividends received	**257.8**	282.5	-8.7
Net capital expenditure	**(1,222.4)**	(1,056.5)	+15.7
Acquisitions, investments and disposals	**(364.0)**	86.2	–
Financing Activities			
Net new borrowings	**657.9**	541.1	+21.6
Dividends/distributions paid	**(349.8)**	(278.7)	+25.5
Other financing cash flows	**7.9**	29.4	-73.1
Net (Decrease)/Increase in Cash and Cash Equivalents	**(278.5)**	380.1	–
Cash and cash equivalents at 1 January(i)	**1,987.3**	1,611.2	+23.3
Exchange translation	**(95.4)**	(4.0)	n/m
Cash and Cash Equivalents at 31 December(i)	**1,613.4**	1,987.3	-18.8

(i) Includes short-term deposits, but excludes time deposits with original maturity of more than three months

n/m: Not meaningful

Significant changes in the consolidated statement of cash flows items are explained as follows:

Net cash flows from operating activities – decreased by 5.4%, mainly reflecting a decrease in operating cash inflow at Indofood and the depreciation in the average rupiah and peso exchange rates against the U.S. dollar, partly offset by an increase in operating cash inflow at MPIC.

Dividends received – decreased by 8.7%, mainly reflecting the absence of the receipt of preferred share dividends from Beacon Electric in 2018 and a decrease in dividend income from PLDT, partly offset by the increase in dividend income from Meralco and Goodman Fielder.

Net capital expenditure – increased by 15.7%, mainly reflecting higher investments in infrastructure projects at MPIC and property, plant and equipment at Indofood.

Acquisitions, investments and disposals – 2018's net cash outflow principally relates to Indofood's investment in financial assets at fair value through other comprehensive income (US$232.5 million), MPIC's instalment payments for its acquisition of 50% interest in Beacon Electric from PCEV (US$84.5 million), Head Office's investment in Goodman Fielder (US$34.5 million), net cash outflow on MPIC's acquisitions of PT Nusantara (US$24.9 million) and DDH (US$10.7 million) and Indofood's acquisitions of NICI (US$19.8 million) and AIBM (US$16.2 million), partly offset by Indofood's receipt of the third instalment for its disposal of the remaining 29.9% interest in China Minzhong Food Corporation Limited ("CMZ") (US$31.4 million). 2017's net cash inflow principally relates to MPIC's proceeds from divestment of a 4.5% interest in Meralco (US$246.2 million), Indofood's receipt of the first two instalments for its disposal of the remaining 29.9% interest in CMZ (US$85.6 million) and MPIC's proceeds from redemption of preferred shares by Beacon Electric (US$69.5 million), partly offset by MPIC's investments in PT Nusantara (US$151.3 million) and ATEC (US$85.4 million) and net cash outflow on its acquisitions of Beacon Electric (US$112.0 million), TMC (US$5.7 million), a logistic business (US$4.0 million) and SEHI (US$2.3 million).

Net new borrowings – increased by 21.6%. 2018's net cash inflow principally relates to net proceeds from borrowings at MPIC (U$S433.5 million) and Indofood (US$238.3 million). 2017's net cash inflow principally relates to net proceeds from borrowings at MPIC (US$529.6 million) and Indofood (US$177.6 million), partly offset by net debt repayment at Head Office (US$167.6 million).

Dividends/distributions paid – increased by 25.5%. The amount represents the payments of 2017 final distribution and 2018 interim distribution by the Company to its shareholders and the payments of dividends by its subsidiary companies to their non-controlling shareholders. The increase principally reflects the increase in dividends paid by Indofood (arising from the payment of its 2018 interim dividend) and its subsidiary companies, and MPIC's subsidiary companies.

Other financing cash flows – decreased by 71.3%. 2018's net cash inflow mainly relates to the capital contributions from non-controlling shareholders (US$38.3 million), partly offset by Maynilad's payment of concession fees payable (US$19.1 million). 2017's net cash inflow mainly relates to the Company's proceeds from issuance of shares upon the exercise of share options (US$38.2 million).

Net Debt and Gearing

(A) Head Office Net Debt

The increase in net debt mainly reflects the additional borrowings to finance the premium and costs for bond tender and debt refinancing. The Head Office's borrowings at 31 December 2018 comprise bonds of US$996.7 million (with an aggregated face value of US$1,000.7 million) which are due for redemption between June 2019 and May 2025 and bank loans of US$643.1 million (with a principal amount of US$650.0 million) which are due for repayment between March 2021 and June 2024.

Changes in Head Office Net Debt

US$ millions	Borrowings	Cash and cash equivalents(i)	Net debt
At 1 January 2018	1,612.5	(90.7)	1,521.8
Movement	27.3	1.1	28.4
At 31 December 2018	**1,639.8**	**(89.6)**	**1,550.2**

(i) Includes restricted cash as at 31 December 2018 of US$0.1 million (1 January 2018: US$0.1 million)

Head Office Free Cash Flow(ii)

For the year ended 31 December US$ millions	2018	2017
Dividend and fee income	**202.9**	185.5
Head Office overhead expense	**(26.2)**	(26.5)
Net cash interest expense	**(71.2)**	(72.4)
Tax paid	**(3.6)**	–
Net Cash Inflow from Operating Activities	**101.9**	86.6
Net investments(iii)	**(32.9)**	(23.5)
Financing activities		
– Distributions paid	**(74.6)**	(74.8)
– Net borrowings/(repayment of loans)	**7.5**	(167.6)
– Others(iv)	**(3.0)**	33.4
Net Decrease in Cash and Cash Equivalents	**(1.1)**	(145.9)
Cash and cash equivalents at 1 January	**90.6**	236.5
Cash and Cash Equivalents at 31 December	**89.5**	90.6

(ii) Excludes restricted cash and pledged deposits as at 31 December 2018 of US$0.1 million (31 December 2017: US$0.1 million and 1 January 2017: US$11.7 million)

(iii) 2018's net investments principally represent the investments in Goodman Fielder and PLP (2017: the subscription of convertible notes issued by RHI).

(iv) Mainly payments to the trustee for share purchase scheme in 2018 (2017: mainly proceeds from issuance of shares upon the exercise of share options)

(B) Group Net Debt and Gearing

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

Consolidated

US$ millions	**Net debt[i] 2018**	**Total equity 2018**	**Gearing (times) 2018**	Net debt[i] 2017	Total equity 2017	Gearing (times) 2017
Head Office	**1,550.2**	**2,039.7**	**0.76x**	1,521.8	1,837.7	0.83x
Indofood	**1,444.7**	**3,456.1**	**0.42x**	784.6	3,485.2	0.23x
MPIC	**3,083.9**	**4,529.9**	**0.68x**	2,717.4	4,302.5	0.63x
FPM Power	**498.7**	**321.6**	**1.55x**	509.1	398.1	1.28x
FP Natural Resources	**206.4**	**188.1**	**1.10x**	198.5	197.2	1.01x
Group adjustments[ii]	**–**	**(1,825.0)**	**–**	–	(1,478.2)	–
Total	**6,783.9**	**8,710.4**	**0.78x**	5,731.4	8,742.5	0.66x

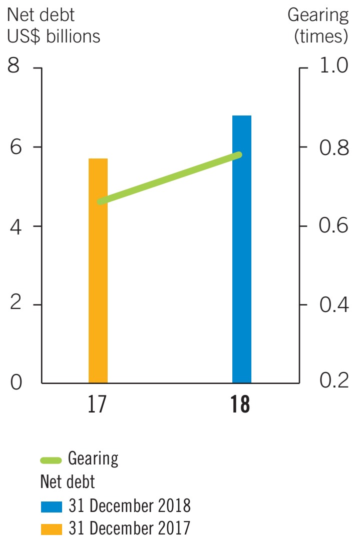
Associated Companies and Joint Venture

US$ millions	**Net debt[i] 2018**	**Total equity 2018**	**Gearing (times) 2018**	Net debt[i] 2017	Total equity 2017	Gearing (times) 2017
PLDT	**2,370.1**	**2,218.8**	**1.07x**	2,798.0	2,223.1	1.26x
FPW	**379.0**	**1,012.2**	**0.37x**	457.9	1,005.0	0.46x
Philex	**163.9**	**450.7**	**0.36x**	176.5	495.3	0.36x

(i) Includes short-term 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.

Net Debt and Gearing



Head Office's gearing decreased because of an increase in its equity reflecting its profit recorded during the year, partly offset by an increase in its net debt reflecting additional borrowings to finance the premium and costs for bond tender and debt refinancing.

Indofood's gearing increased because of an increase in its net debt as a result of payments for capital expenditure and its consolidation of AIBM, partly offset by its operating cash inflow and a depreciation of the rupiah against U.S. dollar during the year, coupled with a decrease in its equity reflecting its dividends declared and a depreciation of the rupiah against U.S. dollar, partly offset by its profit recorded during the year.

MPIC's gearing increased because of an increase in its net debt as a result of its payments for the acquisition of additional interests of PT Nusantara and consolidation of PT Nusantara, payments for capital expenditure by Maynilad and MPTC, and instalment payments for its acquisition of 50% interest in Beacon Electric from PCEV, partly offset by operating cash inflow and a deprecation of the peso against U.S. dollar during the year, partly offset by an increase in its equity as a result of its profit recorded during the year, partly offset by a deprecation of the peso against U.S. dollar.

FPM Power's gearing increased because of a decrease in its equity reflecting PLP's loss recorded during the year and a deprecation of the S$ against U.S. dollar during the year.

FP Natural Resources' gearing increased because of a decrease in its equity as a result of the depreciation of the peso against U.S. dollar during the year, coupled with an increase in its net debt as a result of RHI's payments for capital expenditure.

The Group's gearing increased to 0.78 times because of a higher net debt level mainly as a result of MPIC's consolidation of PT Nusantara and Indofood's consolidation of AIBM and their payments for capital expenditure.

PLDT's gearing decreased because of a decrease in its net debt mainly reflecting the proceeds from sale of Rocket Internet shares and discounted receivables from MPIC for its disposal of 50% interest in Beacon Electric. FPW's gearing decreased mainly because of a decrease in its net debt reflecting its operating cash inflow and capital injections from shareholders, partly offset by its payments for capital expenditure. Philex's gearing remained stable mainly because of a decrease in its net debt reflecting its operating cash inflow, partly offset by its payments for capital expenditure, coupled with a decrease in its equity as a result of a deprecation of the peso against U.S. dollar during the year.

Maturity Profile

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

Consolidated

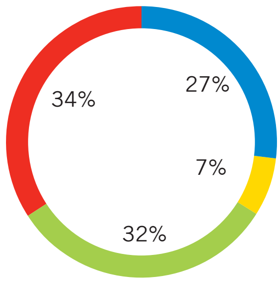
	Carrying amounts		Nominal values	
US$ millions	**2018**	2017	**2018**	2017
Within one year	**2,281.1**	1,460.4	**2,279.2**	1,448.2
One to two years	**641.0**	1,086.5	**638.4**	1,076.9
Two to five years	**2,694.5**	2,845.2	**2,696.6**	2,849.5
Over five years	**2,901.3**	2,577.6	**2,913.3**	2,586.2
Total	**8,517.9**	7,969.7	**8,527.5**	7,960.8

The change in the Group's debt maturity profile from 31 December 2017 to 31 December 2018 mainly reflects a shift in long-term borrowings among the different maturity periods for Head Office, Indofood and MPIC, Head Office's repurchase of bonds, Indofood's consolidation of AIBM, MPIC's consolidation of PT Nusantara and the Group's net new borrowings.

Associated Companies and Joint Venture

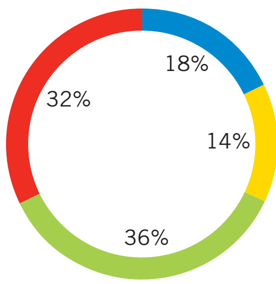
	PLDT				FPW				Philex			
	Carrying amounts		Nominal values		Carrying amounts		Nominal values		Carrying amounts		Nominal values	
US$ millions	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
Within one year	**388.8**	299.5	**390.9**	302.5	**42.4**	345.2	**42.4**	345.5	**41.0**	49.0	**41.0**	49.0
One to two years	**378.7**	400.7	**380.4**	402.7	**142.8**	0.3	**143.0**	0.3	**–**	–	**–**	–
Two to five years	**1,212.2**	1,142.2	**1,215.0**	1,146.0	**385.6**	222.6	**388.5**	224.5	**139.5**	139.2	**154.2**	157.7
Over five years	**1,372.8**	1,614.6	**1,374.2**	1,616.4	**1.7**	–	**1.7**	–	**–**	–	**–**	–
Total	**3,352.5**	3,457.0	**3,360.5**	3,467.6	**572.5**	568.1	**575.6**	570.3	**180.5**	188.2	**195.2**	206.7

Maturity Profile of Consolidated Debt 2018



	US$ millions
Within one year	2,281.1
One to two years	641.0
Two to five years	2,694.5
Over five years	2,901.3
Total	**8,517.9**

Maturity Profile of Consolidated Debt 2017



	US$ millions
Within one year	1,460.4
One to two years	1,086.5
Two to five years	2,845.2
Over five years	2,577.6
Total	**7,969.7**

The change in PLDT's debt maturity profile from 31 December 2017 to 31 December 2018 mainly reflects new borrowings arranged to finance capital expenditure and/or refinance its loan obligations which were utilized for service improvements and expansion programs and loan repayments. The increase in FPW's debt mainly reflects its new long-term borrowings to finance its capital expenditure and refinance its short-term borrowings. The decrease in Philex's debt mainly reflects loan repayments.

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 and joint ventures.

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. 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 mainly relate to investments denominated in the rupiah and the peso. Accordingly, any change in these currencies, against their respective 31 December 2018 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 rupiah and peso exchange rates against the U.S. dollar.

Company	Basis	Effect on adjusted NAV[(i)] US$ millions	Effect on adjusted NAV per share HK cents
Indofood	(i)	22.6	4.06
PLDT	(i)	11.8	2.12
MPIC	(i)	11.7	2.10
Philex	(i)	1.3	0.24
PXP	(i)	1.6	0.29
FP Natural Resources	(ii)	0.4	0.07
Head Office – Other assets	(iii)	1.0	0.17
Total		**50.4**	**9.05**

(i) Based on quoted share prices at 31 December 2018 applied to the Group's economic interests
(ii) Based on quoted share price of RHI at 31 December 2018 applied to the Group's effective economic interest
(iii) Based on the carrying amount of SMECI's notes

(B) Group Risk

The results of the Group's operating entities are denominated in local currencies, principally the rupiah, the peso, A$ and S$, 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' and joint venture's net debt by currency follows.

Consolidated

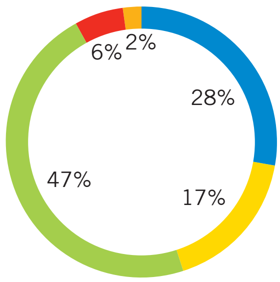
US$ millions	US$	Rupiah	Peso	S$	Others	Total
Total borrowings	2,409.2	1,456.4	4,006.2	514.7	131.4	**8,517.9**
Cash and cash equivalents[i]	(359.2)	(395.1)	(958.8)	(17.8)	(3.1)	**(1,734.0)**
Net Debt	2,050.0	1,061.3	3,047.4	496.9	128.3	**6,783.9**
Representing:						
Head Office	1,561.0	–	(9.5)	–	(1.3)	**1,550.2**
Indofood	395.6	1,031.0	–	(3.0)	21.1	**1,444.7**
MPIC	95.9	30.3	2,849.2	–	108.5	**3,083.9**
FPM Power	(1.2)	–	–	499.9	–	**498.7**
FP Natural Resources	(1.3)	–	207.7	–	–	**206.4**
Net Debt	2,050.0	1,061.3	3,047.4	496.9	128.3	**6,783.9**

Associated Companies and Joint Venture

US$ millions	US$	Peso	A$	NZ$	Others	Total
Net Debt						
PLDT	(269.7)	2,642.8	–	–	(3.0)	**2,370.1**
FPW	135.2	(1.1)	185.1	110.1	(50.3)	**379.0**
Philex	26.9	137.0	–	–	–	**163.9**

(i) Includes short-term deposits and restricted cash

Analysis of Total Borrowings by Currency



	US$ millions
US$	2,409.2
Rupiah	1,456.4
Peso	4,006.2
S$	514.7
Others	131.4
Total	**8,517.9**

Details of changes in Head Office net debt are set out on page 108.

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 fully satisfied in local currency due to inherent constraints within the financial markets in the Philippines. As a result, certain financing needs to be sourced from the international capital market, principally in U.S. dollars. In addition, certain revenues of PLDT are either denominated in, or linked to, the U.S. dollar. 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 to peso exchange rate.

Maynilad carries certain U.S. dollar debts which were arranged for financing its capital expenditure. Under its concession agreement with 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.

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 and joint venture. 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% change in currency	**Group net profit effect**
Head Office[(i)]	1,561.0	–	1,561.0	–	**–**
Indofood	395.6	–	395.6	4.0	**1.5**
MPIC	95.9	–	95.9	1.0	**0.3**
FPM Power	(1.2)	–	(1.2)	–	**–**
FP Natural Resources	(1.3)	–	(1.3)	–	**–**
PLDT	(269.7)	(45.4)	(315.1)	(3.2)	**(0.6)**
FPW	135.2	(177.9)	(42.7)	(0.4)	**(0.1)**
Philex	26.9	–	26.9	0.3	**0.1**
Total	**1,942.4**	**(223.3)**	**1,719.1**	**1.7**	**1.2**

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

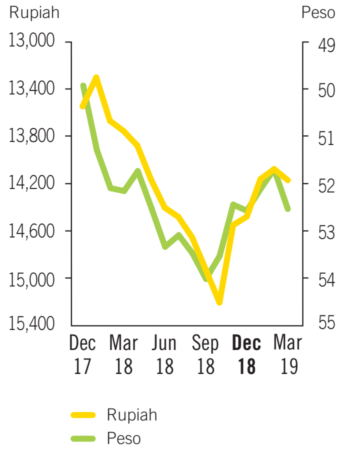
Equity Market Risk

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.

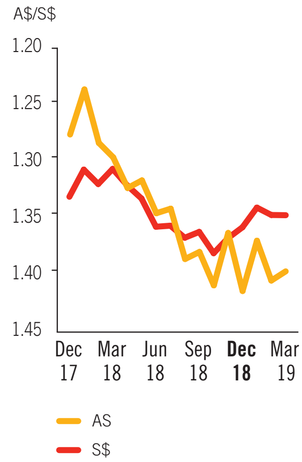
First Pacific's listed investments are located in Indonesia, the Philippines and Singapore. Accordingly, in addition to operating factors within the Company's control, the Company also has an equity market risk in respect of general investor sentiment towards these countries. Changes in the stock market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

	Jakarta Composite Index	**Philippine Composite Index**	**Singapore Straits Times Index**
At 31 December 2017	6,356	8,558	3,403
At 31 December 2018	**6,195**	**7,466**	**3,069**
Decrease during 2018	-2.5%	-12.8%	-9.8%
At 26 March 2019	6,470	7,907	3,200
Increase during 1 January 2019 to 26 March 2019	+4.4%	+5.9%	+4.3%

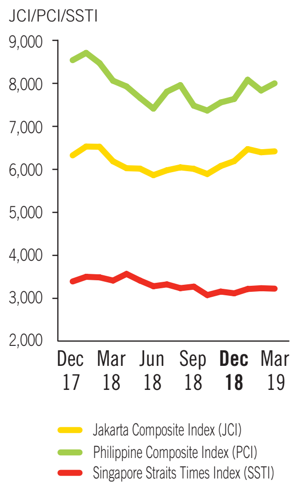
Rupiah and Peso Closing Rates against the U.S. Dollars



Australian Dollars and Singapore Dollars Closing Rates against the U.S. Dollars



Stock Market Indices



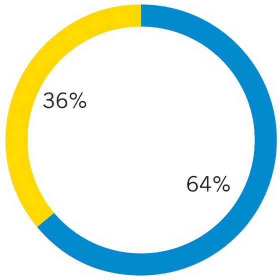
Interest Rate Risk

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 and joint venture follows.

Consolidated

US$ millions	Fixed interest rate borrowings[i]	Variable interest rate borrowings[i]	Cash and cash equivalents[ii]	Net debt
Head Office	996.7	643.1	(89.6)	**1,550.2**
Indofood	275.6	1,777.4	(608.3)	**1,444.7**
MPIC	3,857.7	233.1	(1,006.9)	**3,083.9**
FPM Power	254.8	259.9	(16.0)	**498.7**
FP Natural Resources	65.3	154.3	(13.2)	**206.4**
Total	**5,450.1**	**3,067.8**	**(1,734.0)**	**6,783.9**

Interest Rate Profile



	US$ millions
Fixed	5,450.1
Variable	3,067.8
Total	**8,517.9**

Associated Companies and Joint Venture

US$ millions	Fixed interest rate borrowings[i]	Variable interest rate borrowings[i]	Cash and cash equivalents[ii]	Net debt
PLDT	2,633.3	719.2	(982.4)	**2,370.1**
FPW	289.6	282.9	(193.5)	**379.0**
Philex	139.5	41.0	(16.6)	**163.9**

(i) Reflects certain interest rate swap agreements which effectively changed variable interest rate borrowings to fixed interest rate borrowings at FPM Power, PLDT and FPW

(ii) Includes short-term deposits and restricted cash

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	Total variable interest rate borrowings	Profit effect of 1% change in interest rates	Group net profit effect
Head Office	643.1	6.4	**6.4**
Indofood	1,777.4	17.8	**6.7**
MPIC	233.1	2.3	**0.7**
FPM Power	259.9	2.6	**0.9**
FP Natural Resources	154.3	1.6	**0.5**
PLDT	719.2	7.2	**1.3**
FPW	282.9	2.8	**1.0**
Philex	41.0	0.4	**0.1**
Total	**4,110.9**	**41.1**	**17.6**

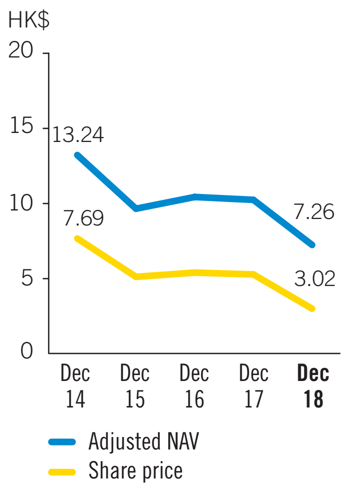
Adjusted NAV Per Share

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

At 31 December US$ millions	Basis	2018	2017
Indofood	(i)	**2,261.7**	2,474.2
PLDT	(i)	**1,182.0**	1,637.5
MPIC	(i)	**1,166.9**	1,814.1
Philex	(i)	**134.1**	276.9
PXP	(i)	**160.6**	88.6
FPW	(ii)	**325.0**	554.0
FPM Power	(iii)	**230.0**	230.0
FP Natural Resources	(iv)	**36.5**	58.5
Head Office – Other assets	(v)	**95.9**	100.9
– Net debt		**(1,550.2)**	(1,521.8)
Total Valuation		**4,042.5**	5,712.9
Number of Ordinary Shares in Issue (millions)		**4,342.0**	4,342.0
Value per share – U.S. dollars		**0.93**	1.32
– HK dollars		**7.26**	10.26
Company's closing share price (HK$)		**3.02**	5.30
Share price discount to HK$ value per share (%)		**58.4**	48.3

(i) Based on quoted share prices applied to the Group's economic interests
(ii) Based on the total consideration (including US$25 million contingent instalment payment and another US$25 million earn-out payment) as per the Share Purchase Agreement dated 11 March 2019 (2017: investment costs)
(iii) Represents carrying amounts
(iv) Based on quoted share prices of RHI applied to the Group's effective economic interest
(v) Represents the carrying amount of SMECI's notes

Share Price vs Adjusted NAV Per Share



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

Contents

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 2018.

Principal Business Activities, Geographical Market Analysis of Operations and Business Review

First Pacific Company Limited is a Hong Kong-based investment management and holding company with operations located in Asia-Pacific. Its principal business interests relate to consumer food products, telecommunications, infrastructure 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 operating 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 pages 259 and 260.

Further discussion and analysis of these activities as required by Schedule 5 to the Hong Kong Companies Ordinance, including a description of the principal risks and uncertainties facing the Group, an indication of likely future development in the Group's business and the Group's environmental policies and performance, can be found in the "Review of Operations", "Chairman's Letter", "Managing Director and Chief Executive Officer's Letter", "Corporate Social Responsibility Report" and "Corporate Governance Report" sections set out on pages 6 to 41 and pages 49 to 103 of this annual report. Those discussions form part of this Report of the Directors.

Incorporation

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

Share Capital, Shares Held for Share Award Scheme and Share Options

Details of movements in the Company's share capital, shares held for share award scheme and share options issued by the Group during the year, together with their reasons, are set out in Notes 29, 30 and 37(D)(a) 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 page 130 and page 254, respectively.

Purchase, Sale or Redemption of Listed Securities of the Company

During the year ended 31 December 2018, the Company has not repurchased any of its ordinary shares (2017: Nil) on SEHK.

In May 2018, the Company made tender offers inviting holders of the US$400 million 6.0% Guaranteed Bonds due June 2019 issued by FPC Finance Limited (2019 Bonds), the US$400 million 6.375% Guaranteed Secured Bonds due September 2020 issued by FPT Finance Limited (2020 Bonds) and US$400 million 4.5% Guaranteed Bonds due April 2023 issued by FPC Treasury Limited (2023 Bonds) to tender their Bonds for purchase by the Company for cash (Tender Offers). The purchase price for the three Bonds under the Tender Offer was 103.5% of the principal amount of the 2019 Bonds, 106.5% of the principal amount of the 2020 Bonds and 100.0% of the principal amount of the 2023 Bonds respectively. On expiration deadline of the Tender Offers, the Company received valid tenders for an aggregate principal amount of US$159.5 million in respect of the 2019 Bonds, US$60.3 million in respect of the 2020 Bonds and US$120.1 million in respect of the 2023 Bonds. The Company has decided to accept the 2019 Bonds and 2020 Bonds for purchase, with settlement completed on 31 May 2018 and the purchased Bonds were subsequently cancelled. The Company did not accept for purchase any of the 2023 Bonds.

The Company has not repurchased any of the US$400 million 4.5% Guaranteed Bonds due April 2023 issued by FPC Treasury Limited (2017: US$8.1 million at an aggregate consideration of US$8.4 million).

On 30 May 2018, FPC Capital Limited, a wholly–owned subsidiary of the Company, issued US$175.0 million 5.75% Guaranteed Bonds due 2025 at an issue price of 100.0%. The Bonds were unconditionally and irrevocably guaranteed by the Company. The Bonds were subsequently listed on the SEHK on 31 May 2018.

During the year ended 31 December 2018, the independent trustee managing the Company's share award scheme purchased 6,062,000 shares (2017: 7,452,000 shares) of the Company at an aggregate consideration of approximately US$3.0 million (2017: approximately US$5.8 million) at the cost of the Company. There was no subscription of new shares during the year (2017: 134,342 new shares) by the independent trustee under the Company's share award scheme.

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 2018 and the Group's consolidated financial position at that date are set out in the Consolidated Financial Statements on pages 127 to 254.

An interim distribution of HK8.00 cents (U.S. 1.03 cents) (2017: HK8.00 cents or U.S. 1.03 cents) per ordinary share, totaling US$44.2 million (2017: US$44.3 million), was paid on 27 September 2018. The Directors recommended the payment of a final distribution of HK5.50 cents (U.S. 0.71 cents) (2017: HK 5.50 cents or U.S. 0.71 cents) per ordinary share, totaling US$30.6 million (2017: US$30.4 million). The total distribution per ordinary share for 2018 equals to HK13.50 cents (U.S. 1.74 cents) (2017: HK 13.50 cents or U.S. 1.74 cents), totaling US$74.8 million (2017: US$74.7 million).

Charitable Contributions

In 2018, the Group made charitable contributions totaling US$21.0 million (2017: US$16.8 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 26 to the Consolidated Financial Statements.

Distributable Reserves

At 31 December 2018, 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$1,892.8 million (2017: US$1,840.2 million), representing the Company's contributed surplus and retained earnings accounts (2017: contributed surplus account). In addition, the Company's share premium account of US$62.0 million (2017: US$62.0 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 and biographical details of the Directors of the Company who held office during the year and up to 26 March 2019 are set out on pages 42 to 45. Details of the remuneration policy and other details are provided in the Corporate Governance Report on page 103 and Note 37(A) to the Consolidated Financial Statements, respectively.

Interests of Directors in the Company and its Associated Corporations

As at 31 December 2018, the interests and short positions of the Directors and chief executive of the Company in the shares of the Company, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (SFO)) which (a) were recorded in the register required to be kept under section 352 of Part XV of the SFO; or (b) were notified to the Company and SEHK pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as adopted by the Company (Model Code) 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	1,925,474,957[(C)(i)]	44.35	–
Manuel V. Pangilinan	70,493,078[(P)(ii)]	1.62	10,224,972
Christopher H. Young	3,554,340[(P)(iii)]	0.08	–
Benny S. Santoso	446,535[(P)(iv)]	0.01	3,868,235
Ambassador Albert F. del Rosario	1,722,231[(P)(v)]	0.04	–
Prof. Edward K.Y. Chen, *GBS, CBE, JP*	1,989,559[(P)(vi)]	0.05	1,097,139
Margaret Leung Ko May Yee, *SBS, JP*	1,131,652[(P)(vii)]	0.03	1,812,887
Philip Fan Yan Hok	1,131,652[(P)(viii)]	0.03	1,812,887
Madeleine Lee Suh Shin	893,070[(P)(ix)]	0.02	–

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

(i) Anthoni Salim indirectly owns 100% of First Pacific Investments (B.V.I.) Limited, his indirect interests in First Pacific Investments (B.V.I.) Limited are held through Salerni International Limited (a company of which Anthoni Salim directly holds 100% of the issued share capital). First Pacific Investments (B.V.I.) Limited and Salerni International Limited are interested in 633,186,599 shares and 502,058,994 shares respectively in the Company. Anthoni Salim also owns 83.84% of First Pacific Investments Limited which, in turn, is interested in 790,229,364 shares in the Company. Of this, 4.04% is held by Anthoni Salim directly, 20.19% by Salerni International Limited and 59.61% by Asian Capital Finance Limited (a company of which Anthoni Salim owns 100% share interests). The remaining 16.16% interest in First Pacific Investments Limited is owned as to 12.12% by the late Sutanto Djuhar (a former Non-executive Director of the Company) and 4.04% by Tedy Djuhar (a Non-executive Director of the Company).

(ii) It included Mr. Pangilinan's interests in 1,488,460 awarded shares granted pursuant to the Company's Share Award Scheme as adopted by the Board on 19 March 2013 (the Share Award Scheme) which remain unvested, and interests in 29,033,817 shares transferred to certain family trusts.

(iii) It included Mr. Young's interests in 1,184,780 awarded shares granted pursuant to the Company's Share Award Scheme which remain unvested.

(iv) It included Mr. Santoso's interests in 148,845 awarded shares granted pursuant to the Company's Share Award Scheme which remain unvested.

(v) It included Ambassador del Rosario's interests in 297,690 awarded shares granted pursuant to the Company's Share Award Scheme which remain unvested.

(vi) It included Prof. Chen's interests in 297,690 awarded shares granted pursuant to the Company's Share Award Scheme which remain unvested.

(vii) It included Mrs. Leung's interests in 297,690 awarded shares granted pursuant to the Company's Share Award Scheme which remain unvested.

(viii) It included Mr. Fan's interests in 297,690 awarded shares granted pursuant to the Company's Share Award Scheme which remain unvested.

(ix) It included Ms. Lee's interests in 357,228 awarded shares granted pursuant to the Company's Share Award Scheme which remain unvested.

(B) Long positions in Shares in associated corporations

- Manuel V. Pangilinan owned (a) 30,842,404 common shares[(P)] (0.10%)* in MPIC; (b) 243,539 common shares[(P)] (0.11%)* in PLDT as beneficial owner and a further 15,417 common shares (less than 0.01%)* in PLDT as nominee; (c) 4,655,000 common shares[(P)] (0.09%)* in Philex; (d) 1,603,465 common shares[(P)] (0.08%)* in PXP; (e) 40,000 common shares[(P)] (less than 0.01%)* in Meralco; as well as (f) 61,547 common shares[(P)] (less than 0.01%)* and 500,000 share options in RHI.

- Christopher H. Young owned (a) 54,313 common shares[(P)] (0.02%)* in PLDT and (b) 61,547 common shares[(P)] (less than 0.01%)* in RHI.

- Tedy Djuhar owned 15,520,335 ordinary shares[(C)] (0.18%)* in Indofood.

- Anthoni Salim owned (a) 1,329,770 ordinary shares[(P)] (0.02%)* in Indofood and an indirect interest of 4,396,103,450 Indofood shares[(C)] (50.07%)* through the Company's group companies; (b) an indirect interest of 2,007,788 shares[(C)] (0.14%)* in IndoAgri through his controlled corporations other than the Company and an indirect interest of 1,037,760,830 IndoAgri shares[(C)] (74.34%)* through the Company's group companies; (c) an indirect interest of 20,483,364 shares[(C)] (0.13%)* in SIMP through his controlled corporations other than the Company and an indirect interest of 12,471,746,400 SIMP shares[(C)] (80.46%)* through the Company's group companies; and (d) an indirect interest of 245,681,396 shares[(C)] (37.48%)* in China Minzhong Food Corporation Limited (CMZ) in the form of security under a share charge over CMZ shares in favor of his controlled corporations other than the Company and an indirect interest of 196,249,971 CMZ shares[(C)] (29.94%)* through the Company's group companies in the form of security under a share charge over CMZ shares in favour of Indofood.

- Ambassador Albert F. del Rosario owned (a) 2,050,000 common shares(P) in personal capacity and 12,774,224 common shares(P) under joint names (collectively 0.05%)* in MPIC; (b) 1 common share(P) in personal capacity and 142,409 common shares(P) under joint names (collectively 0.07%)* in PLDT; (c) 100 common shares(P) in personal capacity and 675,000 common shares(P) under joint names (collectively 0.01%)* in Philex; (d) 28 common shares(P) in personal capacity and 187,650 common shares(P) under joint names (collectively 0.01%)* in PXP; (e) 25,700 common shares(P) in personal capacity and 474,640 common shares(P) under joint names (collectively 0.04%)* in Meralco; as well as (f) US$200,000 of bonds due 2025 issued by FPC Capital Limited, which is a wholly owned subsidiary of the Company.

(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 2018.

Save for those disclosed above, as at 31 December 2018, none of the Directors and chief executive of the Company had any interests or short positions in respect of shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of Part XV of the SFO, or as otherwise notified to the Company pursuant to the Model Code.

Interests of Substantial Shareholders in the Company

The interests and short positions of substantial shareholders in the shares and underlying shares of the Company as at 31 December 2018 as recorded in the register required to be kept under Section 336 of Part XV of the SFO are set out below:

(a) Salerni International Limited (Salerni), which was incorporated in the British Virgin Islands, was interested in 1,135,245,593 ordinary shares of the Company at 31 December 2018, representing approximately 26.15% of the Company's issued share capital at that date, by way of 502,058,994 ordinary shares of the Company held, representing approximately 11.56% of the Company's issued share capital at that date and also its 100% interest in First Pacific Investments (B.V.I.) Limited (FPIL-BVI). 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) Asian Capital Finance Limited (ACFL), which was incorporated in the British Virgin Islands, was interested in 790,229,364 ordinary shares of the Company at 31 December 2018, representing approximately 18.20% of the Company's issued share capital at that date, by way of its 59.61% interest in First Pacific Investments Limited (FPIL-Liberia). Anthoni Salim, Chairman of the Company, beneficially owns the entire issued share capital of ACFL and, accordingly, is taken to be interested in the shares owned by ACFL.

(c) FPIL-Liberia, which was incorporated in the Republic of Liberia, beneficially owned 790,229,364 ordinary shares at 31 December 2018, representing approximately 18.20% of the Company's issued share capital at that date. FPIL-Liberia is owned by Salerni, ACFL, Anthoni Salim (Chairman of the Company), Tedy Djuhar (a Non-executive Director of the Company) and the late Sutanto Djuhar (a former Non-executive Director of the Company), in the proportion specified in note (i) of the table on page 119. Anthoni Salim, Chairman of the Company, is taken to be interested in the shares owned by FPIL-Liberia.

(d) FPIL-BVI, which was incorporated in the British Virgin Islands, beneficially owned 633,186,599 ordinary shares at 31 December 2018, representing approximately 14.58% of the Company's issued share capital at that date. Anthoni Salim, Chairman of the Company, indirectly owns the entire issued share capital of FPIL-BVI and, accordingly, is taken to be interested in the shares owned by FPIL-BVI.

(e) Brandes Investment Partners L.P. (Brandes), a United States incorporated company, notified the Company that it held 343,156,395 ordinary shares of the Company as at 17 December 2018, representing approximately 7.90% of the Company's issued share capital at that date. At 31 December 2018, the Company has not received any other notification from Brandes of any change to such holding.

Other than as disclosed above, the Company had not been notified of any person (other than Directors or chief executive of the Company) at 31 December 2018 who had an interest or short position in the shares or underlying shares of the Company to be recorded in the register required to be kept under Section 336 of Part XV of the SFO.

Transactions, Arrangements or Contracts of Significance

Except for the related party transactions set out in Note 38 to the Consolidated Financial Statements, there were no transactions, arrangements or 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 nor a connected entity of a Director 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, "Shares Held for Share Award Scheme" and "Share Options" in Notes 30 and 37(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 2018, 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 32% (2017: 34%) of the total purchases for the year of which purchases from the largest supplier included therein accounted for 17% (2017: 22%) 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 84 to 97.

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 number of issued shares were held by the public at both 31 December 2018 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, set out in the Corporate Governance Report on page 75, 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.

Auditor

Ernst & Young retire and a resolution for their reappointment as auditor 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
26 March 2019

Independent Auditor's Report

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

Opinion

We have audited the consolidated financial statements of First Pacific Company Limited (the "Company") and its subsidiaries (the "Group") set out on pages 127 to 254, which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Independent Auditor's Report (continued)

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of goodwill, intangible assets with indefinite useful lives and concession assets not yet available for use (collectively, the "Intangible Assets")	
The Intangible Assets and their carrying amounts were allocated to the Group's respective cash-generating units ("CGUs") for impairment testing. Impairment was determined by assessing the recoverable amount of the CGU to which each of the Intangible Assets relates and whether the recoverable amount of the CGU was less than the carrying amount. For the year under review, the recoverable amounts of the respective CGUs have been determined based on value-in-use calculations using cash flow projections specific to each CGU and applying discount rates which reflected specific risks relating to the relevant CGUs. The impairment testing of the Intangible Assets required management to make significant assumptions and estimates that would affect the reported amounts of the Intangible Assets and related disclosures in the consolidated financial statements. Related disclosures are included in Notes 3, 14 and 15 to the consolidated financial statements.	We evaluated management's assessment of impairment of the Intangible Assets. Our audit procedures included evaluating the methodologies, assumptions and estimates used by the Group. In particular, for each relevant CGU, we assessed the historical accuracy of the prior years' assumptions and estimates, and obtained an understanding of the current and expected future developments of the Group and its environment. Certain key assumptions, including the discount rate, expected market development and long term growth rates, were assessed with the assistance from our valuation experts with relevant expertise and with external information sources. We also evaluated the management's assessment about the reasonably possible change in the relevant key assumptions.
Amortization of concession assets using the unit-of-production method	
The concession assets of the Group which were amortized using the unit-of-production method related to toll roads and certain water distribution businesses. The amortization of toll road concession assets was based on the ratio of the actual traffic volume to the total expected traffic volume of the underlying toll roads over the remaining concession period, while the amortization of the water distribution concession assets was based on the actual billed volume over the estimated billable water volume for the period over which the concession agreement was in force. The amortization method required management to make significant estimates on the total expected volume of traffic and total volume of billable water over the period for which the corresponding concession assets were in force. These estimates affected the reported amount of amortization expenses and related disclosures in the consolidated financial statements. Related disclosures are included in Notes 3 and 15 to the consolidated financial statements.	We evaluated management's schedule of amortization of concession assets and related assumptions and estimates used by the Group with reference to industry data and information related to the estimated total traffic, billable water volume, historical traffic and billed water volume. We also evaluated the competence and objectivity of management's specialists who estimated the forecasted volumes. We recalculated the amortization expense for the year and the amount of the concession assets as of the year end based on the estimated billable water volume and traffic volume.

Independent Auditor's Report (continued)

Other Information included in the Annual Report

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA 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.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit and Risk Management Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. 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.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

Independent Auditor's Report (continued)

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit and Risk Management Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. We also provide the Audit and Risk Management Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit and Risk Management Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Catherine Yen Kai Shun.

ERNST & YOUNG
Certified Public Accountants

22/F CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

26 March 2019

Consolidated Income Statement

For the year ended 31 December US$ millions	Notes	2018	2017
Turnover	4	**7,742.4**	7,296.8
Cost of sales		**(5,564.6)**	(5,144.3)
Gross Profit		**2,177.8**	2,152.5
Selling and distribution expenses		**(553.4)**	(542.9)
Administrative expenses		**(621.0)**	(609.5)
Other operating (expenses)/income, net		**(63.9)**	10.7
Interest income		**64.6**	55.9
Finance costs	5	**(422.3)**	(386.5)
Share of profits less losses of associated companies and joint ventures		**319.5**	204.0
Profit Before Taxation	6	**901.3**	884.2
Taxation	7	**(292.6)**	(322.9)
Profit for the Year		**608.7**	561.3
Attributable to:			
Owners of the Parent	8	**131.8**	120.9
Non-controlling Interests		**476.9**	440.4
		608.7	561.3
Earnings Per Share Attributable to Owners of the Parent (U.S. cents)	9		
Basic		**3.04**	2.80
Diluted		**3.03**	2.80

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

The Notes on pages 133 to 254 form an integral part of the Consolidated Financial Statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December US$ millions	2018	2017
Profit for the Year	**608.7**	561.3
Other Comprehensive (Loss)/Income		
Items that will be Reclassified Subsequently to Profit or Loss:		
Exchange differences on translating foreign operations	**(535.0)**	(11.4)
Unrealized losses on debt investments at fair value through other comprehensive income	**(0.5)**	–
Unrealized gains on available-for-sale assets	**–**	31.4
Unrealized losses on cash flow hedges	**(16.1)**	(10.4)
Realized gains on cash flow hedges	**(33.4)**	–
Income tax related to cash flow hedges	**8.5**	1.8
Share of other comprehensive income of associated companies and joint ventures	**13.3**	7.6
Items that will not be Reclassified to Profit or Loss:		
Changes in fair value of equity investments at fair value through other comprehensive income	**49.5**	–
Actuarial gains/(losses) on defined benefit pension plans	**40.5**	(35.3)
Share of other comprehensive income/(loss) of associated companies and joint ventures	**3.9**	(3.2)
Other Comprehensive Loss for the Year, Net of Tax	**(469.3)**	(19.5)
Total Comprehensive Income for the Year	**139.4**	541.8
Attributable to:		
Owners of the parent	**(67.3)**	145.7
Non-controlling interests	**206.7**	396.1
	139.4	541.8

Consolidated Statement of Financial Position

US$ millions	Notes	At 31 December 2018	At 31 December 2017
Non-current Assets			
Property, plant and equipment	11	**5,157.4**	5,321.1
Biological assets	12	**22.7**	23.1
Associated companies and joint ventures	13	**4,877.3**	5,203.2
Goodwill	14	**1,111.5**	1,095.1
Other intangible assets	15	**4,182.5**	3,659.4
Investment properties	16	**9.5**	10.1
Accounts receivable, other receivables and prepayments	17	**16.2**	7.0
Financial assets at fair value through other comprehensive income	18	**319.4**	–
Available-for-sale assets	18	**–**	173.6
Deferred tax assets	19	**195.4**	208.9
Other non-current assets	21	**749.1**	456.0
		16,641.0	16,157.5
Current Assets			
Cash and cash equivalents and short-term deposits	22	**1,630.8**	2,157.2
Restricted cash	20	**103.2**	81.1
Financial assets at fair value through other comprehensive income	18	**289.6**	–
Available-for-sale assets	18	**–**	60.2
Accounts receivable, other receivables and prepayments	17	**1,133.9**	1,084.4
Inventories	23	**942.0**	874.3
Biological assets	12	**36.1**	39.8
		4,135.6	4,297.0
Assets classified as held for sale	24	**124.9**	–
		4,260.5	4,297.0
Current Liabilities			
Accounts payable, other payables and accruals	25	**1,362.6**	1,333.9
Short-term borrowings	26	**2,281.1**	1,460.4
Provision for taxation	27	**57.3**	65.3
Current portion of deferred liabilities, provisions and payables	28	**419.8**	396.4
		4,120.8	3,256.0
Liabilities directly associated with the assets classified as held for sale	24	**19.5**	–
		4,140.3	3,256.0
Net Current Assets		**120.2**	1,041.0
Total Assets Less Current Liabilities		**16,761.2**	17,198.5
Equity			
Issued share capital	29	**43.4**	43.4
Shares held for share award scheme	30	**(4.9)**	(8.9)
Retained earnings		**1,582.1**	1,429.2
Other components of equity	31	**1,463.0**	1,763.4
Equity attributable to owners of the parent		**3,083.6**	3,227.1
Non-controlling interests	32	**5,626.8**	5,515.4
Total Equity		**8,710.4**	8,742.5
Non-current Liabilities			
Long-term borrowings	26	**6,236.8**	6,509.3
Deferred liabilities, provisions and payables	28	**1,488.9**	1,630.8
Deferred tax liabilities	19	**325.1**	315.9
		8,050.8	8,456.0
		16,761.2	17,198.5

The Notes on pages 133 to 254 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

CHRISTOPHER H. YOUNG
Executive Director and Chief Financial Officer

26 March 2019

Consolidated Statement of Changes in Equity

US$ millions	Notes	Equity attributable to owners of the parent: Issued share capital	Shares held for share award scheme	Share premium	Employee share-based compensation reserve	Other comprehensive (loss)/income (Note 33)	Differences arising from changes in equities of subsidiary companies	Capital and other reserves	Contributed surplus	Retained earnings	Total	Non-controlling interests	Total equity
At 1 January 2017		42.8	(10.9)	5.3	72.3	(690.2)	459.6	12.6	1,915.0	1,305.5	3,112.0	4,922.3	8,034.3
Profit for the year		–	–	–	–	–	–	–	–	120.9	120.9	440.4	561.3
Other comprehensive income/(loss) for the year		–	–	–	–	21.8	–	–	–	3.0	24.8	(44.3)	(19.5)
Total comprehensive income for the year		–	–	–	–	21.8	–	–	–	123.9	145.7	396.1	541.8
Issue of shares upon the exercise of share options	29(A)	0.6	–	56.6	(19.0)	–	–	–	–	–	38.2	–	38.2
Issue of shares under share award scheme	30	–	(0.1)	0.1	–	–	–	–	–	–	–	–	–
Purchase of shares under share award scheme	30	–	(5.8)	–	–	–	–	–	–	–	(5.8)	–	(5.8)
Shares vested under share award scheme	30	–	7.9	–	(7.0)	–	–	–	–	(0.9)	–	–	–
Forfeiture of share options		–	–	–	(0.7)	–	–	–	–	0.7	–	–	–
Employee share-based compensation benefits		–	–	–	15.3	–	–	–	–	–	15.3	–	15.3
Acquisition, divestment and dilution of interests in subsidiary companies		–	–	–	–	–	(3.5)	–	–	–	(3.5)	(15.2)	(18.7)
2016 final distribution paid		–	–	–	–	–	–	–	(30.5)	–	(30.5)	–	(30.5)
2017 interim distribution paid	10	–	–	–	–	–	–	–	(44.3)	–	(44.3)	–	(44.3)
Acquisition of subsidiary companies	34(B)	–	–	–	–	–	–	–	–	–	–	351.0	351.0
Disposal of subsidiary companies		–	–	–	–	–	–	–	–	–	–	(0.7)	(0.7)
Capital contributions from non-controlling shareholders		–	–	–	–	–	–	–	–	–	–	115.5	115.5
Dividends paid to non-controlling shareholders		–	–	–	–	–	–	–	–	–	–	(253.6)	(253.6)
At 31 December 2017		43.4	(8.9)	62.0	60.9	(668.4)	456.1	12.6	1,840.2	1,429.2	3,227.1	5,515.4	8,742.5
At 1 January 2018		43.4	(8.9)	62.0	60.9	(668.4)	456.1	12.6	1,840.2	1,429.2	3,227.1	5,515.4	**8,742.5**
Impact on initial application of HKFRS 9	2(B)	–	–	–	–	(19.4)	–	–	–	8.9	(10.5)	4.9	**(5.6)**
Impact on initial application of HKFRS 15	2(B)	–	–	–	–	–	–	–	–	13.2	13.2	0.1	**13.3**
At 1 January 2018 (As adjusted)		43.4	(8.9)	62.0	60.9	(687.8)	456.1	12.6	1,840.2	1,451.3	3,229.8	5,520.4	**8,750.2**
Profit for the year		–	–	–	–	–	–	–	–	131.8	131.8	476.9	**608.7**
Other comprehensive loss for the year		–	–	–	–	(199.1)	–	–	–	–	(199.1)	(270.2)	**(469.3)**
Total comprehensive (loss)/income for the year		–	–	–	–	(199.1)	–	–	–	131.8	(67.3)	206.7	**139.4**
Purchase of shares under share award scheme	30	–	(3.0)	–	–	–	–	–	–	–	(3.0)	–	**(3.0)**
Shares vested under share award scheme	30	–	7.0	–	(5.6)	–	–	–	–	(1.4)	–	–	**–**
Forfeiture of share options		–	–	–	(0.4)	–	–	–	–	0.4	–	–	**–**
Employee share-based compensation benefits		–	–	–	2.4	–	–	–	–	–	2.4	–	**2.4**
Acquisition, divestment and dilution of interests in subsidiary companies		–	–	–	–	–	(3.7)	–	–	–	(3.7)	0.2	**(3.5)**
2017 final distribution paid	10	–	–	–	–	–	–	–	(30.4)	–	(30.4)	–	**(30.4)**
2018 interim distribution paid	10	–	–	–	–	–	–	–	(44.2)	–	(44.2)	–	**(44.2)**
Acquisition of subsidiary companies	34(B)	–	–	–	–	–	–	–	–	–	–	136.4	**136.4**
Capital contributions from non-controlling shareholders		–	–	–	–	–	–	–	–	–	–	38.3	**38.3**
Dividends paid to non-controlling shareholders		–	–	–	–	–	–	–	–	–	–	(275.2)	**(275.2)**
At 31 December 2018		**43.4**	**(4.9)**	**62.0**	**57.3**	**(886.9)**	**452.4**	**12.6**	**1,765.6**	**1,582.1**	**3,083.6**	**5,626.8**	**8,710.4**

The Notes on pages 133 to 254 form an integral part of the Consolidated Financial Statements.

Consolidated Statement of Cash Flows

For the year ended 31 December US$ millions	Notes	2018	2017
Profit Before Taxation		**901.3**	884.2
Adjustments for:			
Finance costs	5	**422.3**	386.5
Depreciation	6	**344.0**	313.7
Provisions for impairment losses	6	**122.1**	58.7
Amortization of other intangible assets	6	**117.1**	107.5
Provision/(reversal of provision) for onerous contracts, net	6	**15.7**	(2.8)
Employee share-based compensation benefit expenses	36(A)	**4.3**	9.6
Loss/(gain) on changes in fair value of biological assets	6	**2.2**	(2.6)
Loss on a deemed disposal of an interest in a joint venture	6	**2.0**	–
Loss/(gain) on divestment of an interest in an associated company	6	**0.2**	(14.5)
Share of profits less losses of associated companies and joint ventures		**(319.5)**	(204.0)
Interest income		**(64.6)**	(55.9)
Gain on remeasurement of previously held interests in associated companies	6	**(17.8)**	(27.6)
(Gain)/loss on remeasurement of previously held interests in joint ventures, net	6	**(14.8)**	28.2
Gain on sale of property, plant and equipment	6	**(1.7)**	(0.6)
Preferred share dividend income from a joint venture	6	**–**	(50.4)
Others		**4.0**	5.6
		1,516.8	1,435.6
Increase in accounts payable, other payables and accruals		**107.2**	62.0
Increase in inventories		**(112.5)**	(124.1)
(Increase)/decrease in accounts receivable, other receivables and prepayments		**(109.1)**	41.0
Increase in other non-current assets		**(18.9)**	(15.0)
Net cash generated from operations		**1,383.5**	1,399.5
Interest received		**67.3**	60.8
Interest paid		**(397.6)**	(349.1)
Taxes paid		**(319.1)**	(335.1)
Net Cash Flows From Operating Activities		**734.1**	776.1

continued/...

Consolidated Statement of Cash Flows (continued)

For the year ended 31 December US$ millions	Notes	2018	2017
Dividends received from associated companies		**251.2**	226.2
Decrease in time deposits with original maturity of more than three months		**152.5**	123.8
Proceeds from instalment payments for disposal of a subsidiary company		**31.4**	85.6
Proceeds from disposal of property, plant and equipment		**13.6**	6.5
Dividends received from financial assets at fair value through other comprehensive income/available-for-sale assets		**6.6**	5.9
Proceeds from divestment of interests in associated companies	34(A)	**2.7**	246.6
Proceeds from disposal of financial assets at fair value through other comprehensive income/available-for-sale assets		**2.5**	2.9
Payments for purchases of property, plant and equipment		**(665.7)**	(614.1)
Investments in other intangible assets		**(569.6)**	(448.5)
Acquisitions of financial assets at fair value through other comprehensive income/available-for-sale assets		**(232.5)**	(20.8)
Acquisitions of subsidiary companies	34(B)	**(79.5)**	(116.5)
Increased investments in joint ventures	34(C)	**(75.9)**	(42.2)
Investments in associated companies	34(D)	**(51.1)**	(208.4)
Instalment payment for acquisition of a subsidiary company	34(E)	**(46.5)**	–
Increased investments in associated companies		**(35.6)**	(3.4)
Increase in restricted cash		**(17.3)**	(2.6)
Advances to a joint venture		**(7.9)**	(7.3)
Investments in joint ventures		**(6.8)**	(0.6)
Investments in biological assets		**(0.7)**	(0.4)
Proceeds from redemption of preferred share issued by a joint venture	34(F)	**–**	69.5
Preferred share dividends received from a joint venture		**–**	50.4
Disposal of subsidiary companies		**–**	0.9
Advances to an associated company		**–**	(37.3)
Acquisition of a business	34(B)	**–**	(4.0)
Net Cash Flows Used in Investing Activities		**(1,328.6)**	(687.8)
Proceeds from new borrowings	34(G)	**3,983.4**	2,884.7
Capital contributions from non-controlling shareholders		**38.3**	15.8
Proceeds from divestment of an interest in a subsidiary company		**25.7**	–
Proceeds from shares issued to non-controlling shareholders by subsidiary companies		**0.8**	1.3
Borrowings repaid	34(G)	**(3,325.5)**	(2,343.6)
Dividends paid to non-controlling shareholders by subsidiary companies		**(275.2)**	(203.9)
Distributions paid to shareholders		**(74.6)**	(74.8)
Increased investments in subsidiary companies		**(34.6)**	–
Payments for concession fees payable	34(G)	**(19.1)**	(20.0)
Payments for purchase of shares under a long-term incentive plan		**(3.0)**	(5.9)
Repurchase of a subsidiary company's shares		**(0.2)**	–
Proceeds from the issue of shares under a long-term incentive plan		**–**	38.2
Net Cash Flows From Financing Activities		**316.0**	291.8
Net (Decrease)/Increase in Cash and Cash Equivalents		**(278.5)**	380.1
Cash and cash equivalents at 1 January		**1,987.3**	1,611.2
Exchange translation		**(95.4)**	(4.0)
Cash and Cash Equivalents at 31 December		**1,613.4**	1,987.3
Representing			
Cash and cash equivalents and short-term deposits as stated in the consolidated statement of financial position		**1,630.8**	2,157.2
Less: short-term deposits and time deposits with original maturity of more than three months		**(17.4)**	(169.9)
Cash and Cash Equivalents at 31 December		**1,613.4**	1,987.3

The Notes on pages 133 to 254 form an integral part of the Consolidated Financial Statements.

1. Corporate and Group Information

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

The Company is a limited liability company incorporated in Bermuda. As at 31 December 2018, 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 (Level 1).

The Group comprises the Company and its subsidiary companies. Details of the principal subsidiary companies of the Company which, in the opinion of the Directors, materially affect the results or net assets of the Group, are set out on pages 259 and 260.

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 and the disclosure requirements of the Hong Kong Companies Ordinance. The Consolidated Financial Statements also comply with the applicable disclosure provisions of the Listing Rules. The Consolidated Financial Statements have been prepared on a historical cost basis, except for biological assets, investment properties, financial assets at fair value, derivative financial instruments and pension scheme assets which, as disclosed in the accounting policies below, are stated at fair value. These Consolidated Financial Statements are presented in U.S. dollar and all values are rounded to the nearest million ("US$ millions") with one decimal place except when otherwise indicated.

(B) New Standards, Interpretations and Amendments Adopted by the Group

During 2018, the Group has adopted the following new and revised HKFRSs effective for annual periods commencing on or after 1 January 2018 issued by the HKICPA:

HKAS 40 Amendments	"Transfers of Investment Property"
HKFRS 2 Amendments	"Classification and Measurement of Share-based Payment Transactions"
HKFRS 4 Amendments	"Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts"
HKFRS 9	"Financial Instruments"
HKFRS 15	"Revenue from Contracts with Customers"
HKFRS 15 Amendments	"Clarifications to HKFRS 15 Revenue from Contracts with Customers"
HK(IFRIC)-Int 22	"Foreign Currency Transactions and Advance Consideration"
Annual Improvements to HKFRSs 2014-2016 Cycle	HKAS 28 Amendments "Investments in Associates and Joint Ventures"

The Group's adoption of the above pronouncements, except for HKFRS 9 and HKFRS 15, has had no effect on both the profit attributable to owners of the parent for the years ended 31 December 2018 and 2017 and the equity attributable to owners of the parent at 31 December 2018 and 2017. The Group adopted HKFRS 9 and HKFRS 15 using the modified retrospective approach with a cumulative effect arising from the transition recognized as an adjustment to the opening balance of equity without restating comparative information. The following tables summarize the adjustments recognized for each individual line item affected:

Consolidated statement of financial position (extract) US$ millions	At 31 December 2017	Impact of HKFRS 9	Impact of HKFRS 15	At 1 January 2018 (As adjusted)
Non-current Assets				
Associated companies and joint ventures	5,203.2	(115.0)	13.1	5,101.3
Financial assets at fair value through other comprehensive income	–	284.5	–	284.5
Available-for-sale assets	173.6	(173.6)	–	–
	5,376.8	(4.1)	13.1	5,385.8
Current Assets				
Financial assets at fair value through other comprehensive income	–	60.2	–	60.2
Available-for-sale assets	60.2	(60.2)	–	–
Inventories	874.3	–	0.2	874.5
	934.5	–	0.2	934.7
Equity				
Retained earnings	1,429.2	8.9	13.2	1,451.3
Other components of equity	1,763.4	(19.4)	–	1,744.0
Non-controlling interests	5,515.4	4.9	0.1	5,520.4
	8,708.0	(5.6)	13.3	8,715.7
Non-current Liabilities				
Deferred tax liabilities	315.9	1.5	–	317.4

Details of the changes in accounting policies are disclosed below.

(a) HKFRS 9 "Financial Instruments"

HKFRS 9 replaces HKAS 39 "Financial Instruments: Recognition and Measurement" for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: (i) classification and measurement, (ii) impairment, and (iii) hedge accounting. The Group has applied HKFRS 9 using the modified retrospective approach, with the initial application date of 1 January 2018 and recognizing the cumulative effect of initial application as an adjustment to the opening balances in equity at 1 January 2018. Therefore, the comparative information was not restated and continues to be reported under HKAS 39.

Further details of the nature and effect of the changes to previous accounting policies are set out below:

(I) Classification and measurement

HKFRS 9 categorizes financial assets into three principal classification categories: measured at amortized cost, at fair value through other comprehensive income ("FVOCI") and at fair value through profit or loss ("FVPL"). These supersede HKAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics. Under HKFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are not separated from the host. Instead, the hybrid instrument as a whole is assessed for classification.

For the Group's accounting policy on the classification and measurement of financial assets under HKFRS 9, see Note 2(D)(k).

The accounting policy for the Group's financial liabilities remains largely the same as it was under HKAS 39. Similar to the requirements of HKAS 39, HKFRS 9 requires contingent consideration liabilities to be treated as financial instruments measured at fair value, with the changes in fair value recognized in profit or loss.

On the date of initial application, 1 January 2018, the financial instruments of the Group were as follows, with any reclassification noted:

	Measurement category		**Carrying amount**		
At 1 January 2018 US$ millions	Under HKAS 39	Under HKFRS 9	Under HKAS39	Under HKFRS 9	Difference*
Non-current Assets					
Accounts and other receivables	Loans and receivables	Amortized cost	4.0	4.0	–
Derivative assets	FVPL	FVPL	3.0	3.0	–
Listed and unlisted equity investments	Available-for-sale	FVOCI	147.0	157.0	10.0
Listed and unlisted debt investments	Available-for-sale	FVOCI	127.5	127.5	–
Other non-current assets	Loans and receivables	Amortized cost	85.5	85.5	–
Current Assets					
Cash and cash equivalents and short-term deposits	Loans and receivables	Amortized cost	2,157.2	2,157.2	–
Restricted cash	Loans and receivables	Amortized cost	81.1	81.1	–
Accounts and other receivables	Loans and receivables	Amortized cost	1,019.3	1,019.3	–
Derivative assets	FVPL	FVPL	18.9	18.9	–
Unlisted equity investments	Available-for-sale	FVOCI	0.1	0.1	–
Listed and unlisted debt investments	Available-for-sale	FVOCI	60.1	60.1	–
Current Liabilities					
Accounts payable, other payables and accruals	Amortized cost	Amortized cost	1,063.9	1,063.9	–
Short-term borrowings	Amortized cost	Amortized cost	1,460.4	1,460.4	–
Deferred liabilities, provisions and payables	Amortized cost	Amortized cost	105.0	105.0	–
Derivative liabilities	FVPL	FVPL	8.3	8.3	–
Non-current Liabilities					
Long-term borrowings	Amortized cost	Amortized cost	6,509.3	6,509.3	–
Deferred liabilities, provisions and payables	Amortized cost	Amortized cost	896.8	896.8	–
Derivative liabilities	FVPL	FVPL	2.5	2.5	–

* The difference noted in this column is the result of fair value measurement of an unlisted equity investment that was originally measured at cost.

The Group did not designate any financial asset or financial liability at FVPL at 1 January 2018.

(II) Impairment

The adoption of HKFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing HKAS 39's incurred loss approach with a forward-looking expected credit loss ("ECL") approach. Under the new ECL approach, the Group assesses on a forward-looking basis the ECLs associated with its financial assets. It is no longer necessary for a loss event to occur before an impairment loss is recognized. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

HKFRS 9 requires the Group to record an allowance for ECLs for all financial assets measured at amortized cost (including cash and cash equivalents and short-term deposits, and restricted cash) and debt financial assets not held at FVPL.

For further details on the Group's accounting policy for ECLs, see Note 2(D)(k).

(III) Hedge accounting

The Group applied hedge accounting prospectively under HKFRS 9. At the date of the initial application, all of the Group's existing hedging relationships continued to be eligible for hedge accounting under HKFRS 9. As such, the adoption of the hedge accounting requirements of HKFRS 9 has had no impact on the Group's Consolidated Financial Statements. For an explanation of how the Group applies hedge accounting, see Note 2(D)(m).

The main effects resulting from any changes in the classification and measurement and the impairment methodology upon the adoption of HKFRS 9 are summarized as follows:

US$ millions	Notes	Associated companies and joint ventures	Available-for-sale assets	Financial assets at FVOCI	Deferred tax liabilities
At 31 December 2017		5,203.2	233.8	–	315.9
Reclassification of unlisted debt investments measured at cost from associated companies and joint ventures to financial assets at FVOCI	(i)	(100.9)	–	100.9	–
Reclassification of listed and unlisted debt investments measured at fair value from available-for-sale assets to financial assets at FVOCI	(i)	–	(86.7)	86.7	–
Reclassification of listed and unlisted equity investments measured at fair value from available-for-sale assets to financial assets at FVOCI	(ii)	–	(133.7)	133.7	–
Reclassification of unlisted equity investments measured at cost from available-for-sale assets to financial assets at FVOCI	(ii)	–	(13.4)	13.4	–
Fair value adjustment on an unlisted equity investment that was originally measured at cost	(ii)	–	–	10.0	1.5
Additional ECLs on financial assets of associated companies		(14.1)	–	–	–
At 1 January 2018 (As adjusted)*		5,088.2	–	344.7	317.4

US$ millions	Notes	Retained earnings	Other components of equity	Non-Controlling interests
At 31 December 2017		1,429.2	1,763.4	5,515.4
Fair value adjustment on an unlisted equity investment that was originally measured at cost	(ii)	–	3.6	4.9
Reclassification of a listed equity investment of an associated company measured at fair value from available-for-sale assets to financial assets at FVPL	(iii)	23.0	(23.0)	–
Additional ECLs on financial assets of associated companies		(14.1)	–	–
At 1 January 2018 (As adjusted)*		1,438.1	1,744.0	5,520.3

* Before the adoption of HKFRS 15 (Note 2(B)(b))

(i) The Group has reclassified its listed and unlisted debt investments from associated companies and joint ventures, and available-for-sale assets to financial assets at FVOCI as these debt investments are managed within a business model to collect contractual cash flows and to sell the financial assets.

(ii) The Group has elected the option to irrevocably designate its previous available-for-sale equity investments as equity investments at FVOCI as these equity investments are held as long-term strategic investments that are not expected to be sold in the short to medium term. The aggregate fair value of these investments at 1 January 2018 was US$157.1 million with the corresponding fair value gain of US$8.5 million (net of tax) recognized in the fair value reserve of which US$3.6 million and US$4.9 million was shared by owners of the parent and non-controlling interests, respectively.

(iii) PLDT has reclassified a listed equity investment from available-for-sale assets to financial assets at FVPL as the equity investment is held for trading purpose. As a result, the corresponding fair value gains of US$23.0 million shared by the Group and accumulated under the share of comprehensive income/(loss) of associated companies and joint ventures reserve were reclassified to retained earnings on 1 January 2018.

(b) HKFRS 15 "Revenue from Contracts with Customers"

HKFRS 15 and its amendments replace HKAS 11 "Construction Contracts", HKAS 18 "Revenue" and related interpretations and they apply to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. HKFRS 15 establishes a five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognizing revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgments and estimates.

The Group has elected to use the modified retrospective approach and has recognized the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2018. Therefore, comparative information has not been restated and continues to be reported under HKAS 11 and HKAS 18 and related interpretations. As allowed by HKFRS 15, the Group has applied the new requirements only to contracts that were not completed before 1 January 2018.

Further details of the nature and effect of the changes to previous accounting policies are set out below:

(I) Timing of revenue recognition

Previously, turnover from the rendering of services and the sale of electricity was recognized over time, whereas turnover from the sale of goods was generally recognized at a point in time when the risks and rewards of ownership of the goods had passed to the customers. Under HKFRS 15, revenue is recognized when the customer obtains control of the promised goods or services in the contract which may be at a single point in time or over time. For the Group's accounting policies in determining the timing of revenue recognition, see Note 2(D)(r).

The Group has concluded that no material impact is identified upon the adoption of HKFRS 15 in relation to the Group's timing of revenue recognition with the exception of the telecommunications business and consumer food products business operated by PLDT and RHI, respectively.

For PLDT's revenue recognition involving bundled sales of a non-service component and a service component: under HKFRS 15, PLDT recognizes revenue for the non-service component when control of the non-service component has been transferred, whereas the non-service component is delivered to and has been accepted at the customers' premises, while previously revenue for some contracts' non-service components was previously recognized over the contract period. As such, the Group has made adjustments to opening balances as at 1 January 2018 which increased retained earnings and the investments in associated companies by US$13.1 million, respectively.

For RHI's revenue recognition involving the rendering of milling services: under HKFRS 15, RHI recognizes revenue for the milling services when they are performed and revenue is measured at fair value of the share of raw sugar under the revenue sharing arrangement, whereas revenue was previously recognized at a single point in time when the risks and rewards of ownership of the raw sugar shared from the provision of milling services were passed to the customers. As such, the Group has made adjustments to opening balances as at 1 January 2018 which increased retained earnings and non-controlling interests by US$0.1 million, respectively and increased the inventories by US$0.2 million.

(II) Variable consideration

Certain contracts for the sale of consumer food products provide customers with a right of return and volume rebates. Before adopting HKFRS 15, the Group recognized revenue from the sale of goods measured at the fair value of the consideration received or receivable, net of returns and volume rebates. If revenue could not be reliably measured, the Group deferred the recognition of revenue until the uncertainty was resolved. Under HKFRS 15, rights of return and volume rebates give rise to variable consideration which is determined using the expected value method or the most likely amount method.

(i) Rights of return

For a contract that provides a customer with a right to return the goods within a specified period, the Group previously estimated expected returns based on the average historical return rate. Before the adoption of HKFRS 15, the amount of revenue related to the expected returns was deferred and recognized as deferred revenue which was included in accounts payable, other payables and accruals in the consolidated statement of financial position with a corresponding adjustment to cost of sales.

Upon adoption of HKFRS 15, the Group has recognized a right-of-return asset which is included in accounts receivable, other receivables and prepayments and is measured at the former carrying amount of the goods to be returned less any expected costs to recover the goods, including any potential decreases in the value of the returned goods. In addition, a refund liability, which is included in accounts payable, other payables and accruals, was recognized based on the amount that the Group expects to return to the customers using the expected value method. The Group has concluded no material impact is identified upon the adoption of HKFRS 15 in relation to the accounting for rights of return since the expected returns are not considered to be significant based on historical information.

(ii) Volume rebates

The Group provides retrospective volume rebates to certain customers in the consumer food products business once the quantity of products purchased during the period exceeds a threshold specified in the contract. Before the adoption of HKFRS 15, the Group estimated the expected volume rebates using the probability-weighted average amount of rebates approach and included an allowance for rebates in accounts payable, other payables and accruals. Upon the adoption of HKFRS 15, the Group has applied either the most likely amount method or the expected value method for the estimation of the variable consideration for expected volume rebates which are recorded as refund liabilities included in accounts payable, other payables and accruals. The Group has concluded that no material impact is identified upon the adoption of HKFRS 15 in relation to the accounting for volume rebates which have been consistently assessed and accounted for using similar methodology provided by HKFRS 15.

(III) Presentation of contract assets and contract liabilities

Under HKFRS 15, a receivable is recognized only if the Group has an unconditional right to consideration. If the Group recognizes the related revenue before receiving the consideration or being unconditionally entitled to the consideration for the promised goods and services in the contract, then the entitlement to consideration is classified as a contract asset. Similarly, a contract liability, rather than a payable, is recognized when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognizes the related revenue. For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis. At 31 December 2017, the Group recognized unbilled revenue of US$21.2 million in accounts receivable, other receivables and prepayments, and receipt in advance from customers of US$12.9 million in accounts payable, other payables and accruals. Such unbilled revenue and receipt in advance from customers are considered as contract assets and contract liabilities, respectively, upon the adoption of HKFRS 15 on 1 January 2018.

Upon the adoption of HKFRS 15 on 1 January 2018, the Group has also recognized contract assets in relation to service concession assets during the construction or upgrade phase, which represent the rights to receive licenses to charge users of the public service. Such service concession assets were previously included in other intangible assets at 31 December 2017 and will continue to be presented as other intangible assets under HKFRS 15.

(IV) Disclosure of the estimated impact on the amounts reported in respect of the year ended 31 December 2018 as a result of the adoption of HKFRS 15 on 1 January 2018

The following tables summarize the estimated impact of adoption of HKFRS 15 on the Group's Consolidated Financial Statements for the year ended 31 December 2018, by comparing the amounts reported under HKFRS 15 in the Consolidated Financial Statements with the estimated hypothetical amounts that would have been reported under HKAS 18 and HKAS 11 if those superseded standards had continued to apply in 2018 instead of HKFRS 15.

The adoption of HKFRS 15 has had no impact on the Group's other comprehensive income, operating, investing and financing cash flows. The following tables show only those line items in the consolidated income statement and consolidated statement of financial position impacted by the adoption of HKFRS 15:

Consolidated income statement (extract) For the year ended 31 December 2018 US$ millions	Amounts reported in accordance with HKFRS 15	Hypothetical amounts under HKAS 18 and 11	Difference: Estimated impact of adoption of HKFRS 15
Turnover	7,742.4	7,691.4	51.0
Cost of sales	(5,564.6)	(5,512.7)	(51.9)
Gross Profit	2,177.8	2,178.7	(0.9)
Share of profits less losses of associated companies and joint ventures	319.5	321.0	(1.5)
Profit Before Taxation	901.3	903.7	(2.4)
Taxation	(292.6)	(292.9)	0.3
Profit for the Year	608.7	610.8	(2.1)
Attributable to:			
Owners of the parent	131.8	133.5	(1.7)
Non-controlling interests	476.9	477.3	(0.4)
	608.7	610.8	(2.1)
Earnings Per Share Attributable to Owners of the Parent (U.S. cents)			
Basic	3.04	3.08	(0.04)
Diluted	3.03	3.07	(0.04)

Consolidated statement of financial position (extract) At 31 December 2018 US$ millions	Amounts reported in accordance with HKFRS 15	Hypothetical amounts under HKAS 18 and 11	Difference: Estimated impact of adoption of HKFRS 15
Non-current Assets			
Associated companies and joint ventures	4,877.3	4,865.7	11.6
Current Assets			
Inventories	942.0	942.7	(0.7)
Equity			
Retained earnings	1,582.1	1,570.6	11.5
Non-controlling interests	5,626.8	5,627.1	(0.3)
	7,208.9	7,197.7	11.2
Non-current Liabilities			
Deferred tax liabilities	325.1	325.4	(0.3)

The differences arise as a result of the changes in accounting policies described in Note 2(B)(b)(I).

(C) Issued But Not Yet Effective HKFRSs

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

HKAS 1 and HKAS 8 Amendments	"Definition of Material"(ii)
HKAS 19 Amendments	"Plan Amendment, Curtailment or Settlement"(i)
HKAS 28 Amendments	"Long-term Interests in Associates and Joint Ventures"(i)
HKFRS 3 Amendments	"Definition of a Business"(iii)
HKFRS 9 Amendments	"Prepayment Features with Negative Compensation"(i)
HKFRS 10 and HKAS 28 (2011) Amendments	"Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"(v)
HKFRS 16	"Leases"(i)
HKFRS 17	"Insurance Contracts"(iv)
HK(IFRIC)-Int 23	"Uncertainty over Income Tax Treatments"(i)
Improvements to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle(i)

(i) Effective for annual periods commencing on or after 1 January 2019
(ii) Effective for annual periods commencing on or after 1 January 2020
(iii) Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020
(iv) Effective for annual periods commencing on or after 1 January 2021
(v) No mandatory effective date yet determined but available for adoption

Further information about these HKFRSs is as follows:

HKAS 1 and HKAS 8 Amendments provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information.

HKAS 19 Amendments address the accounting for a defined benefit plan when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to (i) determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement using the actuarial assumptions used to remeasure the net defined benefit liability or asset reflecting the benefits offered under the plan and the plan assets after that event, and (ii) determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using the net defined benefit liability or asset, reflecting the benefits offered under the plan and the plan assets after that event and the discount rate used to remeasure that net defined benefit liability or asset. The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognized in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in net interest, is recognized in other comprehensive income.

HKAS 28 Amendments clarify that the scope exclusion of HKFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies HKFRS 9, rather than HKAS 28, including the impairment requirements under HKFRS 9, in accounting for such long-term interests. HKAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognizing losses of an associate or joint venture and impairment of the net investment in the associate or joint venture.

HKFRS 3 Amendments clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business.

HKFRS 9 Amendments clarify that prepayable financial assets with negative compensation can be measured at amortized cost or at FVOCI, subject to the business model of the entity, instead of at FVPL.

HKFRS 10 and HKAS 28 (2011) Amendments address an inconsistency between the requirements in HKFRS 10 “Consolidated Financial Statements” and in HKAS 28 (2011) “Investments in Associates and Joint Ventures” in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognized in the investor’s profit or loss only to the extent of the unrelated investor’s interest in that associate or joint venture. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now and to be applied prospectively.

HKFRS 16 replaces HKAS 17 "Leases", HK(IFRIC)-Int 4 "Determining whether an Arrangement contains a Lease", HK(SIC)-Int 15 "Operating Leases – Incentives" and HK(SIC)-Int 27 "Evaluating the Substance of Transactions Involving the Legal Form of a Lease". The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognize assets and liabilities for most leases. The standard includes two elective recognition exemptions for lessees – leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee recognizes a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in HKAS 40 "Investment Property". The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessor accounting under HKFRS 16 is substantially unchanged from the accounting under HKAS 17. Lessors will continue to classify all leases using the same classification principle as in HKAS 17 and distinguish between operating leases and finance leases.

HKFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, HKFRS 17 will replace the existing HKFRS 4 "Insurance Contracts". The standard applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of the standard is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in HKFRS 4, which are largely based on grandfathering previous local accounting policies, the standard provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of the standard is the general model, supplemented by (i) a specific adaptation for contracts with direct participation features (the variable fee approach); and (ii) a simplified approach (the premium allocation approach) mainly for short-duration contracts.

HK(IFRIC)-Int 23 addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of HKAS 12 "Income Taxes" and does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately, (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities, (iii) how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, and (iv) how an entity considers changes in facts and circumstances. An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed.

"Annual Improvements to HKFRSs 2015-2017 Cycle" set out amendments to a number of HKFRSs and HKASs, which include certain changes that may result in accounting changes for presentation, recognition or measurement purposes.

The key amendments of "Annual Improvements to HKFRSs 2015-2017 Cycle" are summarized as follows:

The HKAS 12 "Income Taxes" amendments clarify that an entity shall recognize the income tax consequences of dividends when it recognizes a liability to pay a dividend. The income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity shall recognize the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events.

The HKAS 23 "Borrowing Costs" amendments clarify to the extent that an entity borrows funds generally and uses them for the purpose of obtaining a qualifying asset, the entity shall determine the amount of borrowing costs eligible for capitalization by applying a capitalization rate to the expenditures on that asset. The capitalization rate shall be the weighted average of the borrowing costs applicable to all borrowings of the entity that are outstanding during the period. However, an entity shall exclude from this calculation the borrowing costs applicable to borrowings made specifically for the purpose of obtaining a qualifying asset until substantially all the activities necessary to prepare that asset for its intended use or sale are complete. The amount of borrowing costs that an entity capitalizes during a period shall not exceed the amount of borrowing costs it incurred during that period.

The HKFRS 3 "Business Combinations" amendments clarify that when a party to a joint arrangement obtains control of a business that is a joint operation, and had rights to the assets and obligations for the liabilities relating to that joint operation immediately before the acquisition date, the transaction is a business combination achieved in stages. The acquirer shall therefore apply the requirements for a business combination achieved in stages, including remeasuring its previously held interest in the joint operation.

The HKFRS 11 "Joint Arrangements" amendments clarify that a party that participates in, but does not have joint control of a joint operation, might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business. In such cases, previously held interests in the joint operation are not remeasured.

The Group has not early adopted the above new and revised HKFRSs for the year ended 31 December 2018. These new and revised HKFRSs are not expected to have a significant impact on the results of operations and financial position and presentation of the Consolidated Financial Statements, except for HKFRS 16 as described below.

HKFRS 16 requires lessees and lessors to make more extensive disclosures than under HKAS 17. Lessees can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group will adopt HKFRS 16 from 1 January 2019. The Group intends to adopt the transitional provisions in HKFRS 16 to recognize the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2019 and will not restate the comparatives. In addition, the Group plans to apply the new requirements to contracts that were previously identified as leases applying HKAS 17. The Group plans to use the exemptions allowed by the standard on certain lease contracts with (i) lease terms end within 12 months as of the date of initial application, or (ii) low-value assets. Based on currently available information, the Group has estimated that, upon adoption of HKFRS 16 at 1 January 2019, right-of-use assets of US$65.5 million and lease liabilities of US$68.1 million will be recognized, and the opening balances of investments in associated companies, retained earnings and non-controlling interests will decrease by US$7.8 million, US$8.7 million and US$1.7 million, respectively.

(D) Summary of Principal Accounting Policies

(a) Basis of consolidation

(I) Basis of consolidation

The Consolidated Financial Statements for the year ended 31 December 2018 comprise the Company and its subsidiary companies (together referred to as the "Group") and the Group's interests in associated companies and joint ventures.

A subsidiary company is an entity controlled by the Company. Control exists when the Company has exposure, or rights, to variable returns from its involvement with the entity and the ability to use its power over the entity to affect the amount of those returns. When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including: (i) the contractual arrangement with the other vote holders of the investee, (ii) rights arising from other contractual arrangements, (iii) the Group's voting rights and potential voting rights and (iv) other factors which enable the Company to direct the relevant activities of the investee unilaterally, such as the existence of control, through majority representatives appointed, over the board of directors of the investee by the Company. Potential voting rights that are substantive (i.e., practically exercisable by the Company considering all facts and circumstances), where applicable to certain Philippine affiliates of the Company, are taken into account in determining whether an entity should be consolidated. The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes in the elements of control described above.

The results of subsidiary companies 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. Adjustments are made to bring into line any dissimilar accounting policies that may exist. All significant intra-group transactions and balances within the Group are eliminated on consolidation. Total comprehensive losses are attributed to the non-controlling interests even if it results in a deficit balance. Non-controlling interests represent the interests of non-controlling shareholders not held by the Group in the results and net financial position of the Company's subsidiary companies.

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 combinations and goodwill

Business combinations are 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. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree (that are present ownership interests and entitle their holders to a proportionate share of the net assets in the event of liquidation) at the non-controlling interests' proportionate share of the acquiree's net identifiable assets or at fair value. All acquisition-related costs are recognized as expenses in profit or loss. Contingent consideration is measured at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognized in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and any fair value of the Group's previously held equity interest in the acquiree over the net fair value of the identifiable assets acquired, liabilities and contingent liabilities assumed. If the sum of this consideration and other items is lower than the net fair value of the identifiable assets acquired, liabilities and contingent liabilities assumed, the difference is, after reassessment, recognized in profit or loss as a gain on bargain purchase. In the case of associated companies and joint ventures, goodwill is included in the carrying amount thereof, rather than as a separately identified asset in the consolidated statement of financial position.

If the initial accounting for a business combination can be determined only provisionally by the end of the period in which the combination is effected because the fair values to be assigned to the acquiree's identifiable assets and liabilities can be determined only provisionally, the Group accounts for the combination using provisional amounts. During the measurement period, which is not longer than one year from the acquisition date, the provisional amounts recognized at acquisition date are retrospectively adjusted to reflect new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognized as of that date. Goodwill or any gain recognized shall be adjusted from the acquisition date by an amount equal to the adjustment to the fair value at the acquisition date of the identifiable asset, liability or contingent liability being recognized or adjusted.

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. Impairment is determined by assessing the recoverable amount of the cash-generating unit ("CGU") (group of CGUs) to which the goodwill relates. Where the recoverable amount of the CGU (group of CGUs) is less than the carrying amount, an impairment loss is recognized. A previously recognized impairment loss for goodwill is not reversed.

For step acquisitions, the Group's previously held equity interests are remeasured at its acquisition date fair value and any resulting gain or loss is recognized in 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 identifiable 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.

Where goodwill has been allocated to a CGU (group of CGUs) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the CGU retained.

(b) Property, plant and equipment

(I) Freehold land and other property, plant and equipment

Freehold land is stated at cost and is not depreciated. Other property, plant and equipment, other than construction in progress, 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 (if any) over their expected useful lives. Details of depreciation rates are given as follows.

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	3.3% to 50.0%
Construction in progress	Nil

When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and measured at the lower of its carrying amount and fair value less costs to sell.

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 finance costs from foreign exchange differences 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 consolidated 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 consolidated 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 (if any), 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.

Construction in progress is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalized finance and other costs incurred in connection with the borrowing of funds, including foreign exchange differences arising from foreign currency borrowings, during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

(II) Bearer plants

Bearer plants are living plants used in the production or supply of agricultural produce. They are expected to bear produce for more than one period and have a remote likelihood of being sold as agricultural produce, except for incidental scrap sales.

The Group's bearer plants comprise oil palm, rubber and sugar cane plantations. The Group elects to account for its bearer plants using the cost model under HKAS 16 "Property, Plant and Equipment". Immature bearer plants are accounted for at accumulated cost, which consist mainly of the accumulated cost of land clearing, planting, fertilizing, up-keeping and maintaining the plantations, and allocations of indirect overhead costs up to the time the plants become commercially productive and available for harvest. Costs also include capitalized borrowing costs and other charges incurred in connection with the financing of the development of immature bearer plants. Immature bearer plants are not depreciated.

Immature bearer plants are reclassified to mature bearer plants when they are commercially productive and available for harvest. In general, an oil palm plantation takes about three to four years to reach maturity from the time of planting the seedlings, while a rubber plantation takes about five to six years to reach maturity. A sugar cane plantation takes about a year to reach maturity and can be harvested for an average of three times after the initial planting.

Mature bearer plants are stated at cost, and are depreciated using the straight-line method over their estimated useful lives of 25 years for oil palm plantations and rubber plantations, and four years for sugar cane plantations. The useful lives and depreciation method are reviewed at each year end and adjusted prospectively, if necessary.

The carrying amounts of bearer plants are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be fully recoverable.

The carrying amount of an item of bearer plants is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising from derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is directly included in profit or loss when the item is derecognized.

Upkeep and maintenance costs are recognized in profit or loss when they are incurred. The cost of major renovation and restoration is included in the carrying amount of the related asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Group, and is depreciated over the remaining useful life of the related asset.

(c) 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 of property, plant and equipment is recognized in the period in which the obligations arise. The obligations are reviewed and adjusted, if appropriate, at least at each financial year end.

(d) Biological assets

The Group's biological assets comprise timber plantations and agricultural produce of the bearer plants, which primarily comprise fresh fruit bunches, oil palm seeds, rubber and sugar cane.

The Group recognizes the fair value of biological assets in accordance with HKAS 41 "Agriculture". Biological assets are stated at fair value less costs to sell. Gains or losses arising on initial recognition of biological assets and from the change in fair value of biological assets at each reporting date are recognized in profit or loss for the period in which they arise.

The Group adopts the income approach to measure the fair value of the biological assets. For the valuation of unharvested produce of oil palm and rubber plantations, the Group has applied the actual harvest data subsequent to the year end to derive the fair value. For the valuation of sugar cane and oil palm seeds, the Group has applied discounted cash flow models to derive the fair value.

For timber plantations, the Group appoints an independent valuer to determine the fair value of timber trees at the year end and any resultant gains or losses arising from the changes in fair values are recognized in profit or loss. The independent valuer adopts the income approach for the valuation of timber trees using a discounted cash flow model.

(e) Associated companies and joint ventures

An associated company is an entity, not being a subsidiary company or a joint venture, in which the Group over whose management is in a position to exercise significant influence, including participation in the financial and operating policy decisions. Generally, significant influence is assumed to exist when the Group has a long-term interest of not less than 20% of the equity voting rights in the entity.

The Group has interests in joint ventures, whereby the Group and the other venturers have contractual arrangements that give them joint controls and rights to the net assets of the arrangement. Joint control is the contractually agreed sharing of control of an arrangement which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

Investments in associated companies and joint ventures are accounted for in the Consolidated Financial Statements under the equity method, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The Group's investments in associated companies and joint ventures include goodwill (net of any accumulated impairment losses) identified on acquisition. The Group's share of its associated companies' and joint ventures' post-acquisition profits and losses is recognized in the consolidated income statement as the Group's share of profits less losses of associated companies and joint ventures, and its share of post-acquisition other comprehensive income is recognized in the Group's consolidated other comprehensive income and when applicable in the consolidated statement of changes in equity. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment.

Unrealized gains and losses resulting from transactions between the Group and its associated companies or joint ventures are eliminated to the extent of the Group's investments in the associated companies or joint ventures, except where unrealized losses provide evidence of an impairment of the assets transferred.

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

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investments in associated companies and joint ventures. At each reporting date, the Group determines whether there is objective evidence that the investment in an associated company or a joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associated company or joint venture and its carrying value, and then recognizes the loss as share of profits less losses of associated companies and joint ventures in the consolidated income statement.

If an investment in an associated company becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, when the Group discontinues the use of the equity method from the date when it ceases to have significant influence over an associated company or joint control over the joint venture, the Group measures at fair value any investment that the Group retains in the former associated company or joint venture. The Group recognizes in the consolidated income statement any difference between (i) the fair value of any retained investment and any proceeds from disposing of part of the interest in the associated company or joint venture and (ii) the carrying amount of the investment at the date when significant influence or joint control is lost.

(f) Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Additions of service concession assets subsequent to business combinations are initially measured at present value of any additional estimated future concession fee payments pursuant to the concession agreements and/or the costs of rehabilitation works incurred or additional constructions. Service concession assets acquired other than through business combinations include capitalized upfront payments and expenditures directly attributable to the acquisition of the service concession. Payments to the governments over the concession period are capitalized at their present value using the incremental borrowing rate determined at inception date and are included as part of the initial recognition of the service concession asset with a corresponding liability recognized as a service concession fee payable. Borrowing cost in relation to service concession assets that are considered as qualifying assets forms part of the cost of the service concession asset. 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 useful 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. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the intangible assets are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The Group's concession assets represent the fair value of concessions of rights granted by governments to charge users for public services provided. The Group's concession assets for the water distribution business are amortized using either the unit of production method or the straight-line method over the term of the concessions. The Group's concession assets for the toll road business are amortized using the unit of production method over the term of the concessions. The Group's concession assets for the rail business are amortized using the straight-line method over the term of the concession. The Group's brands represent the brands for its various milk related products and are amortized using the straight-line method over their estimated useful lives. The Group's customer list and licenses for the wastewater and sewage treatment business are amortized using the straight-line method over their estimated useful lives. The Group's bilateral contracts represent contracts for its supply of electricity to customers and are amortized using the straight-line method. The Group's vesting contract is a commitment to produce a specified quantity of electricity at a specified price, limiting the Group's exposure to volatility in the electricity prices, providing certainty on cost recovery for a portion of the electricity generated. The vesting contract is amortized using the straight-line method. The Group's software is amortized using the straight-line method over its estimated useful life.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, or whenever there is an indication that the intangible asset may be impaired. The assessment of indefinite useful lives is reviewed annually to determine whether the indefinite useful life continues to be supportable. If not, the change in the useful life from indefinite to finite is made on a prospective basis from the date of change. The Group's intangible assets with indefinite useful lives mainly consist of the registered brand name, distribution and customer networks and water licenses of its packaged drinking water business, for which the Group does not expect to incur significant expenses to maintain the future economic benefits that can be generated from these assets.

Intangible assets not yet available for use are tested for impairment annually or more frequently when events or changes in circumstances indicate that the carrying values may be impaired. The intangible assets not yet available for use mainly relate to concession agreements signed with the relevant government authorities as regards to the building and operation of toll roads and rail extension for which constructions have not been completed.

(g) Investment properties

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in the consolidated income statement in the period in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognized in the consolidated income statement in the period of the retirement or disposal.

Transfers are made to (or from) investment properties only when there is a change in use. For a transfer from an investment property to an owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

(h) Fair value measurement

The Group measures its biological assets, investment properties, financial assets classified as FVOCI or FVPL, derivative financial instruments and pension scheme assets at fair value at the end of each reporting period. Fair value is 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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

(i) Impairment of non-financial assets

An assessment is made at the end of each reporting period as to whether there is an indication of impairment of assets including property, plant and equipment, other intangible assets and other non-current 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 or when annual impairment testing for an asset is required, the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's fair value less costs of disposal 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 consolidated 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 an asset 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 consolidated 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.

(j) Cash and cash equivalents, short-term deposits and restricted cash

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use, whereas short-term deposits are highly liquid money market placements with maturities of more than three months but less than one year from the dates of acquisition. Cash restricted as to use represents cash which is restricted from being exchanged or used to settle a liability.

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, are subject to an insignificant risk of changes in value, and have original maturities of three months or less from the dates of acquisition, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

(k) Financial assets

(I) Initial recognition and measurement

(Policies under HKFRS 9 applicable from 1 January 2018)
Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, FVOCI and FVPL.

The classification of financial assets at initial recognition depends on the financial assets' contractual cash flow characteristics and the Group's business model for managing them. With the exception of accounts receivable that do not contain a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at FVPL, transaction costs. Accounts receivable that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Turnover and revenue recognition (applicable from 1 January 2018)" below.

In order for a financial asset to be classified and measured at amortized cost or FVOCI, it needs to give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

All regular way purchases and sales of financial assets are recognized on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

(Policies under HKAS 39 applicable before 1 January 2018)
Financial assets were classified, at initial recognition, as loans and receivables, held-to-maturity investments, financial assets at FVPL, and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. When financial assets were recognized initially, they were measured at fair value plus transaction costs that were attributable to the acquisition of the financial assets, except in the case of financial assets recorded at FVPL.

All regular way purchases and sales of financial assets were recognized on the trade date, that was, the date that the Group committed to purchase or sell the asset. Regular way purchases or sales were purchases or sales of financial assets that required delivery of assets within the period generally established by regulation or convention in the marketplace.

(II) Subsequent measurement

(Policies under HKFRS 9 applicable from 1 January 2018)

The subsequent measurement of financial assets depends on their classification as follows:

(i) Financial assets at amortized cost (debt investments)

The Group measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognized in the consolidated income statement when the asset is derecognized, modified or impaired.

(ii) Financial assets at FVOCI (debt investments)

The Group measures debt investments at FVOCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt investments at FVOCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the consolidated income statement and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in other comprehensive income. Upon derecognition, the cumulative fair value change recognized in other comprehensive income is recycled to the consolidated income statement.

(iii) Financial assets designated at FVOCI (equity investments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at FVOCI when they meet the definition of equity under HKAS 32 “Financial Instruments: Presentation” and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the consolidated income statement. Dividends are recognized as other income in the consolidated income statement when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity investments designated at FVOCI are not subject to impairment assessment.

(iv) Financial assets at FVPL

Financial assets at FVPL include financial assets held for trading, financial assets designated upon initial recognition at FVPL, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVPL, irrespective of the business model. Notwithstanding the criteria for debt investments to be classified at amortized cost or at FVOCI, as described above, debt investments may be designated at FVPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at FVPL are carried in the consolidated statement of financial position at fair value with net changes in fair value recognized in the consolidated income statement.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at FVOCI. Dividends on equity investments classified as financial assets at FVPL are also recognized as other income in the consolidated income statement when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at FVPL. Embedded derivatives are measured at fair value with changes in fair value recognized in the consolidated income statement. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the FVPL category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at FVPL.

(Policies under HKAS 39 applicable before 1 January 2018)

The subsequent measurement of financial assets depended on their classification as follows:

(i) Loans and receivables

Loans and receivables were non-derivative financial assets with fixed or determinable payments that were not quoted in an active market. After initial measurement, such assets were subsequently measured at amortized cost using the effective interest rate method less any allowance for impairment. Amortized cost was calculated by taking into account any discount or premium on acquisition and fees or costs that were an integral part of the effective interest rate. The effective interest rate amortization and the loss arising from impairment were recognized in the consolidated income statement.

(ii) Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity were classified as held to maturity when the Group had the positive intention and ability to hold them to maturity. Held-to-maturity investments were subsequently measured at amortized cost using the effective interest rate method less any allowance for impairment. Amortized cost was calculated by taking into account any discount or premium on acquisition and fees or costs that were an integral part of the effective interest rate. The effective interest rate amortization and the loss arising from impairment were recognized in the consolidated income statement.

(iii) Available-for-sale financial investments

Available-for-sale financial investments were non-derivative financial assets in listed and unlisted equity investments and debt investments. Equity investments classified as available for sale were those which were neither classified as held for trading nor designated as at FVPL. Debt investments in this category were those which were intended to be held for an indefinite period of time and which might be sold in response to needs for liquidity or in response to changes in market conditions.

After initial recognition, available-for-sale financial investments were subsequently measured at fair value, with changes in fair value recognized in other comprehensive income and accumulated in the fair value reserve of available-for-sale assets until the investment was derecognized, except for impairment losses and foreign exchange gains and losses, at which time the cumulative gain or loss was reclassified to the consolidated income statement. Interest and dividends earned whilst holding the available-for-sale financial investments were reported as interest income and dividend income, respectively and were recognized in the consolidated income statement in accordance with the policies set out for "Turnover and revenue recognition (applicable before 1 January 2018)" below.

When the fair value of unlisted equity investments could not be reliably measured because (a) the variability in the range of reasonable fair value estimates was significant for that investment or (b) the probabilities of the various estimates within the range could not be reasonably assessed and used in estimating fair value, such investments were stated at cost less any impairment losses.

The Group evaluated whether the ability and intention to sell its available-for-sale financial assets in the near term were still appropriate. When, in rare circumstances, the Group was unable to trade these financial assets due to inactive markets, the Group might elect to reclassify these financial assets if management had the ability and intention to hold the assets for the foreseeable future or until maturity.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification became its new amortized cost and any previous gain or loss on that asset that had been recognized in equity was amortized to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortized cost and the maturity amount was also amortized over the remaining life of the asset using the effective interest rate. If the asset was subsequently determined to be impaired, then the amount recorded in equity was reclassified to the consolidated income statement.

(iv) Financial assets at FVPL

Financial assets at FVPL included financial assets held for trading and financial assets designated upon initial recognition as at FVPL. Financial assets were classified as held for trading if they were acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, were also classified as held for trading unless they were designated as effective hedging instruments as defined by HKAS 39.

Financial assets at FVPL were carried in the consolidated statement of financial position at fair value with net changes in fair value recognized in the consolidated income statement. The net changes in fair value did not include any dividends or interest earned on these financial assets, which were recognized in accordance with the policies set out for "Turnover and revenue recognition (applicable before 1 January 2018)" below.

Financial assets designated upon initial recognition as at FVPL were designated at the date of initial recognition and only if the criteria in HKAS 39 were satisfied.

Derivatives embedded in host contracts were accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks were not closely related to those of the host contracts and the host contracts were not held for trading or designated as at FVPL. These embedded derivatives were measured at fair value with the net changes in fair value recognized in the consolidated income statement. Reassessment only occurred if there was either a change in the terms of the contract that significantly modified the cash flows that would otherwise be required or a reclassification of a financial asset out of the FVPL category.

(III) Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e. removed from the Group's consolidated statement of financial position) when (i) the rights to receive cash flows from the asset have expired, or (ii) the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either the Group has transferred substantially all the risks and rewards of the asset, or the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

(IV) Impairment

(Policies under HKFRS 9 applicable from 1 January 2018)

The Group recognizes an allowance for ECLs for all debt investments not held at FVPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

(i) General approach

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a "12-month ECL"). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a "lifetime ECL").

At each reporting date, the Group assesses whether the credit risk on a financial asset has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial asset as at the reporting date with the risk of a default occurring on the financial asset as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

For debt investments at FVOCI, the Group applies the low credit risk simplification. At each reporting date, the Group evaluates whether the debt investments are considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the past due status of the debt investments in which the Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group considers a financial asset in default when contractual payments are more than 60 to 180 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Debt investments at FVOCI and financial assets at amortized cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for accounts receivable and contract assets which apply the simplified approach as detailed below:

Stage 1 – Financial assets for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs;

Stage 2 – Financial assets for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs;

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs.

Evidence that a financial asset is credit-impaired includes the following observable events:

- Significant financial difficulties of the debtor;
- A breach of contract, such as a default or delinquency in interest or principal repayments;
- It becoming probable that the borrower will enter into bankruptcy or other financial reorganization;
- Significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or
- The disappearance of an active market for a security because of financial difficulties of the issuer.

(ii) Simplified approach

For accounts receivable and contract assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

(Policies under HKAS 39 applicable before 1 January 2018)

The Group assessed at the end of each reporting period whether there was any objective evidence that a financial asset was impaired. An impairment existed if one or more events that occurred after the initial recognition of the asset had an impact on the estimated future cash flows of the financial asset or the group of financial assets that could be reliably estimated. Evidence of impairment might include indications that a debtor or a group of debtors was experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they would enter bankruptcy or other financial reorganization and observable data indicating that there was a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlated with defaults.

(i) Financial assets carried at amortized cost
For financial assets carried at amortized cost, the Group first assessed whether impairment existed individually for financial assets that were individually significant, or collectively for financial assets that were not individually significant. If the Group determined that no objective evidence of impairment existed for an individually assessed financial asset, whether significant or not, it included the asset in a group of financial assets with similar credit risk characteristics and collectively assessed them for impairment. Assets that were individually assessed for impairment and for which an impairment loss was, or continued to be, recognized were not included in a collective assessment of impairment. If there was objective evidence that an impairment loss had been incurred, the amount of the loss was measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that had not been incurred) discounted at the financial asset's original effective interest rate computed at initial recognition. The carrying amount of the asset was reduced either directly or through the use of an allowance account. Interest income continued to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance were written off when there was no realistic prospect of future recovery and all collateral had been realized or had been transferred to the Group. The amount of the impairment loss was recognized in the consolidated income statement.

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

(ii) Financial assets carried at cost
If there was objective evidence that an impairment loss had been incurred on an unquoted equity instrument that was not carried at fair value because its fair value could not be reliably measured, the amount of the loss was 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 were not reversed.

(iii) Available-for-sale financial assets
If an available-for-sale asset was 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 consolidated income statement, was removed from other comprehensive income and recognized in the consolidated income statement.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. "Significant" was evaluated against the original cost of the investment and "prolonged" against the period in which the fair value had been below its original cost. Where there was evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in the consolidated income statement – was removed from other comprehensive income and recognized in the consolidated income statement. Impairment losses on equity instruments classified as available for sale were not reversed through the consolidated income statement. Increases in their fair value after impairment were recognized directly in other comprehensive income. The determination of what was "significant" or "prolonged" required judgment. In making this judgment, the Group evaluated, among other factors, the extent or duration to which the fair value of an investment was less than its cost.

In the case of debt investments classified as available for sale, impairment was assessed based on the same criteria as financial assets carried at amortized cost. However, the amount recorded for impairment was the cumulative loss measured as the difference between the acquisition cost (net of any principal repayment and amortization) and the current fair value, less any impairment loss on that investment previously recognized in the consolidated income statement. Future interest income continued to be accrued based on the reduced carrying amount of the asset using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income was recorded as part of finance income. Impairment losses on debt investments were reversed through the consolidated income statement if the subsequent increase in fair value of the debt investments could be objectively related to an event occurring after the impairment loss was recognized in the consolidated income statement.

(I) Financial liabilities

(I) Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at FVPL, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. Financial liabilities at FVPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVPL. Financial liabilities are classified as held for trading if they are acquired for the purpose of repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKFRS 9 or HKAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognized initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee.

Financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

(II) Subsequent measurement

After initial recognition, the following financial liabilities are measured at amortized cost using the effective interest method: (i) loans and borrowings, and (ii) payables. 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.

Financial liabilities at FVPL are carried in the consolidated statement of financial position at fair value with net changes in fair value recognized in the consolidated income statement.

(III) Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or canceled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognized in the consolidated income statement.

(m) Derivative instruments and hedge accounting

The Group uses derivative financial instruments such as currency swaps, foreign currency forwards, interest rate swaps, commodity swaps and electricity futures to hedge its risks associated with foreign currency, interest rate and commodity price fluctuations. Such derivative financial instruments are stated at fair value.

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 or an unrecognized firm commitment, (ii) cash flow hedges where they hedge the exposure to variability in cash flows that is attributable to a particular risk associated with all, or a component of a recognized asset or liability, a highly probable forecast transaction, or a foreign currency risk in an unrecognized firm commitment, or (iii) hedges of a net investment in a foreign operation. The Group does not have any fair value hedges and hedges of a net investment in a foreign operation for the years ended 31 December 2018 and 2017.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting, the risk management objective and its strategy for undertaking the hedge.

Before 1 January 2018, the documentation included identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group assessed the hedging instrument's effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges were expected to be highly effective in achieving offsetting changes in fair value or cash flows and were assessed on an ongoing basis to determine that they actually had been highly effective throughout the financial reporting periods for which they were designated.

Starting from 1 January 2018, the documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements: (i) there is "an economic relationship" between the hedged item and the hedging instrument, (ii) the effect of credit risk does not "dominate the value changes" that result from that economic relationship, and (iii) the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

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 in other comprehensive income and the ineffective portion is recognized immediately in the consolidated income statement. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

The amounts accumulated in other comprehensive income are accounted for, depending on the nature of the underlying hedged transaction. If the hedged transaction subsequently results in the recognition of a non-financial item, the amount accumulated in equity is removed from the separate component of equity and included in the initial cost or other carrying amount of the hedged asset or liability. This is not a reclassification adjustment and will not be recognized in other comprehensive income for the period. This also applies where the hedged forecast transaction of a non-financial asset or non-financial liability subsequently becomes a firm commitment to which fair value hedge accounting is applied.

For any other cash flow hedges, the amount accumulated in other comprehensive income is reclassified to the consolidated income statement as a reclassification adjustment in the same period or periods during which the hedged cash flows affect the consolidated income statement.

If cash flow hedge accounting is discontinued, the amount that has been accumulated in other comprehensive income must remain in accumulated other comprehensive income if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to the consolidated income statement as a reclassification adjustment. After the discontinuation, once the hedged cash flows occur, any amount remaining in accumulated other comprehensive income is accounted for depending on the nature of the underlying transaction as described above.

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

(n) 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 labor 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 estimated costs to be incurred to completion and selling expenses. The Group provides allowance for obsolescence and/or decline in market values of inventories based on periodic reviews of the physical conditions and net realizable value.

(o) Provisions, contingent liabilities and assets

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 Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the consolidated income statement net of any reimbursement. 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 finance costs in the consolidated 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.

A contingent liability recognized in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of (i) the amount that would be recognized in accordance with the general guidance for provisions above and (ii) the amount initially recognized less, when appropriate, cumulative amortization recognized in accordance with the general guidance for revenue recognition.

Contingent assets represent assets arising from unplanned or unexpected events that give rise to the possibility of an inflow of economic benefits to the Group. Contingent assets are not recognized in the Group's Consolidated Financial Statements, but are disclosed where an inflow of economic benefits is probable.

(p) 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 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, the carry-forward of unused tax credits and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilized (with limited exceptions). For deferred tax liabilities for the withholding taxes that would be payable on unremitted earnings that are subject to withholding taxes, the Group fully recognizes the amounts for its associated companies and recognizes the amounts to the extent representing the earnings to be distributed as dividends for its subsidiary companies. 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 recovered. 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 recovered.

Deferred tax assets and deferred tax 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.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

(q) Distributions/Dividends

Final distributions/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. Proposed final distributions/dividends are disclosed in the notes to the Consolidated Financial Statements.

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

(r) Turnover and revenue recognition

(Policies applicable from 1 January 2018)
Revenue from contracts with customers is recognized when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognized will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group a significant financial benefit for more than one year, revenue recognized under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

Turnover represents the amounts received and receivable net of discounts, rebates and value-added tax from the sales of goods and electricity, and the rendering of services to third parties, falling within the ordinary activities of the Group's businesses. Turnover is measured by allocating the transaction price including variable considerations to each performance obligation on a relative stand-alone selling price basis and taking into account contractually defined terms of payment. No element of financing is deemed present in the above ordinary activities of the Group's businesses.

(I) Turnover from the sale of goods

Turnover from the sale of goods is recognized at the point in time when control of the goods is transferred to the customer, generally on delivery of the goods. Delivery occurs when the goods have been shipped to the location specified by the customer, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the goods in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

Some contracts for the sale of goods provide customers with rights of return and volume rebates. The rights of return and volume rebates give rise to variable consideration.

(i) Rights of return

For contracts which provide a customer with a right to return the goods within a specified period, the expected value method is used to estimate the goods that will not be returned because this method best predicts the amount of variable consideration to which the Group will be entitled. The requirements in HKFRS 15 on constraining estimates of variable consideration are applied in order to determine the amount of variable consideration that can be included in the transaction price. For goods that are expected to be returned, instead of revenue, a refund liability is recognized. A right-of-return asset (and the corresponding adjustment to cost of sales) is also recognized for the right to recover products from a customer.

(ii) Volume rebates

Retrospective volume rebates may be provided to certain customers once the quantity of products purchased during the period exceeds a threshold specified in the contract. Rebates are offset against amounts payable by the customer. To estimate the variable consideration for the expected future rebates, the most likely amount method is used for contracts with a single-volume threshold and the expected value method for contracts with more than one volume threshold. The selected method that best predicts the amount of variable consideration is primarily driven by the number of volume thresholds contained in the contract. The requirements on constraining estimates of variable consideration are applied and a refund liability for the expected future rebates is recognized.

(II) Turnover from the sale of electricity

Turnover from the sale of electricity is recognized over time upon supply and in the amount the Group has a right to invoice, because the customer simultaneously receives and consumes the benefits provided by the Group.

(III) Turnover from the rendering of services

Turnover from the rendering of services is recognized over time when the said services are rendered. Customers are charged upon the completion of services or on a regular basis that corresponds directly with the value to the customer of the Group's performance to date.

(IV) Dividend income

Dividend income is recognized when the Group's right to receive payment has been established.

(V) Interest income

Interest income is recognized as it accrues, taking into account the principal amount outstanding and the effective interest rate.

(Policies applicable before 1 January 2018)
Turnover represented the amounts received and receivable from the sale of goods and electricity and the rendering of services to third parties, falling within the ordinary activities of the Group's businesses. Turnover from sales was recognized when the risks and rewards of ownership of goods sold had been transferred to the buyer. Turnover from services was recognized when it could be measured reliably by reference to stages of completion for the rendering of the said services. Turnover from the supply of electricity was recognized upon delivery.

Dividend income was recognized when the Group's right to receive payment had been established. Interest income was recognized as it accrued, taking into account the principal amount outstanding and the effective interest rate.

(s) Contract assets and contract liabilities

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional.

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received a consideration (or an amount of consideration that is due) from the customer. If a customer pays the consideration before the Group transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Group performs under the contract.

(t) 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.

The Group's net obligations in respect of defined benefit schemes is calculated by fair value of the pension 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. Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods. Past service costs are recognized in the consolidated income statement at the earlier of the date of (i) when the plan amendment occurs and (ii) when the related restructuring or termination costs are recognized. Interest on net defined benefit obligation is calculated using the discount rate used to measure the pension benefit obligation and recognized in the consolidated income statement.

(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 present value of probable future payments, calculated using the projected unit credit method, 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 values of the share options and awarded shares at the date at which they are granted.

For grants of share options, the total amount to be expensed is determined by reference to the fair value of the options granted by using option-pricing models, which include the impact of market performance conditions but excludes the impact of service conditions and non-market performance conditions. For grants of awarded shares, the total amount to be expensed is determined by reference to the market performance conditions at the grant date, taking into account all non-vesting conditions associated with the grants.

The cost of equity-settled transactions is recognized in employee benefit expenses, together with a corresponding increase in the employee share-based compensation reserve, over the period in which the performance conditions are fulfilled. The cumulative expense recognized for equity-settled transactions at each reporting period end 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.

Upon the exercise of share options, the related amount accumulated in the employee share-based compensation reserve is transferred to share premium. Upon the vesting and transfer to the awardees, the related costs of the awarded shares are credited to shares held for the share award scheme, and the related fair value of the shares is debited to the employee share-based compensation reserve. The difference between the cost and the fair value of the vested awarded shares is credited to retained earnings if the fair value is higher than the cost or debited against retained earnings if the fair value is less than the cost.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected into fair value of an award and lead to an immediate expensing of an award unless there are also services and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognized. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether 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 fair value of the transactions as a result of the modification, as measured at the date of modification. If the modification occurs during the vesting period, the incremental fair value granted is included in the measurement of the amount recognized for services received over the period from the modification date until the date when the modified equity instruments vest, in addition to the amount based on the grant date fair value of the original equity instruments, which is recognized over the remainder of the original vesting period. If the modification occurs after vesting date, the incremental fair value granted is recognized immediately, or over the vesting period if the employee is required to complete an additional period of service before becoming unconditionally entitled to those modified equity instruments.

Where an equity-settled award is canceled, it is treated as if it had vested on the date of cancelation, 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 canceled award, and designated as a replacement award on the date that it is granted, the canceled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

(IV) Cash long-term employee benefits

The Group's long-term incentive plans ("LTIP") grant cash incentives to eligible key employees, which are contingent upon the achievement of approved targets, such as recurring profit/core income over a performance cycle, usually three years, with payments usually made at the end of the performance cycle. Liability under LTIP is determined using the projected unit credit method. Employee benefit costs include current service costs, interest cost, actuarial gains and losses, and past service costs. Past service costs and actuarial gains and losses are recognized immediately in the consolidated income statement when they occur.

(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.

(VI) Termination benefits

Termination benefits are employee benefits provided in exchange for the termination of an employee's employment as a result of either an entity's decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept an offer of benefits in exchange for the termination of employment.

Termination benefits are recognized at the earlier of (i) when the Group can no longer withdraw the offer of those benefits and (ii) when the Group recognizes the related restructuring costs. Initial recognition and subsequent changes to termination benefits are measured in accordance with the nature of the employee benefit, as either post-employment benefits, short-term employee benefits, or other long-term employee benefits.

(VII) Short-term employee benefits

Employee benefits are classified as short-term if the expected timing of settlement is within 12 months after the end of the reporting period.

(u) 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 lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the consolidated income statement on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases are recorded in the consolidated 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 shorter of 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.

(v) Finance costs

Finance costs are interest expense calculated using the effective method 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 finance costs to the extent that they are regarded as an adjustment to interest costs.

Finance costs are expensed in the consolidated income statement in the period 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 (principally the assets classified as property, plant and equipment and concession assets classified as intangible assets for the Group) which necessarily takes a substantial period of time to prepare for its intended use or sale. The capitalization of such borrowing costs ceases when the assets are substantially ready for their intended use or sale.

(w) 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, principally the rupiah, the peso, A$ and S$). The Consolidated Financial Statements are presented in the currency of the United States dollar, which is the Company's functional 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 consolidated 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 measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item.

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognizes the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

(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 other than the United States dollar are translated into the United States dollar as follows:

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

(ii) income and expenses for each consolidated income statement and consolidated statement of comprehensive income presented 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 are taken to equity. When a foreign operation is sold, such exchange differences are recognized in the consolidated 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 rates at the dates of the transactions.

(IV) Consolidated 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 average exchange rates of the year.

(x) Operating 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 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.

(y) Related parties

A related party is considered as a person or an entity that is related to the Group if:

(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;

or

(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 parent, each subsidiary company and each 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);
- (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); or
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly.

(z) Assets and disposal groups held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sales transaction rather than through continuing use. For this to be the case, the assets or disposal groups must be available for immediate sale in their present condition subject only to terms that are usual and customary for the sale of such assets or disposal groups and their sale must be highly probable. All assets and liabilities of a subsidiary company classified as a disposal group are reclassified as held for sale regardless of whether the Group retains a non-controlling interest in its former subsidiary company after the sales.

Assets and disposal groups classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell.

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 accompanying disclosures, and the disclosure of contingent liabilities. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. 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 the most significant effect on the amounts recognized in the Consolidated Financial Statements:

(a) Service concession arrangements

In applying HK(IFRIC)-Int 12 "Service Concession Arrangements" to the service concession arrangements of the Group's water (Maynilad, Philippine Hydro, Inc. ("PHI") and MIBWSC), toll road (NLEX Corporation, CIC, MPCALA, CCLEC and PT Nusantara) and rail (LRMC) businesses, the Group has made judgments that these arrangements qualify for the application of the intangible asset model. The methods of amortization that the Group uses depends on which method best reflects the pattern of consumption of the concession assets. Maynilad, NLEX Corporation, CIC and PT Nusantara use the unit of production method for amortizing water and toll road service concession assets respectively. The Group annually reviews the actual billed volume and the estimated billable water volume, in the case of the water concession, and the actual traffic volume and the expected traffic volume, in the case of the toll concession, based on factors that include market conditions such as population growth and consumption of water/usage of the toll facility, and the status of the Group's projects. It is possible that future results of operations could be materially affected by changes in the Group's estimates brought about by changes in the aforementioned factors.

In applying HKAS 23 to the Group's service concession arrangements undergoing rehabilitation (in the case of the existing LRT-1) and pre/on-going construction (in the case of the construction of the CALAX, Segment 10 of NLEX, the Connector Road, CCLEX and LRT-1 extension) as qualifying assets, the Group capitalizes borrowing costs that are directly attributable to the acquisition or construction of the qualifying asset as part of the cost of that asset using the specific borrowing approach, as the Group uses specific borrowings to finance its qualifying assets. Capitalization of borrowing costs ceases when substantially all the activities necessary to prepare the components of the service concession asset for its intended use are completed. Details of the Group's accounting policy in respect of intangible assets (other than goodwill) are set out in Note 2(D)(f) to the Consolidated Financial Statements.

(b) 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 HKFRS 9. Accordingly, the financial assets and financial liabilities are accounted for in accordance with the Group's accounting policies set out in Note 2(D)(k) to the Consolidated Financial Statements.

(c) Power to exercise significant influence or control

Where the Group holds less than 20% of voting interest in an investee but the Group has the power to exercise significant influence, such an investment is treated as an associated company. See Note 13(D) to the Consolidated Financial Statements for application of the above judgment.

Where the Group holds less than 50% of voting interest in the investee but the Group has the power to exercise control, such an investment is treated as a subsidiary company. See Note 34(B) to the Consolidated Financial Statements for application of the above judgment.

(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) Measurement of fair value of biological assets

The Group recognizes its timber plantations and agricultural produce of bearer plants at fair value less costs to sell, which requires the use of accounting estimates and assumptions.

The Group adopts the income approach to measure the fair value of unharvested produce of bearer plants and timber plantations. The significant assumptions applied to determine the fair value of biological assets included the projected selling prices, production yields, discount rate, inflation rate and exchange rates. For the valuation of unharvested fruit bunches of oil palm, the Group has applied the actual harvest data subsequent to year end and the market selling prices at year end to derive the fair value of unharvested produce of oil palm at year end. For the valuation of sugar cane and timber, the Group has applied discounted cash flow models to derive their fair values.

The amount of changes in fair values would differ if there are changes to the assumptions used. Any changes in fair values of these agricultural produces would affect the Group's consolidated profit or loss and equity. The key assumptions applied in the determination of fair value of biological assets including a sensitivity analysis are disclosed and further explained in Note 12 to the Consolidated Financial Statements.

(c) Purchase price allocation and impairment of non-financial assets

Acquisition accounting requires an 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. Determining the fair value of property, plant and equipment, biological assets, and intangible assets (other than goodwill) at the date of acquisition of business requires the Group to make estimates and assumptions that can materially affect its Consolidated Financial Statements.

Any difference in the purchase price and the fair values of the net identifiable assets acquired is recorded as either goodwill in the consolidated statement of financial position or a gain on bargain purchase in profit or loss. The Group's business acquisitions have resulted in goodwill, which is subject to yearly impairment testing and whenever there is an indication that goodwill may be impaired. The Group also assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Intangible assets with indefinite useful lives and intangible assets that have not yet been brought into use are tested for impairment annually and at other times when such an indicator exists.

Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a CGU exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the CGUs and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

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. Any resulting impairment loss would affect directly the Group's consolidated profit or loss and equity.

(d) Estimating useful lives of brands

The Group estimates the useful lives of the brands for its packaged drinking water and 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.

(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) Provision for expected credit losses on accounts receivable and contract assets

The Group uses a provision matrix to calculate ECLs for accounts receivable and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of the customers' actual default in the future. The information about the ECLs on the Group's accounts receivable and contract assets is disclosed in Note 17 to the Consolidated Financial Statements.

(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 allowances are re-evaluated and adjusted as additional information received affects the amount estimated.

(h) Taxes

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Given the diversity of the Group's businesses and the long-term nature and complexity of existing contractual agreements or the nature of the business itself, changes in differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded.

The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities in which the Group operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences in interpretation may arise for a wide variety of issues depending on the conditions prevailing in the respective domicile or to the operations of the Group.

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 based on the likely timing and level of future taxable profits together with future tax planning strategies. 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.

(i) Provisions

The Group recognizes provisions based on estimates of whether it is probable that an outflow of resources will be required to settle an obligation. Where the final outcome of these matters is different from the amounts that were initially recognized, such differences will impact the financial performance in the period in which such determination is made.

(j) Pension and other retirement benefits

The determination of the Group's obligation, fair value of plan assets 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, future annual salary increases and the average remaining working life of employees. In accordance with the Group's accounting policy for pension obligations, actual results that differ from the Group's assumptions are recognized immediately in other comprehensive income 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.

(k) Employee benefit expenses

HKFRS 2 "Share-based Payment" requires that the Group measures its share options and awarded shares at fair value at the date at which they are granted, which requires the extensive use of 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 the expected volatility and dividend yield and the average risk-free interest rate for share options, and expected dividend payments during the vesting period for share awards. The amount of fair value determined at the date on which the share options and awarded shares are granted would differ if the Group utilized different assumptions. Any changes in fair value of the share options and awarded shares determined at the date on which they are granted would affect directly the Group's consolidated profit or loss in subsequent periods when these fair values are recognized as expenses over the vesting period of the share options and awarded shares.

The cost of cash LTIP is determined using the projected unit credit method based on prevailing discount rates and estimated achievement of recurring profit/core income targets. While management's assumptions are believed to be reasonable and appropriate, significant differences in actual results or changes in assumptions may materially affect the Group's consolidated profit or loss and equity.

4. Turnover and Operating Segmental Information

US$ millions	2018	2017
Turnover		
Sale of goods		
– Consumer Food Products	**5,293.7**	5,407.3
– Infrastructure	**58.2**	49.2
Sale of electricity		
– Infrastructure	**1,241.5**	824.2
Rendering of services		
– Consumer Food Products	**144.3**	83.3
– Infrastructure	**1,004.7**	932.8
Total	**7,742.4**	7,296.8

Performance obligations

Information about the Group's performance obligations is summarized below:

Sale of goods

The performance obligation is satisfied upon delivery of the goods and payment is generally due within 30 to 60 days from delivery for consumer food products and charges are collected when goods are delivered to MPIC's hospital customers. Certain contracts provide customers with cash incentives, rights of return and volume rebates which give rise to variable consideration.

For the year ended 31 December 2018, revenue recognized of US$12.9 million relates to the carried-forward contract liabilities arising from consumer food products business and infrastructure business.

Sale of electricity

The performance obligation is satisfied over time as the customer simultaneously receives and consumes the electricity provided by the Group and payment is generally due within 15 to 30 days from the date of billing for MPIC's power generation customers and 30 days for PLP's customers.

Rendering of services

The performance obligation is satisfied over time as services are rendered and payment is generally due within seven to 60 days from the date of billing for MPIC's water and sewerage service customers, 45 to 60 days from the date of billing for MPIC's bulk water supply customers and charges are collected when services are rendered to MPIC's hospital customers, except for certain corporate customers which are allowed an average of 30 days of credit.

Operating 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 of the Group 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 consumer food products, telecommunications, infrastructure and natural resources. Geographically, the Board of Directors considers that the businesses of the Group are operating in the Indonesia, Philippines, Australasia and Singapore and the turnover information is based on the locations of the customers. Details of the Group's principal investments are provided on pages 259 and 260.

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 biological assets and non-recurring items. Non-recurring items represent certain items, through occurrence or size, which are not considered as usual operating items. The amounts provided to the Board of Directors with respect to total assets and total liabilities are measured in a manner consistent with that of the Consolidated Financial Statements. These assets and liabilities are allocated based on the operations of the segment and the physical location of the assets.

The revenue, results and other information for the years ended 31 December 2018 and 2017, and total assets and total liabilities at 31 December 2018 and 2017 regarding the Group's operating segments are as follows:

By Principal Business Activity – 2018

For the year ended/at 31 December US$ millions	Consumer Food Products	Telecom-munications	Infrastructure	Natural Resources	Head Office	2018 Total
Revenue						
Turnover						
– Point in time	5,293.7	–	58.2	–	–	**5,351.9**
– Over time	144.3	–	2,246.2	–	–	**2,390.5**
Total	5,438.0	–	2,304.4	–	–	**7,742.4**
Results						
Recurring profit	155.6	120.7	114.7	2.9	(104.4)	**289.5**
Assets and Liabilities						
Non-current assets (other than financial instruments and deferred tax assets)						
– Associated companies and joint ventures	631.7	1,136.6	2,896.8	212.2	–	**4,877.3**
– Others	4,185.2	–	6,947.7	–	0.1	**11,133.0**
	4,816.9	1,136.6	9,844.5	212.2	0.1	**16,010.3**
Other assets	2,854.9	–	1,719.6	–	191.8	**4,766.3**
Segment assets	7,671.8	1,136.6	11,564.1	212.2	191.9	**20,776.6**
Assets classified as held for sale	101.1	–	23.8	–	–	**124.9**
Total assets	7,772.9	1,136.6	11,587.9	212.2	191.9	**20,901.5**
Borrowings	2,272.6	–	4,605.5	–	1,639.8	**8,517.9**
Other liabilities	1,259.5	–	2,273.3	–	120.9	**3,653.7**
Segment liabilities	3,532.1	–	6,878.8	–	1,760.7	**12,171.6**
Liabilities directly associated with the assets classified as held for sale	19.5	–	–	–	–	**19.5**
Total liabilities	3,551.6	–	6,878.8	–	1,760.7	**12,191.1**
Other Information						
Depreciation and amortization	(240.1)	–	(222.7)	–	(2.6)	**(465.4)**
Loss on changes in fair value of biological assets	(2.2)	–	–	–	–	**(2.2)**
Impairment losses	(8.8)	–	(31.2)	–	(82.1)	**(122.1)**
Interest income	29.5	–	28.4	–	6.7	**64.6**
Finance costs	(118.7)	–	(223.8)	–	(79.8)	**(422.3)**
Share of profits less losses of associated companies and joint ventures	8.6	94.3	216.3	0.3	–	**319.5**
Taxation	(159.0)	–	(133.3)	–	(0.3)	**(292.6)**
Additions to non-current assets (other than financial instruments and deferred tax assets)	711.2	–	1,125.0	–	0.1	**1,836.3**

By Geographical Market – 2018

For the year ended/at 31 December US$ millions	Indonesia	The Philippines	Australasia	Singapore	Others	2018 Total
Revenue						
Turnover						
– Consumer Food Products	4,670.4	322.0	40.4	51.7	353.5	**5,438.0**
– Infrastructure	21.1	1,554.7	–	728.6	–	**2,304.4**
Total	4,691.5	1,876.7	40.4	780.3	353.5	**7,742.4**
Assets						
Non-current assets (other than financial instruments and deferred tax assets)	3,703.1	10,613.4	539.8	1,107.2	46.8	**16,010.3**

By Principal Business Activity – 2017

For the year ended/at 31 December US$ millions	Consumer Food Products	Telecom-munications	Infrastructure	Natural Resources	Head Office	2017 Total
Revenue						
Turnover	5,490.6	–	1,806.2	–	–	7,296.8
Results						
Recurring profit	175.7	124.8	107.3	12.7	(120.5)	300.0
Assets and Liabilities						
Non-current assets (other than financial instruments and deferred tax assets)						
– Associated companies and joint ventures	651.1	1,163.9	2,969.9	418.3	–	5,203.2
– Others	4,066.6	–	6,392.7	–	11.1	10,470.4
	4,717.7	1,163.9	9,362.6	418.3	11.1	15,673.6
Other assets	2,947.2	–	1,738.1	–	95.6	4,780.9
Total assets	7,664.9	1,163.9	11,100.7	418.3	106.7	20,454.5
Borrowings	2,004.1	–	4,353.1	–	1,612.5	7,969.7
Other liabilities	1,395.5	–	2,213.2	–	133.6	3,742.3
Total liabilities	3,399.6	–	6,566.3	–	1,746.1	11,712.0
Other Information						
Depreciation and amortization	(247.8)	–	(174.8)	–	(8.2)	(430.8)
Gain on changes in fair value of biological assets	2.6	–	–	–	–	2.6
Impairment losses	(38.7)	–	(17.4)	–	(2.6)	(58.7)
Interest income	37.5	–	12.4	–	6.0	55.9
Finance costs	(113.5)	–	(189.3)	–	(83.7)	(386.5)
Share of profits less losses of associated companies and joint ventures	(8.1)	55.7	145.5	10.9	–	204.0
Taxation	(211.1)	–	(100.5)	–	(11.3)	(322.9)
Additions to non-current assets (other than financial instruments and deferred tax assets)	584.6	–	2,606.9	–	0.8	3,192.3

By Geographical Market – 2017

For the year ended/at 31 December US$ millions	Indonesia	The Philippines	Australasia	Singapore	Others	2017 Total
Revenue						
Turnover	4,823.2	1,508.5	12.8	583.3	369.0	7,296.8
Assets						
Non-current assets (other than financial instruments and deferred tax assets)	3,431.0	10,459.5	543.5	1,175.5	64.1	15,673.6

There was no revenue from transactions with a single customer that accounted for 10% or more of the Group's consolidated revenues during the year (2017: None).

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

US$ millions	**2018**	2017
Profit before taxation	**901.3**	884.2
Exclusion of:		
– Foreign exchange and derivative gains, net (Note 8)	**(2.5)**	(34.8)
– Loss/(gain) on changes in fair value of biological assets (Note 6)	**2.2**	(2.6)
– Non-recurring items	**199.5**	271.6
Deduction of attributable taxation and non-controlling interests	**(811.0)**	(818.4)
Recurring Profit	**289.5**	300.0

5. Finance Costs

US$ millions	**2018**	2017
Finance costs on bank loans and other loans	**490.5**	452.4
Less: Finance costs capitalized in		
– Other intangible assets	**(61.0)**	(57.7)
– Property, plant and equipment	**(7.2)**	(8.2)
Total	**422.3**	386.5

The capitalization rate of borrowings costs for 2018 was 18.2% (2017: 20.0%).

6. Profit Before Taxation

US$ millions	Notes	2018	2017
Profit Before Taxation is Stated after (Charging)/Crediting			
Cost of inventories sold		**(2,806.8)**	(2,860.3)
Cost of services rendered		**(1,585.7)**	(1,089.6)
Employees' remuneration		**(816.4)**	(808.5)
Depreciation	11	**(344.0)**	(313.7)
Amortization of other intangible assets(i)	15	**(117.1)**	(107.5)
Impairment losses			
– Associated companies and joint ventures(ii)		**(96.4)**	(11.3)
– Accounts receivable(iii)	17(D)	**(17.4)**	(2.8)
– Inventories(iv)		**(7.5)**	(7.1)
– Goodwill(ii)	14	**(0.8)**	(7.0)
– Other intangible assets(ii)	15	**–**	(27.4)
– Available-for-sale assets(ii)		**–**	(3.1)
Operating lease rentals			
– Land and buildings		**(21.9)**	(18.8)
– Hire of plant and equipment		**(20.8)**	(20.1)
– Others		**(8.9)**	(10.4)
(Provision)/reversal of provision for onerous contracts, net		**(15.7)**	2.8
Foreign exchange and derivative (losses)/gains, net		**(8.4)**	28.7
Auditor's remuneration			
– Audit services		**(4.5)**	(4.1)
– Non-audit services(v)		**(0.6)**	(0.7)
(Loss)/gain on changes in fair value of biological assets	4	**(2.2)**	2.6
Loss on a deemed disposal of an interest in a joint venture		**(2.0)**	–
(Loss)/gain on divestment of an interest in an associated company		**(0.2)**	14.5
Gain on remeasurement of previously held interests in associated companies		**17.8**	27.6
Gain/(loss) on remeasurement of previously held interests in joint ventures, net		**14.8**	(28.2)
Dividend income from financial assets at FVOCI/available-for-sale assets		**6.6**	4.7
Gain on sale of property, plant and equipment		**1.7**	0.6
Preferred share dividend income from a joint venture		**–**	50.4

(i) US$101.2 million (2017: US$81.8 million) included in cost of sales, US$14.2 million (2017: US$23.8 million) included in other operating (expenses)/income, net and US$1.7 million (2017: US$1.9 million) included in administrative expenses
(ii) Included in other operating (expenses)/income, net
(iii) Included in selling and distribution expenses
(iv) Included in cost of sales
(v) Pertained to due diligence, review of continuing connected transactions and other transactions relating to the Group's business development

7. Taxation

No Hong Kong profits tax (2017: Nil) has been provided as the Group had no estimated assessable profits (2017: Nil) arising 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	2018	2017
Subsidiary Companies – Overseas		
Current taxation	**308.7**	305.6
Deferred taxation	**(16.1)**	17.3
Total	**292.6**	322.9

Included within the share of profits less losses of associated companies and joint ventures is taxation of US$94.6 million (2017: US$99.1 million), which is analyzed as follows:

US$ millions	2018	2017
Associated Companies and Joint Ventures – Overseas		
Current taxation	**120.6**	131.2
Deferred taxation	**(26.0)**	(32.1)
Total	**94.6**	99.1

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:

	2018		2017	
US$ millions		%		%
Profit Before Taxation	**901.3**		884.2	
Notional tax on profit before taxation, calculated at the rates applicable to profits in the tax countries concerned	**285.1**	**31.6**	263.3	29.8
Tax effect of:				
– Non-deductible expenses	**64.7**	**7.2**	58.6	6.6
– Income not subject to tax	**(12.9)**	**(1.4)**	(15.9)	(1.8)
– Share of profits less losses of associated companies and joint ventures	**(93.9)**	**(10.4)**	(53.4)	(6.0)
– Others	**49.6**	**5.5**	70.3	7.9
Taxation	**292.6**	**32.5**	322.9	36.5

8. Profit Attributable to Owners of the Parent

The profit attributable to owners of the parent includes US$0.4 million (2017: US$16.4 million) of net foreign exchange and derivative gains, which represent the foreign exchange translation differences on the Group's unhedged foreign currency denominated net assets/liabilities and the changes in the fair values of derivatives, US$0.3 million of loss (2017: US$0.1 million of gain) on changes in fair value of biological assets and US$157.8 million (2017: US$195.6 million) of net non-recurring losses.

Analysis of Foreign Exchange and Derivative (Losses)/Gains, Net

US$ millions	2018	2017
Foreign exchange and derivative (losses)/gains		
– Subsidiary companies	**(8.4)**	28.7
– Associated companies and joint ventures	**10.9**	6.1
Subtotal (Note 4)	**2.5**	34.8
Attributable to taxation and non-controlling interests	**(2.1)**	(18.4)
Total	**0.4**	16.4

The non-recurring losses represent certain items, through occurrence or size, which are not considered as usual operating items. For the year ended 31 December 2018, non-recurring losses of US$157.8 million mainly represent the Group's impairment provisions for assets, including the Group's investment in Philex (US$82.1 million), PLDT's wireless network assets, including accelerated depreciation (US$25.0 million), and Philex's mining assets (US$10.3 million), PLP's provision for onerous contracts (US$11.0 million), Head Office's bond tender and debt refinancing costs (US$10.7 million) and Goodman Fielder's network transformation costs (US$9.3 million).

9. Earnings Per Share Attributable to Owners of the Parent

The calculation of the basic earnings per share is based on the profit for the year attributable to owners of the parent, and the weighted average number of ordinary shares of 4,342.0 million (2017: 4,320.2 million) in issue less the weighted average number of ordinary shares held for a share award scheme of 8.7 million (2017: 9.6 million) during the year.

The calculation of the diluted earnings per share is based on the profit for the year attributable to owners of the parent, adjusted to reflect the dilutive impact in respect of the exercise of share options issued by the Group's subsidiary companies and an associated company and the restricted stock unit plans of a subsidiary company and an associated company, where applicable. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of all dilutive potential ordinary shares into ordinary shares.

The calculations of basic and diluted earnings per share are based on:

US$ millions	2018	2017
Earnings		
Profit attributable to owners of the parent used in the basic earnings per share calculation	**131.8**	120.9
Less: Dilutive impact in respect of the exercise of share options issued by the Group's subsidiary companies	**(0.1)**	(0.1)
Profit attributable to owners of the parent used in the diluted earnings per share calculation	**131.7**	120.8

	Number of shares	
Millions	**2018**	2017
Shares		
Weighted average number of ordinary shares issued during the year	**4,342.0**	4,320.2
Less: Weighted average number of ordinary shares held for a share award scheme	**(8.7)**	(9.6)
Weighted average number of ordinary shares used in the basic earnings per share calculation	**4,333.3**	4,310.6
Add: Dilutive impact of share options and awarded shares on the weighted average number of ordinary shares	**7.5**	0.7
Weighted average number of ordinary shares used in the diluted earnings per share calculation	**4,340.8**	4,311.3

10. Ordinary Share Distribution

	U.S. cents per ordinary share		US$ millions	
	2018	2017	**2018**	2017
Interim	**1.03**	1.03	**44.2**	44.3
Proposed final/final	**0.71**	0.71	**30.6**	30.4
Total	**1.74**	1.74	**74.8**	74.7

The proposed final distribution for the year ended 31 December 2018 is subject to the approval of the Company's shareholders at the forthcoming AGM.

11. Property, Plant and Equipment

US$ millions	Leasehold land under finance leases	Freehold land and buildings	Machinery, equipment and vessels	Bearer plants	Construction in progress	Total
Cost						
At 1 January 2018	440.5	1,164.6	4,366.1	1,080.3	185.9	**7,237.4**
Exchange translation	(29.6)	(62.2)	(222.2)	(70.3)	(12.2)	**(396.5)**
Additions	8.4	72.5	161.2	57.1	126.7	**425.9**
Acquisition of subsidiary companies (Note 34(B))	30.0	90.9	52.7	–	8.0	**181.6**
Disposals	(1.1)	(4.2)	(42.6)	(1.9)	–	**(49.8)**
Reclassification[(i)]	–	66.2	53.8	(3.1)	(119.5)	**(2.6)**
Assets classified as held for sale (Note 24)	–	(73.6)	(144.1)	–	(2.0)	**(219.7)**
At 31 December 2018	448.2	1,254.2	4,224.9	1,062.1	186.9	**7,176.3**
Accumulated Depreciation and Impairment						
At 1 January 2018	23.3	301.9	1,275.4	315.7	–	**1,916.3**
Exchange translation	(1.5)	(10.5)	(70.9)	(20.8)	–	**(103.7)**
Depreciation for the year (Note 6)	4.3	59.3	247.2	33.2	–	**344.0**
Disposals	(0.1)	(0.8)	(36.6)	(0.4)	–	**(37.9)**
Assets classified as held for sale (Note 24)	–	(21.0)	(78.8)	–	–	**(99.8)**
At 31 December 2018	26.0	328.9	1,336.3	327.7	–	**2,018.9**
Net Carrying Amount at 31 December 2018	422.2	925.3	2,888.6	734.4	186.9	**5,157.4**

(i) Reclassification from investment properties to freehold land and buildings and from bearer plants to other non-current assets

US$ millions	Leasehold land under finance leases	Freehold land and buildings	Machinery, equipment and vessels	Bearer plants	Construction in progress	Total
Cost						
At 1 January 2017	255.0	1,071.0	2,984.5	1,039.9	136.4	5,486.8
Exchange translation	(4.1)	2.6	50.6	(9.2)	(1.8)	38.1
Additions	192.1	40.2	172.0	54.8	141.0	600.1
Acquisition of subsidiary companies and a business (Note 34(B))	–	37.9	1,102.6	–	–	1,140.5
Disposals	(2.5)	(0.8)	(17.4)	(1.2)	–	(21.9)
Disposal of subsidiary companies	–	(0.2)	(1.8)	–	–	(2.0)
Reclassification(i)	–	13.9	75.6	(4.0)	(89.7)	(4.2)
At 31 December 2017	440.5	1,164.6	4,366.1	1,080.3	185.9	7,237.4
Accumulated Depreciation and Impairment						
At 1 January 2017	18.9	247.8	1,064.8	284.8	–	1,616.3
Exchange translation	(0.2)	0.1	6.4	(2.7)	–	3.6
Depreciation for the year (Note 6)	4.8	54.5	220.6	33.8	–	313.7
Disposals	(0.2)	(0.5)	(15.1)	(0.2)	–	(16.0)
Disposal of subsidiary companies	–	–	(1.3)	–	–	(1.3)
At 31 December 2017	23.3	301.9	1,275.4	315.7	–	1,916.3
Net Carrying Amount at 31 December 2017	417.2	862.7	3,090.7	764.6	185.9	5,321.1

(i) Reclassification from freehold land and buildings to investment properties and from bearer plants to other non-current assets

Property, plant and equipment with a net carrying amount of US$1,970.4 million (2017: US$2,023.1 million) were pledged as security for certain of the Group's banking facilities (Note 26(E)).

12. Biological Assets

	Timber plantations		Agricultural produce of bearer plants		**Total**	
US$ millions	**2018**	2017	**2018**	2017	**2018**	2017
At 1 January	**23.1**	24.2	**39.8**	34.8	**62.9**	59.0
Exchange translation	**(1.4)**	(0.2)	**(2.5)**	(0.4)	**(3.9)**	(0.6)
Additions	**0.7**	0.3	**14.7**	15.8	**15.4**	16.1
Decreases due to harvest	**(0.1)**	(0.3)	**(13.3)**	(13.9)	**(13.4)**	(14.2)
Gain/(loss) on changes in fair value of biological assets, net	**0.4**	(0.9)	**(2.6)**	3.5	**(2.2)**	2.6
At 31 December	**22.7**	23.1	**36.1**	39.8	**58.8**	62.9
Presented as:						
Non-current Portion	**22.7**	23.1	**–**	–	**22.7**	23.1
Current Portion	**–**	–	**36.1**	39.8	**36.1**	39.8
Total	**22.7**	23.1	**36.1**	39.8	**58.8**	62.9

(A) The Group's biological assets primarily comprise timber plantations and agricultural produce of bearer plants owned by Indofood. For timber plantations, the Group appointed an independent valuer, KJPP Benedictus Darmapuspita dan Rekan, to determine their fair values annually and any resultant gains or losses arising from the changes in fair values are recognized in profit or loss. The independent valuer adopted the income approach for the fair valuation of timber using a discounted cash flow model. The cash flow models estimate the relevant future cash flows which are expected to be generated in the future and discounted to the present value by using a discount rate. For the agricultural produce of bearer plants, which mainly comprise FFB, oil palm seeds, latex and sugar cane, the Group adopted the income approach to measure their fair values. For the valuation of unharvested FFB and rubber, the Group has applied the actual harvest data subsequent to the year end to derive their fair values at year end. For the valuation of oil palm seeds and sugar cane, the Group has applied discounted cash flow models to derive their fair values.

(B) Timber plantations – Key assumptions applied in determining the fair values of the timber plantations are as follows:

(a) Timber trees are available for harvest only once about eight years from initial planting.

(b) The discount rate used represents the asset specific rate for the Group's timber plantation operations which is applied in the discounted future cash flows calculation.

(c) The projected selling price of logs over the projection period are based on the actual domestic price of the produce which is extrapolated based on changes of plywood log price published by the World Bank.

(C) FFB – Key assumptions applied determining the fair values of FFB are as follows:

(a) Estimated volume of subsequent harvest as of the reporting date.

(b) Selling price of FFB based on the market price at the year end.

(D) Sugar cane – Key assumptions applied in determining the fair values of the sugar cane are as follows:

(a) Cane trees are available for annual harvest for 12 months after initial planting, and subsequently up to three more annual harvests.

(b) The discount rate used represents the asset specific rate for the Group's sugar cane produce which is applied in the discounted future cash flows calculation.

(c) The projected selling price of sugar over the projection period is based on the extrapolation of historical selling prices and the forecasted price trend from the World Bank, but not exceeding the highest retail price imposed by the Ministry of Trade of Indonesia.

(E) Oil palm seeds – The Group starts to recognize the fair value of the oil palm seeds in 2018. Key assumptions applied in determining the fair values of the oil palm seeds are as follows:

(a) Estimated volume of six months subsequent harvest as of the reporting date.

(b) The discount rate used represents the asset specific rate for the seed produce which is applied in the discounted future cash flows calculation.

(c) The projected selling price of oil palm seeds over the projection period is based on the extrapolation of historical selling prices.

(F) The fair values of FFB and rubber agricultural produce are determined at Level 2 of the fair value hierarchy based on the applicable market price applied to the estimated volume of the produce, while the Group's timber plantations, sugar cane and oil palm seeds are measured using fair value categorized within Level 3 of the fair value hierarchy. During the year ended 31 December 2018, there were no transfers (2017: None) among Level 1, Level 2 and Level 3 fair value measurements. Key unobservable inputs used in determining the fair value of the Group's timber plantations, sugar cane and oil palm seeds under Level 3 fair value measurements are as follows:

Inputs	Range of Quantitative Inputs	Relationship between the Inputs and the Fair Value
Discount rate	Timber: 12.8% (2017: 12.0%) Sugar cane: 12.6% (2017: 13.5%) Oil palm seeds: 12.5%	An increase/a decrease in the discount rate would result in a decrease/an increase in the fair value of biological assets.
Selling price of processed agricultural produce	Timber: Rupiah 542,053/m³ – Rupiah 2,086,101/m³ (US$37.4/m³ – US$144.1/m³) (2017: Rupiah 489,486/m³ – Rupiah 1,429,571/m³ (US$36.1/m³ – US$105.5/m³)) Sugar cane: Rupiah 634,273/tonne (US$43.8/tonne) (2017: Rupiah 578,370/tonne (US$42.7/tonne)) Oil palm seeds: Rupiah 8,640/piece (US$0.60/piece)	An increase/a decrease in the commodity prices would result in an increase/a decrease in fair value of biological assets.
Average production yield of agricultural produce	Timber: 91m³/hectare (2017: 112m³/hectare) Sugar cane: 63 tonnes/hectare (2017: 65 tonnes/hectare) Oil palm seeds: 1,059 pieces/bunch	An increase/a decrease in production yields would result in an increase/a decrease in the fair value of biological assets.
Exchange rate	Rupiah 14,200/US$1 – Rupiah 15,000/US$1 (2017: Rupiah 13,400/US$1 – Rupiah 13,600/US$1)	A depreciation/an appreciation in the exchange rate of the rupiah against the US$ would result in an increase/a decrease in the fair value of biological assets.
Inflation rate	3.0% – 3.5% (2017: 3.5%)	An increase/a decrease in the inflation rate would result in a decrease/an increase in fair value of biological assets.

(G) The unaudited non-financial measure and output of agricultural produce are as follows:

The Group has timber plantation concession rights of 72,875 hectares (2017: 72,875 hectares) which are valid until 2035 and 2049. The total area of timber plantations as at 31 December 2018 was 16,135 hectares (2017: 16,357 hectares).

The physical quantities of agricultural produce of FFB, oil palm seeds, latex and sugar cane harvested from oil palm plantations, mother palm plantations, rubber plantations and cane plantations, respectively, during the year are as follows:

	Unit of measurement	2018	2017
FFB	Thousand tonnes	**3,375**	3,109
Oil palm seeds	In million	**13.7**	15.5
Latex	Thousand tonnes	**10**	11
Sugar cane	Thousand tonnes	**649**	639

13. Associated Companies and Joint Ventures

US$ millions	Associated companies 2018	2017	Joint ventures 2018	2017	Total 2018	2017
Shares, at cost						
– Listed	**5,077.7**	5,502.2	**–**	–	**5,077.7**	5,502.2
– Unlisted	**477.4**	432.8	**629.0**	631.3	**1,106.4**	1,064.1
Share of post-acquisition reserves (Note 31)	**(1,327.3)**	(1,487.4)	**(27.5)**	(30.9)	**(1,354.8)**	(1,518.3)
Amounts due from associated companies and joint ventures	**38.7**	138.6	**9.3**	16.6	**48.0**	155.2
Total	**4,266.5**	4,586.2	**610.8**	617.0	**4,877.3**	5,203.2

(A) At 31 December 2018 and 2017, both the listed and unlisted investments were located outside Hong Kong.

(B) At 31 December 2018, the aggregate market valuation of listed investments in associated companies was US$5,180.0 million (2017: US$5,498.9 million) based on quoted market prices. The dividends received from associated companies and joint ventures during the year ended 31 December 2018 amounted to US$251.2 million (2017: US$276.6 million).

(C) Additional details of the Group's associated companies, PLDT and Philex, and joint venture, FPW, are set out on pages 259 and 260.

(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 services, 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.

In October 2012, PLDT issued 150 million shares of Voting Preferred Stock with a par value of Peso 1 each to BTF Holdings, Inc. ("BTFHI"), a company wholly-owned by the Board of Trustees for the Account of PLDT's Beneficial Trust Fund, which reduced the voting interest of the Group and its Philippine affiliates in PLDT from approximately 25.6% to approximately 15.1%. Nevertheless, the economic interests of the Group and its Philippine affiliates in PLDT remained at approximately 25.6%. Notwithstanding that the Group and its Philippine affiliates have less than a 20% voting interest in PLDT, the Group and its Philippine affiliates have sufficient representatives in PLDT's current 13-member board of directors to exercise significant influence over the operating and financial policy decisions of PLDT. Therefore, the Group continued to account for PLDT as an associated company after the said transaction.

(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 58 years at the deposit at Padcal (Tuba Benguet Province, Island of Luzons) for producing gold, copper and silver as its main products and owns the deposits at Boyongan and Bayugo (Surigao del Norte, the Northern of Mindanao) (the Silangan Project), which is currently under the exploration stage. 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).

During the year ended 31 December 2018, the Group has recognized an impairment loss of US$82.1 million in respect of its investment in Philex in view of its decline in the share price. Philex is a company listed on the Philippine Stock Exchange and its recoverable amount at the end of the reporting period has been determined based on its value in use (which is higher than its fair value less costs of disposals) by reference to the discounted cash flow calculations using a discount rate of 14.3%.

(F) Meralco was incorporated under the laws of the Philippines in 1903 and was 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 ratemaking regulations and regulatory policies of the Philippine Energy Regulatory Commission.

(G) FPW was incorporated under the laws of Singapore on 27 June 2014, which has become a 50%/50% joint venture owned by the Group and Wilmar since 17 February 2015. FPW's principal investment is a 100% interest in Goodman Fielder, following FPW's acquisition of an additional 99.7% interest in Goodman Fielder on 17 March 2015. Goodman Fielder is primarily engaged in the manufacturing, marketing and distribution of food ingredients and consumer branded food, beverage and related products, including packaged bread and other related goods, dairy products, flour, edible oils and meal components in Australasia.

At 31 December 2018, the loan to FPW Australia of US$406.7 million (2017: US$413.7 million) was unsecured, interest-free and unlikely to be repaid in the forseeable future and hence considered as part of the investment cost.

(H) At 31 December 2018, amounts due from associated companies and joint ventures represented advances to associated companies and joint ventures (2017: the Group's investment in SMECI's notes of US$100.9 million and advances to associated companies and joint ventures of US$54.3 million). The advances to associated companies and joint ventures are unsecured, interest-free and had no fixed terms of repayment. The SMECI's notes were reclassified as financial assets at FVOCI upon initial application of HKFRS 9 at 1 January 2018 (Note 2(B)).

(I) At 31 December 2018, the Group's share of its major joint venture's own contracted capital commitments amounted to US$5.3 million (2017: US$13.1 million), which principally related to the purchase of property, plant and equipment by Goodman Fielder.

(J) The Group's associated companies and joint ventures are involved in certain legal, contractual and regulatory matters arising from the ordinary course of business. The management of the associated companies and joint ventures, together with their legal counsels, reassess these matters regularly to consider any new relevant information and estimates.

(K) Additional financial information under HKFRSs in respect of the Group's major associated companies, PLDT, Philex and Meralco, is set out below.

	PLDT		**Philex**		**Meralco**	
For the year ended/at 31 December US$ millions	**2018**	2017	**2018**	2017	**2018**	2017
Statements of Comprehensive Income						
Turnover	**3,126.8**	3,174.4	**145.0**	212.8	**5,778.2**	5,608.5
Profit for the year	**360.1**	267.3	**11.5**	35.6	**438.5**	406.9
Other comprehensive (loss)/income	**(26.7)**	39.8	**2.3**	1.4	**9.1**	(16.8)
Total Comprehensive Income	**333.4**	307.1	**13.8**	37.0	**447.6**	390.1
Dividends Received	**67.2**	83.1	**3.3**	3.6	**130.1**	122.2
Statements of Financial Position						
Current assets	**1,914.3**	1,816.6	**84.2**	125.5	**2,193.7**	1,971.4
Non-current assets	**7,266.9**	7,381.5	**689.6**	669.2	**4,201.4**	4,104.2
Current liabilities	**(3,664.2)**	(3,366.5)	**(129.5)**	(97.3)	**(2,197.0)**	(2,119.7)
Non-current liabilities	**(3,298.2)**	(3,608.5)	**(193.9)**	(202.1)	**(2,621.7)**	(2,565.3)
Non-controlling interests	**(81.9)**	(3.5)	**–**	–	**(16.1)**	(16.5)
Net Assets	**2,136.9**	2,219.6	**450.4**	495.3	**1,560.3**	1,374.1

Reconciliation to Carrying Amounts of the Group's Interests in the Major Associated Companies

	PLDT		Philex		Meralco	
At 31 December US$ millions	**2018**	2017	**2018**	2017	**2018**	2017
Net assets	**2,136.9**	2,219.6	**450.4**	495.3	**1,560.3**	1,374.1
Economic interest	**25.6%**	25.6%	**46.2%**	46.2%	**45.5%**	45.5%
Group's share of net assets	**547.0**	568.2	**208.1**	228.8	**709.9**	625.2
Purchase price allocation and other adjustments	**589.6**	595.7	**4.1**	88.6	**1,690.4**	1,827.0
Carrying Amount of the Investment	**1,136.6**	1,163.9	**212.2**	317.4	**2,400.3**	2,452.2
Quoted Fair Value of the Investment	**1,182.0**	1,637.5	**134.1**	276.9	**3,703.3**	3,375.0

(L) Additional financial information under HKFRSs in respect of the Group's major joint venture, FPW, is set out below.

For the year ended/at 31 December US$ millions	**2018**	2017
Statements of Comprehensive Income		
Turnover	**1,608.0**	1,623.7
Profit/(loss) for the year	**16.9**	(7.4)
Other comprehensive income/(loss)	**15.5**	(9.8)
Total Comprehensive Income/(Loss)	**32.4**	(17.2)
Statements of Financial Position		
Current assets	**477.7**	389.0
Non-current assets	**1,471.3**	1,538.8
Current liabilities	**(1,174.4)**	(1,485.7)
Non-current liabilities	**(575.7)**	(264.6)
Non-controlling interests	**(8.2)**	(7.8)
Net Assets	**190.7**	169.7
Additional Information for Amounts Included in the Above Line Items		
Interest income	**0.5**	0.2
Depreciation and amortization	**(44.3)**	(46.0)
Finance costs	**(28.5)**	(25.3)
Taxation	**(9.1)**	(19.2)
Cash and cash equivalents and short-term deposits	**193.4**	110.2
Current financial liabilities, excluding accounts and other payables and provisions	**(911.6)**	(1,240.6)
Non-current financial liabilities, excluding accounts and other payables and provisions	**(530.2)**	(222.9)

Reconciliation to Carrying Amount of the Group's Interest in the Major Joint Venture

At 31 December US$ millions	**2018**	2017
Net assets	**190.7**	169.7
Economic interest	**50.0%**	50.0%
Group's share of net assets	**95.4**	84.9
Purchase price allocation and other adjustments	**37.7**	44.9
Carrying amount of the investment	**133.1**	129.8
Loan to FPW Australia	**406.7**	413.7
Total	**539.8**	543.5

(M) Aggregate financial information of the Group's share of the amounts of its associated companies and joint ventures that are not individually material is set out below.

	Associated companies		Joint ventures	
For the year ended 31 December US$ millions	**2018**	2017	**2018**	2017
Share of profit/(loss) for the year	**13.7**	17.0	**(0.3)**	9.5
Share of other comprehensive income/(loss)	**5.0**	3.7	**(0.1)**	(9.9)
Share of Total Comprehensive Income/(Loss)	**18.7**	20.7	**(0.4)**	(0.4)
Aggregate carrying amount of the Group's investments	**478.7**	514.1	**61.7**	56.9
Amounts due from associated companies and joint ventures	**38.7**	138.6	**9.3**	16.6
Aggregate Carrying Amount of the Group's Investments	**517.4**	652.7	**71.0**	73.5

14. Goodwill

US$ millions		**2018**	2017
Cost			
At 1 January		**1,183.2**	1,071.9
Exchange translation		**(56.9)**	17.5
Acquisition of subsidiary companies and a business (Note 34(B))		**71.4**	76.2
Other movements		**0.2**	17.6
At 31 December		**1,197.9**	1,183.2
Accumulated Impairment			
At 1 January		**88.1**	75.6
Exchange translation		**(2.5)**	5.5
Impairment during the year (Note 6)		**0.8**	7.0
At 31 December		**86.4**	88.1
Net Carrying Amount at 31 December		**1,111.5**	1,095.1
Attributable to the Businesses of:			
Indofood	– Plantations	**224.6**	240.1
	– Dairy	**110.7**	118.3
MPIC	– Water distribution	**93.2**	101.2
	– Toll roads	**294.0**	276.9
FPM Power	– Power	**212.0**	216.2
Others		**177.0**	142.4
Total		**1,111.5**	1,095.1

(A) Goodwill is allocated to the Group's CGUs identified according to the reportable segments. Goodwill at 31 December 2018 and 2017 mainly related to (a) Indofood's businesses (principally plantations and dairy) which contributed to the Group's consumer food products business segment located in Indonesia, (b) MPIC's businesses (principally water distribution, power, wastewater and sewage treatment and toll roads) which contributed to the Group's infrastructure business segment located in the Philippines and Indonesia and (c) FPM Power's power business, through the electricity generation and sales business conducted by its subsidiary company, PLP, which contributed to the Group's infrastructure business segment located in Singapore.

(B) In assessing the impairment for goodwill, the Group compares the carrying amounts of the CGUs to which goodwill has been allocated against their recoverable amounts (the higher of the CGUs' fair value less costs of disposal and their value in use). The recoverable amounts of Indofood's, MPIC's and PLP's businesses have been determined based on value-in-use calculations, using cash flow projections covering periods from 5 years (for established plantations and the dairy companies) up to 10 years (for the plantation estates in early development stage) (2017: 5 years (for established plantations and the dairy companies) to 10 years (for the plantation estates in early development stage)) for Indofood's businesses, 17 to 18 years (2017: 18 to 19 years) of the remaining concession lives for MPIC's water distribution business, 10 to 30 years (2017: 20 to 36 years) of the remaining concession lives for MPIC's toll road business and a period of 7 years (2017: 8 years) for PLP's power business. The discount rates applied to cash flow projections range from 8.2% to 16.2% (2017: 7.5% to 17.8%) for Indofood's businesses, 13.5% to 16.1% (2017: 11.4% to 14.3%) for MPIC's water distribution business, 13.4% to 19.0% (2017: 11.5% to 12.4%) for MPIC's toll road business and 8.6% (2017: 8.0%) for PLP's power business. The discount rates used are pre-tax and reflect specific risks relating to the relevant businesses.

In the assessment of the recoverable amount of Indofood's plantation businesses, the projected prices of CPO are based on the World Bank forecast for the projection period; 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; the sugar prices 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; and, the projected selling price of logs over the projection period are based on actual domestic price of produce which is extrapolated based on changes of plywood log price published by World Bank. The forecasted periods for Indofood's plantation businesses in an early development stage are more than five years as the plantations mainly comprising oil palm plantations are either in an immature stage or early state of maturity and will only reach maturity in the fourth year. The cash flows beyond the projection periods are extrapolated using an estimated terminal growth rate of 5.2% (2017: 5.4%) which does not exceed the long-term average growth rate of the industry in Indonesia where the businesses operate.

In the assessment of the recoverable amount of Indofood's dairy businesses, their values 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 conditions that will exist over the forecast period. The cash flows beyond the projection periods are extrapolated using an estimated terminal growth rate of 5.0% (2017: 5.0%) which does not exceed the long-term average growth rate of the industry in Indonesia where the businesses operate.

In the assessment of the recoverable amount of MPIC's water distribution and toll road businesses, their values 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 conditions that will exist over the forecast period. The forecasted periods for MPIC's water distribution and toll road businesses are more than five years as management can reliably estimate the cash flows for their entire concession periods. The cash flows during the projection periods are derived using estimated average growth rates ranging from 2.0% to 2.7% (2017: 1.4% to 2.7%) for the water distribution business and from 2.4% to 15.2% (2017: 1.9% to 9.6%) for the toll road business, which do not exceed the long-term average growth rates of the industries in the Philippines and Indonesia where the businesses operate.

In the assessment of the recoverable amount of PLP's power business, its value in use was calculated based on its cash flow projections as per the most recent financial budget and forecast, which management believes are reasonable and are management's best estimates of the ranges of economic conditions that will exist over the forecast period. The forecasted period is more than five years to reflect the impacts upon the expiry of a vesting contract and a long-term gas supply agreement. The cash flows beyond the projection periods are extrapolated using an estimated growth rate of 2.0% (2017: 2.3%) which does not exceed the long-term average growth rate of the industry in Singapore where the business operates.

Changes to the assumptions used by management to determine the recoverable amounts, in particular the discount and growth rates, can have a 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 amounts of the goodwill for each of the CGUs to materially exceed the recoverable amounts.

During the year ended 31 December 2018, the Group recognized an impairment loss of US$0.8 million relating to the goodwill arising from the water distribution business as the recoverable amount was lower than the carrying amount.

During the year ended 31 December 2017, the Group recognized an impairment loss of US$7.0 million principally relating to the goodwill arising from the logistics business acquired in 2016 as the recoverable amount was lower than the carrying amount.

15. Other Intangible Assets

US$ millions	Concession assets – Water distribution	Concession assets – Toll roads	Concession assets – Rail	Brands – Dairy	Brands, networks and licenses – Packaged drinking water	Customer list and licenses – Wastewater and sewage treatment	Vesting and bilateral contracts – Power	Software and others	**Total**
Cost									
At 1 January 2018	2,304.8	1,473.3	185.3	298.7	67.8	11.2	84.5	17.4	**4,443.0**
Acquisition of subsidiary companies (Note 34(B))	8.0	221.3	–	–	32.0	–	–	15.4	**276.7**
Additions	240.1	179.7	131.9	–	–	–	–	2.1	**553.8**
Exchange translation	(115.7)	(77.4)	(9.0)	(19.2)	(6.1)	(0.4)	(3.8)	(0.7)	**(232.3)**
At 31 December 2018	2,437.2	1,796.9	308.2	279.5	93.7	10.8	80.7	34.2	**5,041.2**
Accumulated Amortization and Impairment									
At 1 January 2018	448.8	134.2	–	141.5	39.3	1.2	8.1	10.5	**783.6**
Charge for the year (Note 6)	61.8	23.4	–	14.2	–	0.5	14.6	2.6	**117.1**
Exchange translation	(22.5)	(6.7)	–	(9.4)	(2.6)	(0.4)	(0.2)	(0.2)	**(42.0)**
At 31 December 2018	488.1	150.9	–	146.3	36.7	1.3	22.5	12.9	**858.7**
Net Carrying Amount at 31 December 2018	1,949.1	1,646.0	308.2	133.2	57.0	9.5	58.2	21.3	**4,182.5**

US$ millions	Concession assets – Water distribution	Concession assets – Toll roads	Concession assets – Rail	Brands – Dairy	Brands and networks – Packaged drinking water	Customer list and licenses – Wastewater and sewage treatment	Vesting and bilateral contracts – Power	Software and others	Total
Cost									
At 1 January 2017	2,059.0	1,390.2	129.2	290.2	68.4	22.5	15.0	15.2	3,989.7
Acquisition of a subsidiary company and a business (Note 34(B))	–	–	–	–	–	–	67.5	0.8	68.3
Additions	252.2	88.1	56.1	11.0	–	–	–	1.2	408.6
Other movement	–	–	–	–	–	(11.1)	–	–	(11.1)
Exchange translation	(6.4)	(5.0)	–	(2.5)	(0.6)	(0.2)	2.0	0.2	(12.5)
At 31 December 2017	2,304.8	1,473.3	185.3	298.7	67.8	11.2	84.5	17.4	4,443.0
Accumulated Amortization and Impairment									
At 1 January 2017	392.5	114.3	–	119.0	12.4	0.6	4.4	7.8	651.0
Charge for the year (Note 6)	57.4	20.2	–	23.8	–	0.6	3.2	2.3	107.5
Impairment during the year (Note 6)	–	–	–	–	27.4	–	–	–	27.4
Exchange translation	(1.1)	(0.3)	–	(1.3)	(0.5)	–	0.5	0.4	(2.3)
At 31 December 2017	448.8	134.2	–	141.5	39.3	1.2	8.1	10.5	783.6
Net Carrying Amount at 31 December 2017	1,856.0	1,339.1	185.3	157.2	28.5	10.0	76.4	6.9	3,659.4

(A) Concession assets – Water distribution represents the exclusive right granted to Maynilad, PHI, MIBWSC and PT Sarana Catur Tirta Kelola ("PT SCTK") to provide water distribution, sewerage services and water production and charge users for these services during its concession period.

Additions to the concession assets for water distribution include costs of rehabilitation, construction costs, concession fees paid and payable for expansion projects and capitalized borrowing costs.

(a) Maynilad

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 titles to all property, plant and equipment contributed to the existing MWSS system by Maynilad during the concession period remain 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 services on concession fees and Maynilad loans incurred to finance such expenditure.

In October 2013, Maynilad disagreed with the rate rebasing adjustments proposed by MWSS for the fourth rate rebasing period from 2013 to 2017 and exercised its right under the concession agreement to file a notice of dispute with the Secretariat of the International Court of Arbitration in the Philippines for an arbitration. In December 2013, MWSS released a resolution regarding the implementation of a status quo for Maynilad's tariff rates until a final resolution of this issue is reached. On 29 December 2014, the Appeals Panel of the International Court of Arbitration in the Philippines upheld the alternative rebasing adjustment of Maynilad regarding its tariff dispute with MWSS. This would, if implemented immediately, result in a 9.8% increase in the 2013 average basic water charge of Pesos 31.28/cubic meter. However, MWSS refused to implement the final award notwithstanding Maynilad's repeated written demands for implementation.

Following the inaction of the Philippine government represented by the Department of Finance ("DOF") in response to Maynilad's request to compel MWSS to implement the final award, Maynilad, on 27 March 2015 served a notice of arbitration and statement of claim upon the Philippine government and demanded the Philippine government's failure or refusal to pay it the demanded revenue losses that it had sustained as a direct result of MWSS's refusal to implement its current rebasing adjustment to be referred to arbitration before a three-member panel appointed and conducting proceedings in Singapore. The Arbitral Tribunal ("Tribunal") panel was constituted in 2015. Evidentiary hearings were completed in December 2016. Maynilad and MWSS filed their respective memorials and counter-memorials on 31 January 2017 and 20 February 2017, respectively. On 24 July 2017, the Tribunal in Singapore unanimously upheld Maynilad's claim for compensation for the delayed implementation of its tariff increases. The Tribunal ordered the Philippine government to reimburse Maynilad the amount of Pesos 3.4 billion (US$64.7 million) (subsequently adjusted to Pesos 3.2 billion (US$60.9 million)) for losses from 11 March 2015 to 31 August 2016, without prejudice to any rights that Maynilad may have to seek recourse against the MWSS for losses incurred from 1 January 2013 to 10 March 2015. Further, the Tribunal ruled that Maynilad is entitled to recover from the Philippine government its losses from 1 September 2016 onwards. In case a disagreement on the amount of such losses arises, Maynilad may revert to the Tribunal for further determination. On 9 February 2018, the Philippine government filed an application with The High Court of Singapore to set aside the arbitration award issued on 24 July 2017 (the "Setting Aside Application"). On 4 September 2018, immediately following the conclusion of the hearings before The High Court of Singapore, the presiding Justice dismissed the Philippine government's Setting Aside Application. The Philippine government did not appeal the decision to The Court of Appeal of Singapore within the prescribed 30-day period and so, the dismissal of the Setting Aside Application became final on 4 October 2018. Despite the dismissal of the Philippine government's Setting Aside Application, the financial effect of Maynilad's win in this arbitration will be subject to the outcome of Maynilad's discussion with the Philippine government with respect to the implementation of the arbitration award and hence cannot be determined yet.

On 13 September 2018, MWSS granted Maynilad a partial rate adjustment of Pesos 5.73/cubic meter for the fifth rate rebasing period from 2018 to 2022, which would be implemented on an uneven staggered basis of (i) Peso 0.90/cubic meter effective from 1 October 2018, (ii) Pesos 1.95/cubic meter effective from 1 January 2020, (iii) Pesos 1.95/cubic meter effective from 1 January 2021, and (iv) Peso 0.93/cubic meter effective from 1 January 2022. The approved rate adjustment still does not include the corporate income tax ("CIT") component to which Maynilad is entitled. To preserve its right to the CIT, Maynilad filed a notice of dispute on 12 October 2018, signaling the start of another arbitration. As at the date of these financial statements, the result of this arbitration was still pending.

(b) PHI

In August 2012, Maynilad acquired a 100% interest in PHI, which engages in the water distribution business in central and southern Luzon. PHI is granted the sole right to distribute water in these areas under certain concession agreements granted by the Philippine government for 25 years to 2035.

(c) MIBWSC

On 4 July 2016, pursuant to a joint venture agreement between MetroPac Iloilo Holdings Corporation, a wholly-owned subsidiary of MPW, and MIWD of the Philippines, created and established MIBWSC, to implement a 170 MLD Bulk Water Supply Project ("BWS Project"). The BWS Project covers (i) the rehabilitation and upgrading of MIWD's existing 55 MLD water facilities, (ii) the expansion and construction of new water facilities to increase production to up to 115 MLD and (iii) delivery of contracted water demand to MIWD in accordance with the bulk water supply agreement. The BWS Project covers an initial 25-year period and shall be extended for an additional 25 years counted from the date of completion of the agreed upon expansion obligation, but in no event shall exceed an aggregate of 50 years. MIWD retains ownership of the existing facilities subject to the right of MIBWSC to access and use. MIBWSC in turn retains ownership of the new facilities but is required to handback the BWS Project, including transfer of the full ownership of the new facilities, at the end of the concession period. On 5 July 2016, MIBWSC officially took over operations from the MIWD.

(d) PT SCTK

In July 2018, MPTC acquired an additional 5.1% interest in PT Nusantara and had started consolidation of PT Nusantara since then (Note 34(B)). PT SCTK, a subsidiary company of PT Nusantara, was granted by the Indonesian government rights to treat and distribute clean water in the Serang District, Banten in Indonesia by (i) operating the existing water treatment plant with capacity of 9 MLD for a 30-year concession period from 1996 to 2026 and (ii) building and operating two new water treatment plants with capacity of 15 MLD and 9 MLD, respectively, for a 25-year concession period from 2014 to 2039.

(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 (a) NLEX Corporation in respect of the NLEX, SCTEX and Connector Road, (b) CIC in respect of CAVITEX, (c) MPCALA in respect of CALAX, (d) CCLEC in respect of CCLEX, (e) PT Jalan Tol Seksi Empat ("PT JTSE") in respect of Makassar Section IV Toll Road, (f) PT Bosowa Marga Nusantara ("PT BMN") in respect of Ujung Pandang Section I and II Toll Road, and (g) PT Bintaro Serpong Damai ("PT BSD") in respect of Pondok Aren – Serpong Toll Road during their concession periods.

Additions to the concession assets for toll roads include payments for both ongoing construction costs, preconstruction costs for various toll road projects and concession fees paid and payable for new projects.

(a) NLEX Corporation's NLEX

In August 1995, First Philippine Infrastructure Development Corporation ("FPIDC"), the parent company of NLEX Corporation, 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 NLEX Corporation, 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 through the TRB as the grantor, PNCC as the franchisee and NLEX Corporation 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 NLEX Corporation as approved by the President of the Philippines and granted NLEX Corporation 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 on which 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, NLEX Corporation 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, NLEX Corporation 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.

(b) NLEX Corporation's SCTEX

On 9 February 2015, NLEX Corporation received a notice of award from the Philippine Bases Conversion and Development Authority ("BCDA") for the management, operation and maintenance of the 94-kilometer SCTEX subject to compliance with specific conditions. The notice of award was issued by the BCDA following the results of the price challenge held on 30 January 2015. On 26 February 2015, NLEX Corporation and the BCDA entered into a business agreement involving the assignment of the BCDA's rights and obligations relating to the management, operation and maintenance of SCTEX as provided in the SCTEX concession ("Toll Operation Agreement" or "TOA"). The assignment includes the exclusive right to use the SCTEX toll road facilities and the right to collect toll until 30 October 2043. On 22 May 2015, the Supplementary Toll Operation Agreement was executed by and among the Philippine government and the BCDA and NLEX Corporation. At the end of the contract term, the SCTEX, as well as the as-built plans, specification and operation/repair/maintenance manuals relating to the same shall be turned over to the BCDA or its successor-in-interest. At a consideration of Pesos 3.5 billion (US$76.7 million) upfront cash payment, the operation and management of the SCTEX was officially turned over to NLEX Corporation on 27 October 2015. MNTC shall also pay the BCDA monthly concession fees amounting to 50% of the audited gross toll revenues of SCTEX for the relevant month from the effective date of 27 October 2015 to 30 October 2043.

(c) NLEX Corporation's Connector Road

On 23 November 2016, NLEX Corporation and the Philippine government acting through the Department of Public Works and Highways ("DPWH") signed a concession agreement for the design, financing, construction, operation and maintenance of the Connector Road. The Connector Road is a four lane toll expressway structure with a length of eight kilometers all passing through and above the right of way of the Philippine National Railways starting NLEX Segment 10 in C3 Road Caloocan City and seamlessly connecting to SLEX through the Metro Manila Skyway Stage 3 Project. The concession period shall commence on the commencement date of its construction, and shall end on its thirty-seventh anniversary, unless otherwise extended or terminated in accordance with the concession agreement. The Connector Road Project, with an estimated project cost of Pesos 23.3 billion (US$443.1million), is expected to commence construction in 2019 and to complete by 2021.

Under the concession agreement, NLEX Corporation will pay the DPWH periodic payments as consideration for the grant of the right of way for the project.

(d) CIC's CAVITEX
Pursuant to a toll operation agreement and an operations and maintenance agreement which CIC signed in November 1996 with the Philippine Reclamation Authority and the TRB of the Philippines, CIC was responsible for the design, financing, construction and supervision of the operation and maintenance of CAVITEX. The concession for CAVITEX extends to 2033 for the originally built road and to 2046 for a subsequent extension. Upon expiry of the concession period, CIC shall hand over the project roads to the Philippine government.

(e) MPCALA's CALAX
On 10 July 2015, MPCALA signed a concession agreement for the CALAX Project with DPWH of the Philippines. Under the concession agreement, MPCALA is granted the concession to design, finance, construct, operate and maintain the CALAX, including the right to collect toll fees, over a 35-year concession period. The CALAX is a closed-system tolled expressway connecting the CAVITEX and the SLEX. The CALAX Project was awarded to MPCALA following a competitive public bidding process where MPCALA was declared as the highest complying bidder with its offer to pay the Philippine government concession fees amounting Pesos 27.3 billion (US$519.2 million) over nine years. On 3 July 2017, MPCALA commenced the construction works for the project which are expected to be completed and fully operational by 2022.

(f) CCLEC's CCLEX
On 3 October 2016, CCLEC, the Cebu City and Municipality of Cordova (as the grantors) signed the concession agreement for the CCLEX. CCLEX consists of the main alignment starting from the Cebu South Coastal Road and ending at the Mactan Circumferential Road, inclusive of interchange ramps aligning the Guadalupe River, the main span bridge, approaches, viaducts, causeways, low-height bridges, at-grade road, toll plazas and toll operations center.

Under the concession agreement, CCLEC is granted the concession to design, finance, construct, operate and maintain the CCLEX, including the right to collect toll fees over a 35-year concession period (including construction period). CCLEX is estimated to cost Pesos 26.6 billion (US$505.9 million). No upfront payments or concession fees are to be paid but the grantors shall share 2% of the project's revenue.

On 4 July 2018, CCLEC commenced the construction works for the project which are expected to be completed by 2021.

(g) PT JTSE's Makassar Section IV Toll Road
In May 2006, PT JTSE, a subsidiary company of PT Nusantara, entered into a toll road concession agreement with the Department of Public Works of Indonesia ("DPU") as the concessionaire of Makassar Section IV Toll Road. Under the concession agreement, DPU appointed and assigned PT JTSE to develop and to operate the toll road on behalf of the Indonesian government and to conduct toll road management at its own risk and cost for a concession period of 35 years including the construction period to 2041. PT JTSE has started to operate the toll road since 2008. During the operational period, PT JTSE has to maintain and to provide insurance coverage to the toll road. Moreover, during the concession period, the subsidiary companies of PT JTSE were entitled to place an advertisement, utilities and/or utilities building in the toll road area. At the expiry of the concession period, PT JTSE should hand over the toll road to The Toll Road Authority of Indonesia ("BPJT") of DPU.

(h) PT BMN's Ujung Pandang Section I and II Toll Road
On 31 August 2010, PT BMN, a subsidiary company of PT Nusantara, entered into a toll road concession agreement with BPJT of DPU. Under the concession agreement, BPJT appointed and granted PT BMN rights to operate Ujung Pandang Section I and II Toll Road with a concession period until 12 April 2028. On 23 October 2017, PT BMN obtained Minister Decree from DPU, which granted an amendment for the toll road concession plans for Ujung Pandang Section I and II with a concession period until 12 April 2043.

(i) PT BSD's Pondok Aren – Serpong Toll Road
On 31 August 2010, PT BSD, a subsidiary company of PT Nusantara, entered into a toll road concession agreement with BPJT of DPU. Under the concession agreement, BPJT appointed and granted PT BSD rights to operate Pondok Aren – Serpong Toll Road with a concession period until 1 October 2028.

NLEX Corporation and CIC derive substantially all of their revenues from toll collections from the users of the toll roads. The concession agreements establish toll rate formulas and adjustment procedures for setting the appropriate toll rates. Subject to the TRB of the Philippines validating the calculation of the toll rate adjustments in accordance with the formulas, toll rate adjustments for NLEX, SCTEX and CAVITEX are scheduled periodically.

As at the date of these financial statements, the Philippine government has not yet implemented the toll rate adjustments for NLEX Corporation and CIC in respect of CAVITEX, NLEX and SCTEX, which should have been effective from 1 January 2012, 1 January 2015 and 1 January 2017 for CAVITEX's originally built road, 1 January 2014 and 1 January 2017 for CAVITEX's extension, 1 January 2017 and 1 January 2019 for NLEX and 1 January 2017 for SCTEX.

In April 2016, NLEX Corporation and CIC each issued a notice of arbitration and statement of claim to the Philippine government, through the TRB, to obtain compensation for TRB's inaction on lawful toll rate adjustments which were overdue. On 18 October 2017, the TRB provisionally approved a Peso 0.25/km petition for add-on toll rate adjustment for NLEX closed system in relation with NLEX Corporation's investment on the NLEX lane widening project. On 5 March 2019, NLEX Corporation received the TRB's order to publish the adjusted toll rates for NLEX (the "Order"). The Order contains the adjusted authorized toll prices for the entire NLEX, incorporating the first tranche of the approved final periodic adjustments for the whole NLEX due in 2013 and 2015 constituting 50% of the approved adjustment (with the remaining adjustments to be implemented in subsequent years), and the provisional add-on toll rate for the NLEX open system due to the opening of the NLEX Harbor Link Project (Segments 9 and 10). NLEX Corporation and CIC, however, have yet to receive regulatory approvals for the claims in respect of overdue toll rate adjustments for CAVITEX's originally built road due in 2012, 2015 and 2017, CAVITEX's extension due in 2014 and 2017, NLEX due in 2017 and 2019, and SCTEX due in 2017, and are in constructive discussions with the Philippine government to resolve this.

(C) Concession assets – Rail represents concession comprising the exclusive right during the concession period to operate and maintain the current LRT1 system, collect farebox revenue and construct the LRT1 Extension.

Additions to the concession assets for rail include cost of station and rehabilitation works, engineering, procurement, construction and other consultancy cost for various rail projects.

The DOTC and LRTA formally awarded the project to LRMC on 15 September 2014. On 2 October 2014, LRMC signed together with the Department of Transportation and Communications ("DOTC") and the Light Rail Transit Authority ("LRTA") (the grantors) a concession agreement for the Light Rail Transit Line 1 Cavite Extension and Operations & Maintenance Project ("LRT1 Project"). Under the concession agreement, LRMC will operate and maintain the existing 20.7-kilometer LRT1 ("Existing System") and construct an 11.7-kilometer extension from the present end-point at Baclaran to the Niog area in Bacoor, Cavite. A total of eight new stations will be built along the extension, which traverses the cities of Parañaque and Las Piñas up to Bacoor, Cavite. The concession agreement is for a period of 32 years commencing from the effective date of 12 September 2015 when LRMC took over of the LRT1 operations.

In accordance with the LRT1 Project concession agreement, LRMC is entitled to the reimbursement of the unavoidable increment costs that it will incur to restore the Existing System to the level necessary to meet all of the baseline Existing System Requirements ("ESR") as certified by an independent consultant. Further, LRMC is entitled to compensation for the cost incurred for restoration of the structural defect ("SDR") as certified by an independent consultant. LRMC is also entitled to receive compensation from the grantors if the grantors do not make available a minimum of 100 light rail vehicles ("LRVs") on the effective date of the turnover of the system. On the turnover date of the system on 12 September 2015, LRMC only received 72 LRVs.

On various dates in 2015 through 2018, LRMC submitted letters to the DOTC representing its claim for ESR and SDR costs, and LRV shortfall on the premise of the grantor's obligation in relation to the condition of the Existing System prior or as of the effective date of the turnover of the system by the grantors to LRMC. In addition, LRMC requested the grantors compensation for the revenue loss arising from the grantors' implementation of fare increases below the concession agreement fares. The above claims were still undergoing discussion as at the date of these financial statements.

(D) Brands – Dairy represent the brands, with a useful life of 20 years, held by Indolakto for its various milk-related products, which include Indomilk, Cap Enaak, Tiga Sapi, Crima, Kremer and Indoeskrim.

(E) Brands, networks and licenses – Packaged drinking water represent (i) the registered brand name, CLUB, (ii) the distribution and customer networks, and (iii) the water licenses of Indofood's packaged drinking water business acquired in 2018.

The brands, networks and licenses are determined to have indefinite useful lives as (i) the brands and licenses can be renewed indefinitely at no significant costs; (ii) Indofood has the intention to renew the brands and maintain the licenses and network indefinitely; and (iii) no significant expenses are expected to be incurred to maintain the future economic benefits that can be generated from these assets.

In assessing the impairment for brands, networks and licenses with indefinite useful life, the Group compares the carrying amounts of the intangible assets against their recoverable amounts (the higher of the assets' fair value less costs of disposal and their value in use).

The recoverable amounts of brands, networks and licenses have been determined based on value-in-use calculations using 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 conditions that will exist over the forecast period of 10 years (2017: 10 years). The discount rate applied to cash flow projections was ranged from 13.1% to 13.5% (2017: 11.2% to 13.0%), which reflects the weighted average cost of capital. The cash flows beyond the projection periods are extrapolated using an estimated terminal growth rate of 3.8% to 5.0% (2017: 3.3% to 5.0%) which does not exceed the long-term average growth rate of the industry in Indonesia where the businesses operate.

During the year ended 31 December 2017, the Group recognized an impairment loss of US$27.4 million in relation to the brands and networks. The recoverable amount of the brands and networks determined based on a value-in-use calculation is estimated to be US$28.5 million. The impairment loss was driven by lower projected future cash flows in light of the current market condition which may be inadequate to cover the said intangible assets.

(F) Customer list and licenses – Wastewater and sewage treatment represents ESTII's customer relationship, contracts and licenses for intellectual property rights over patents and utility models.

(G) Vesting and bilateral contracts – Power represents the electricity supply agreement entered by PLP and GBPC.

(a) PLP's vesting contract
It represents an agreement entered into between PLP and a Singapore government agency, which requires PLP to sell electricity at a specified volume and a specified price to the agency over a period of 10 years from 1 July 2013 to 30 June 2023.

(b) GBPC's bilateral contracts
GBPC, through its operating generation subsidiary companies, entered into bilateral off-take arrangements with power off-takers, such as distribution utilities, electric cooperatives, retail electricity suppliers and directly connected industrial customers, for the supply of electricity over a period of 10 to 25 years.

(H) The useful lives for amortization:

Concession assets – Water distribution	– Maynilad	Remaining concession life of 29 years since acquisition in 2008
	– PHI	Remaining concession life of 23 years since acquisition in 2012
	– MIBWSC	Concession life of 36 years subsequent to the completion of its rehabilitation expected in 2019 and expansion expected in 2030
	– PT SCTK	Remaining concession life of 8 years (for the existing water treatment plant) and 21 years (for the new water treatment plants) since acquisition in 2018
Concession assets – Toll roads	– NLEX	Remaining concession life of 29 years since acquisition in 2008
	– SCTEX	Concession life of 28 years since acquisition in 2015
	– Connector Road	Remaining concession life of 35 years subsequent to the completion of its construction expected in 2021
	– CAVITEX	Remaining concession life of 21 years (for the originally built road) and 34 years (for the extension) since acquisition in 2013
	– CALAX	Remaining concession life of 28 years subsequent to the completion of its construction expected in 2022
	– CCLEX	Remaining concession life of 30 years subsequent to the completion of its construction expected in 2021
	– PT JTSE	Remaining concession life of 23 years since acquisition in 2018
	– PT BMN	Remaining concession life of 25 years since acquisition in 2018
	– PT BSD	Remaining concession life of 10 years since acquisition in 2018
Concession assets – Rail		Remaining concession life of 25 years subsequent to the completion of the rehabilitation works of its existing LRT 1 system expected in 2022 and 25 years subsequent to the completion of its construction of the LRT1 Extension expected in 2023
Brands – Dairy		20 years
Brands, networks and licenses – Packaged drinking water		Indefinite
Customer list and licenses – Wastewater and sewage treatment		20 years
Vesting contract – Power		10 years
Bilateral contracts – Power		10 to 25 years
Software		3 to 5 years

(I) The carrying amounts and the respective key assumptions used to determine the recoverable amounts for the other intangible assets not yet available for use are summarized below:

	Toll roads		Rail		Water	
	2018	2017	**2018**	2017	**2018**	2017
Carrying value (US$ millions)	**825.4**	695.7	**308.2**	185.3	**12.8**	11.1
Net carrying amount (US$ millions)	**430.1**	302.3	**243.6**	121.7	**12.8**	11.1
Average growth rate	**0.4% to 11.0%**	0.4% to 13.7%	**8.5%**	8.5%	**8.0%**	10.0%
Average forecast period	**19 to 38 years**	20 to 39 years	**29 years**	30 years	**36 years**	33 years
Pre-tax discount rate	**9.5% to 11.6%**	9.5% to 10.8%	**12.6%**	10.5%	**11.5%**	9.7%

At 31 December 2018, the aggregate carrying amount of these intangible assets of US$1,146.4 million (2017: US$892.1 million) is included in the carrying amounts of concession assets of toll roads, rail and water. For the purpose of impairment testing as at 31 December 2018 and 2017, the carrying amounts that were compared to their recoverable amounts were the net carrying amounts, which were net of the present value of the related future concession fees payment that formed part of the initial costs of these concession assets. The average growth rate represents expected growth in traffic for the toll roads business, ridership for the rail business and billed volume for the water business. The average forecast period is consistent with the period covered by the concession agreements.

16. Investment Properties

US$ millions	2018	2017
At 1 January	**10.1**	9.6
Exchange translation	**(0.6)**	–
Gain on changes in fair value of investment properties	**0.5**	0.3
Reclassification[i]	**(0.5)**	0.2
At 31 December	**9.5**	10.1

(i) Reclassification (to)/from property, plant and equipment

The Group's investment properties comprise lands being leased out under operating leases to earn rental income and vacant land held for the purpose of capital appreciation. The fair values of the investment properties are measured annually using the market comparison approach by reference to recent sales and other market data of comparable properties which is publicly available, as determined by professionally qualified independent appraisers. The fair value measurement for the investment properties has been categorized as Level 2. There was no transfer between the fair value hierarchy during the year.

The lands being leased out are leased for terms of seven years. Rental income from the said investment properties amounted to US$0.1 million (2017: US$0.2 million). Direct operating expenses amounted to US$15 thousand (2017: US$14 thousand), which mainly pertain to real property taxes.

17. Accounts Receivable, Other Receivables and Prepayments

US$ millions	2018	2017
Accounts receivable	**705.9**	656.2
Other receivables	**368.7**	387.2
Prepayments	**75.5**	48.0
Total	**1,150.1**	1,091.4
Presented as:		
Non-current Portion	**16.2**	7.0
Current Portion	**1,133.9**	1,084.4
Total	**1,150.1**	1,091.4

(A) The carrying amounts of accounts receivable, other receivables and prepayments approximate their fair values.

(B) At 31 December 2018, included in other receivables was US$22.5 million (2017: US$21.2 million) of unbilled revenue arising from the Group's provision of services under the infrastructure segment. The balance is expected to be reclassified to accounts receivable within one year when the rights to consideration become unconditional.

(C) An aging profile based on the invoice dates of accounts receivable, net of loss allowance (2017: provision), is analyzed below:

US$ millions	2018	2017
0 to 30 days	**601.7**	559.5
31 to 60 days	**35.8**	44.5
61 to 90 days	**12.8**	15.2
Over 90 days	**55.6**	37.0
Total	**705.9**	656.2

(D) The movements in the loss allowance (2017: provision) for impairment of accounts receivable were as follows:

US$ millions	2018	2017
At 1 January	**20.5**	19.1
Exchange translation	**(1.0)**	(0.1)
Amounts written off as uncollectible	**(3.9)**	(1.3)
Charge for the year (Note 6)	**17.4**	2.8
At 31 December	**33.0**	20.5

(E) An impairment analysis under HKFRS 9 for the year ended 31 December 2018 is performed using a provision matrix to measure expected credit losses for accounts receivable and contract assets attributable to the consumer food products business and infrastructure business, respectively. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, accounts receivable are written off if past due for more than one year and are not subject to enforcement activity.

Set out below is the information about the credit risk exposure on the Group's accounts receivable and contract assets attributable to the consumer food products business and infrastructure business using the corresponding provision matrix:

		Past due				
Consumer Food Products	Current	0 to 30 days	31 to 60 days	61 to 90 days	Over 90 days	**2018 Total**
Expected credit loss rate	0%	0%	0%	0%	41.4%	**1.2%**
Gross carrying amounts (US$ millions)						
– accounts receivable	338.9	56.6	15.3	8.7	12.8	**432.3**
Expected credit losses (US$ millions)	–	–	–	–	5.3	**5.3**

		Past due				
Infrastructure	Current	0 to 30 days	31 to 60 days	61 to 90 days	Over 90 days	**2018 Total**
Expected credit loss rate	0%	5.5%	8.0%	14.1%	37.1%	**8.4%**
Gross carrying amounts (US$ millions)						
– accounts receivable	183.3	39.8	13.7	6.4	63.4	**306.6**
– contract assets	22.5	–	–	–	–	**22.5**
Expected credit losses (US$ millions)	–	2.2	1.1	0.9	23.5	**27.7**

(F) At 31 December 2017, accounts receivable of US$20.5 million were collectively impaired and fully provided for, which was measured based on incurred credit losses under HKAS 39.

The aging analysis of the accounts receivables as at 31 December 2017 that were neither individually nor collectively considered to be impaired under HKAS 39 was as follows:

US$ millions	2017
Neither past due nor impaired	532.1
Past due but not impaired	
– 0 to 30 days past due	72.9
– 31 to 60 days past due	17.8
– 61 to 90 days past due	21.3
– Over 90 days past due	12.1
Total	656.2

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

Receivables that were past due but not impaired related to a number of customers that had a good track record with the Group. Based on past experience, management believed that no impairment allowance under HKAS 39 was necessary in respect of these balances as there had not been a significant change in credit quality and the balances were still considered fully recoverable.

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

(H) Accounts receivable with a net carrying amount of US$76.2 million (2017: US$61.2 million) were pledged as security for certain of the Group's banking facilities (Note 26(E)).

18. Financial Assets at FVOCI/Available-for-sale Assets

US$ millions	**2018**	2017
Listed investments, at fair value:		
– Equity investments – Overseas	**186.3**	132.3
– Debentures with a fixed interest rate of 3.3% to 5.8% (2017: 2.1% to 5.8%) and a maturity date of between 19 July 2019 and 15 August 2023 (2017: between 25 April 2018 and 15 August 2023) – Overseas	**20.1**	25.1
Unlisted investments, at fair value:		
– SMECI's notes	**95.9**	–
– Investment funds – Overseas	**284.4**	59.1
– Equity investments – Overseas	**19.7**	1.4
– Club debentures – Hong Kong	**2.6**	2.5
Unlisted investments, at cost less impairment provisions:		
– Equity investments – Overseas	**–**	13.4
Total	**609.0**	233.8
Presented as:		
Non-Current Portion	**319.4**	173.6
Current Portion	**289.6**	60.2
Total	**609.0**	233.8

The SMECI's notes were previously included in associated companies and joint ventures and reclassified to financial assets at FVOCI upon the initial application of HKFRS 9 at 1 January 2018 (Note 2(B)). All other available-for-sale financial assets were also reclassified to financial assets at FVOCI upon the initial application of HKFRS 9 at 1 January 2018 (Note 2(B)). The above equity investments were irrevocably designated at FVOCI as the Group considers these investments to be strategic in nature. Dividend income from these investments during the year ended 31 December 2018 amounted to US$6.6 million (2017: US$4.7 million).

The fair values of the listed equity investments and debentures are based on quoted market prices. The fair values of the unlisted investments in SMECI's notes and unlisted investment funds are estimated by reference to valuations of the underlying assets supplied by independent sources. The fair values of the unlisted investments in equity investments and club debentures have been estimated by a discounted cash flow model and by reference to recent market transaction prices, respectively. The Directors believe that the estimated fair values by reference to the above bases, which are recorded in the carrying amounts of the financial assets at FVOCI (2017: available-for-sale assets), and the related changes in fair values, which are recorded directly in the Group's other comprehensive income, are reasonable, and that they were the most appropriate values at the end of the reporting period.

19. Deferred Tax

The movements in deferred tax assets and deferred tax liabilities during the year are as follows:

US$ millions	Tax losses carry forward	Allowance for doubtful accounts/ credit loss allowance	Liabilities for employee retirement benefits	Others	Total
Deferred Tax Assets					
At 1 January 2017	79.0	4.2	77.4	18.2	178.8
Exchange translation	(0.5)	(0.1)	(0.8)	2.1	0.7
Acquisition of subsidiary companies (Note 34(B))	–	–	–	8.0	8.0
Disposal of subsidiary companies	–	–	(0.1)	–	(0.1)
(Charged)/credited to the consolidated income statement (Note 7)	(16.3)	0.2	10.5	14.8	9.2
Credited to other comprehensive income	–	–	10.5	1.8	12.3
At 31 December 2017	62.2	4.3	97.5	44.9	208.9
At 1 January 2018	62.2	4.3	97.5	44.9	**208.9**
Exchange translation	(7.4)	(0.2)	(13.0)	(5.2)	**(25.8)**
Acquisition of subsidiary companies (Note 34(B))	–	–	1.0	6.1	**7.1**
Credited/(charged) to the consolidated income statement (Note 7)	1.6	(2.7)	5.7	(3.7)	**0.9**
(Charged)/credited to other comprehensive income	–	–	(4.2)	8.5	**4.3**
At 31 December 2018	**56.4**	**1.4**	**87.0**	**50.6**	**195.4**

US$ millions	Allowance in excess of related depreciation of property, plant and equipment	Changes in fair value of biological assets	Brands	Withholding taxes on undistributed earnings of subsidiary and associated companies	Others	Total
Deferred Tax Liabilities						
At 1 January 2017	(113.8)	(12.3)	(53.9)	(41.5)	(36.1)	(257.6)
Exchange translation	3.0	1.0	1.1	1.6	1.3	8.0
Acquisition of subsidiary companies (Note 34(B))	(39.8)	–	–	–	–	(39.8)
Credited/(charged) to the consolidated income statement (Note 7)	13.8	(1.9)	9.1	(2.8)	(44.7)	(26.5)
At 31 December 2017	(136.8)	(13.2)	(43.7)	(42.7)	(79.5)	(315.9)
At 1 January 2018	(136.8)	(13.2)	(43.7)	(42.7)	(79.5)	**(315.9)**
Impact on initial application of HKFRS 9 (Note 2(B))	–	–	–	–	(1.5)	**(1.5)**
At 1 January 2018 (As adjusted)	(136.8)	(13.2)	(43.7)	(42.7)	(81.0)	**(317.4)**
Exchange translation	3.5	0.8	1.0	0.9	2.3	**8.5**
Acquisition of subsidiary companies (Note 34(B))	(6.2)	–	–	–	(44.7)	**(50.9)**
(Charged)/credited to the consolidated income statement (Note 7)	(2.8)	0.4	6.1	4.3	7.2	**15.2**
Reclassification as held for sale (Note 24)	–	–	–	–	19.5	**19.5**
At 31 December 2018	**(142.3)**	**(12.0)**	**(36.6)**	**(37.5)**	**(96.7)**	**(325.1)**

Pursuant to the income tax laws of the Philippines and Indonesia, withholding taxes of 10% to 15% are levied on dividends declared to foreign investors. Dividends paid by Australian resident companies are franked with an imputation credit to the extent that Australian corporate income tax has been paid by the company on the income being distributed. Such franked dividends are not subject to any further withholding tax for foreign shareholders. Further, Australian unfranked dividends paid from foreign sourced profits can be declared as conduit foreign income which is not subject to any further withholding tax for foreign shareholders. Dividends paid by New Zealand resident companies are franked with an imputation credit to the extent that New Zealand corporate income tax has been paid by the company on the income being distributed. New Zealand dividends paid to non-residents are generally subject to withholding tax. However, fully imputed dividends, or as allowed under tax treaties, are exempt from withholding tax where the foreign shareholder owns more than ten percent of the company. Singapore has a one-tier corporate tax system whereby tax charged at the corporate level is the final tax. Dividends paid by Singapore resident companies under the one-tier corporate tax system are exempted from further Singapore tax in the hands of shareholders.

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, Indonesia and Singapore. 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 amounted to approximately US$37.0 million at 31 December 2018 (2017: US$71.9 million).

Deferred tax assets are recognized in respect of tax losses carried forward to the extent that realization of the related tax benefits through future taxable profit is probable. The Group has tax losses arising from Singapore of US$295.8 million (2017: US$335.1 million), the Philippines of US$201.5 million (2017: US$209.4 million) and Indonesia of US$58.1 million (2017: US$74.8 million) that may be carried forward indefinitely for Singapore, three years for the Philippines and five years for Indonesia, respectively, 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. Restricted Cash

At 31 December 2018, the Group had cash of US$97.1 million (2017: US$74.7 million) set aside mainly to cover principal and interest payments of certain borrowings in compliance with loan agreements, and cash of US$6.1 million (2017: US$6.4 million) held in an escrow account in relation to a construction contract which is restricted as to use.

21. Other Non-current Assets

US$ millions	**2018**	2017
Deposits for acquisition of property, plant and equipment	**255.3**	6.9
Prepayments	**201.5**	138.7
Plasma receivables	**91.9**	85.5
Deferred project costs	**42.8**	31.5
Claims for tax refund	**30.8**	15.9
Long-term deposits	**19.1**	28.9
Others	**107.7**	148.6
Total	**749.1**	456.0

(A) The deposits for acquisition of property, plant and equipment are mainly attributable to Indofood.

(B) The prepayments mainly represent MPIC's advances to contractors for construction projects and Indofood's prepaid rentals for port facilities.

(C) The plasma receivables represent the accumulated costs to develop FFB which are currently being financed by banks and self-financed by Indofood and advances made by Indofood to plasma farmers in relation to arrangements for the farmers' production of FFB.

(D) The deferred project costs comprise costs directly attributable to the acquisition of service concessions prior to the commencement of concession terms.

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

(F) The long-term deposits mainly represent MPIC's deposits for repair and maintenance of its toll roads.

22. Cash and Cash Equivalents and Short-term Deposits

US$ millions	**2018**	2017
Cash at banks and on hand	**529.7**	509.6
Short-term time deposits	**1,101.1**	1,647.6
Total	**1,630.8**	2,157.2

(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 history of default. The carrying amounts of the cash and cash equivalents and short-term deposits approximate their fair values.

(B) Cash and cash equivalents of US$15.8 million (2017: US$70.7 million) were charged to banks in accordance with the terms of certain of the Group's banking facilities (Note 26(E)).

23. Inventories

US$ millions	**2018**	2017
Raw materials	**505.2**	469.8
Work in progress	**14.8**	14.9
Finished goods	**422.0**	389.6
Total	**942.0**	874.3

(A) At 31 December 2018, inventories with an aggregate carrying amount of US$147.9 million (2017: US$139.5 million) were carried at net realizable value.

(B) During the year ended 31 December 2018, write-downs of inventories to net realizable value amounted to US$7.5 million (2017: US$7.1 million).

(C) At 31 December 2018, inventories with an aggregate carrying amount of US$18.9 million (2017: US$17.9 million) were pledged as security for certain of the Group's banking facilities (Note 26(E)).

24. Assets Classified as Held for Sale and Liabilities Directly Associated with the Assets Classified as Held for Sale

US$ millions	2018
Assets Classified as Held for Sale	
Assets of a disposal group classified as held for sale	**101.1**
Non-current assets held for sale	**23.8**
Total	**124.9**
Liabilities Directly Associated with the Assets Classified as Held for Sale	**19.5**

(A) Assets of a disposal group classified as held for sale and liabilities directly associated with the assets classified as held for sale represent the carrying amounts of assets and liabilities of RHI's sugar milling and refining operations in Batangas which the Group is committed to sell at 31 December 2018.

The major classes of assets and liabilities associated with RHI's sugar milling and refining operations in Batangas classified as held for sale at 31 December 2018 are as follows:

US$ millions	2018
Assets	
Property, plant and equipment	**101.1**
Assets of a Disposal Group Classified as Held for Sale	**101.1**
Liabilities	
Deferred tax liabilities (Note 19)	**19.5**
Liabilities Directly Associated with the Assets Classified as Held for Sale	**19.5**
Net Assets Directly Associated with the Disposal Group	**81.6**

(B) Non-current assets held for sale represent GBPC's transmission facilities that are planned to be disposed of to the National Grid Corporation of the Philippines, which are expected to be completed in 2019. At 31 December 2017, the carrying amount of GBPC's transmission facilities held for sale of US$5.0 million was included in other receivables.

25. Accounts Payable, Other Payables and Accruals

US$ millions	2018	2017
Accounts payable	**425.9**	462.5
Accrued expenses	**411.3**	417.8
Other payables	**525.4**	453.6
Total	**1,362.6**	1,333.9

The aging profile based on the invoice dates of accounts payable is analyzed as follows:

US$ millions	2018	2017
0 to 30 days	**374.1**	410.9
31 to 60 days	**13.5**	12.3
61 to 90 days	**8.0**	7.4
Over 90 days	**30.3**	31.9
Total	**425.9**	462.5

At 31 December 2018, included in other payables was US$17.1 million (2017: US$12.9 million) of receipt in advance from customers mainly arising from advance payments relating to future sales of consumer food products and the unused portion of toll fees received in advance through the electronic toll collection media. The obligations to the customers are expected to be fulfilled with one year. The increase in the balance in 2018 was mainly due to the increase in advances received from customers in relation to toll fees and the sales of consumer food products.

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

26. Borrowings

US$ millions	Effective interest rate (%)	Maturity	Notes	2018	2017
Short-term					
Bank loans	1.3 – 10.0 (2017: 1.1 – 9.3)	2019 (2017: 2018)		**1,928.2**	1,460.3
Other loans	5.0 – 10.1 (2017: 5.0)	2019 (2017: 2018)	(A)	**352.9**	0.1
Subtotal				**2,281.1**	1,460.4
Long-term					
Bank loans	0.5 – 10.0 (2017: 1.3 – 10.0)	2020-2037 (2017: 2019 – 2037)	(B)	**5,060.0**	5,035.2
Other loans	4.5 – 8.7 (2017: 4.5 – 10.1)	2020-2028 (2017: 2019 – 2024)	(C)	**1,176.8**	1,474.1
Subtotal				**6,236.8**	6,509.3
Total				**8,517.9**	7,969.7

The maturity profile of the Group's borrowings is as follows:

	Bank loans		Other loans		Total	
US$ millions	**2018**	2017	**2018**	2017	**2018**	2017
Not exceeding one year	**1,928.2**	1,460.3	**352.9**	0.1	**2,281.1**	1,460.4
More than one year but not exceeding two years	**389.8**	565.7	**251.2**	520.8	**641.0**	1,086.5
More than two years but not exceeding five years	**2,104.2**	2,387.5	**590.3**	457.7	**2,694.5**	2,845.2
More than five years	**2,566.0**	2,082.0	**335.3**	495.6	**2,901.3**	2,577.6
Total	**6,988.2**	6,495.5	**1,529.7**	1,474.2	**8,517.9**	7,969.7

The carrying amounts of the borrowings are denominated in the following currencies:

US$ millions	2018	2017
U.S. dollar	**2,409.2**	2,213.0
Peso	**4,006.2**	3,858.1
Rupiah	**1,456.4**	1,245.8
S$	**514.7**	566.8
Others	**131.4**	86.0
Total	**8,517.9**	7,969.7

An analysis of the carrying amounts of borrowings into fixed and variable interest rates is as follows:

US$ millions	2018	2017
Fixed interest rate	**5,450.1**	5,312.3
Variable interest rate	**3,067.8**	2,657.4
Total	**8,517.9**	7,969.7

The carrying amounts and fair values of the long-term borrowings are as follows:

	Carrying amounts		Fair values	
US$ millions	**2018**	2017	**2018**	2017
Bank loans	**5,060.0**	5,035.2	**5,077.6**	5,022.3
Other loans	**1,176.8**	1,474.1	**1,180.7**	1,546.6
Total	**6,236.8**	6,509.3	**6,258.3**	6,568.9

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 0.5% to 10.0% (2017: 1.3% to 10.0%) for the other fixed interest rate borrowings. The carrying amounts of the Group's variable interest rate borrowings approximate their fair values due to frequent repricing.

The carrying amounts of the short-term borrowings approximate their fair values. Details of the borrowings are set out below:

(A) Short-term Other Loans

The balance at 31 December 2018 included:

(a) Unsecured bonds of US$214.7 million (with a face value of US$214.9 million) (2017: US$373.2 million (with a face value of US$374.5 million)) issued by FPC Finance Limited in June 2012, with a coupon rate of 6% per annum, are payable semi-annually, and will mature in June 2019. The bonds are guaranteed by the Company and they were classified under long-term other loans at 31 December 2017.

During the year ended 31 December 2018, the Company repurchased US$159.6 million (2017: US$25.5 million) of the above-mentioned bonds at an aggregate consideration of US$169.2 million (2017: US$27.7 million). These bonds were subsequently canceled.

(b) Unsecured Rupiah bonds of Rupiah 2.0 trillion (US$138.0 million) (2017: US$147.4 million) issued by Indofood in June 2014, with a coupon rate of 10.125% per annum, are payable quarterly, and will mature in June 2019. The bonds were classified under long-term other loans at 31 December 2017.

(B) Long-term Bank Loans

The balance at 31 December 2018 included unsecured bank loans of US$643.1 million (with a face value of US$650.0 million) (2017: US$572.2 million (with a face value of US$580.0 million)) drawn for refinancing purpose by wholly-owned subsidiary companies of the Company, guaranteed by the Company, subject to a variable LIBOR-based interest rate, which are repayable between March 2021 and June 2024.

(C) Long-term Other Loans

The balance at 31 December 2018 mainly included bonds issued by wholly-owned subsidiary companies of the Company, Indofood and MPIC. Details are summarized as follows:

(a) Guaranteed secured bonds of US$251.2 million (with a face value of US$251.9 million) (2017: US$310.9 million (with a face value of US$312.2 million)) issued by FPT Finance Limited in September 2010, with a coupon rate of 6.375% per annum, are payable semi-annually, and will mature in September 2020. The bonds are guaranteed by the Company and secured by a 12% (2017: 12%) interest in PLDT.

During the year ended 31 December 2018, the Company repurchased US$60.3 million (2017: US$83.2 million) of the above-mentioned bonds at an aggregate consideration of US$64.9 million (2017: US$92.3 million). These bonds were subsequently canceled.

(b) Unsecured bonds of US$356.6 million (with a face value of US$358.8 million) (2017: US$356.2 million (with a face value of US$358.8 million)) issued by FPC Treasury Limited in April 2013, with a coupon rate of 4.5% per annum, are payable semi-annually, and will mature in April 2023. The bonds are guaranteed by the Company.

During the year ended 31 December 2017, the Company repurchased US$8.5 million of the above-mentioned bonds at an aggregate consideration of US$8.8 million. These bonds were subsequently canceled. There was no repurchase of the above-mentioned bonds during the year ended 31 December 2018.

(c) Unsecured bonds of US$174.2 million (with a face value of US$175.0 million) issued by FPC Capital Limited in May 2018, with a coupon rate of 5.75% per annum, are payable semi-annually, and will mature in May 2025. The bonds are guaranteed by the Company.

(d) Unsecured Rupiah bonds of Rupiah 2.0 trillion (US$137.6 million) (2017: US$146.9 million) issued by Indofood in May 2017, with a coupon rate of 8.7% per annum, are payable quarterly, and will mature in May 2022.

(e) Unsecured Peso bonds of Pesos 4.4 billion (US$83.4 million) (2017: US$87.6 million) issued by NLEX Corporation in June 2014, with a coupon rate of 5.07% per annum, are payable quarterly, and will mature in June 2021.

(f) Unsecured Peso bonds of Pesos 2.6 billion (US$48.7 million) (2017: US$51.7 million) issued by NLEX Corporation in June 2014, with a coupon rate of 5.5% per annum, are payable quarterly, and will mature in June 2024.

(g) Unsecured Peso bonds of Pesos 4.0 billion (US$74.9 million) issued by NLEX Corporation in July 2018, with a coupon rate of 6.64% per annum, are payable quarterly, and will mature in July 2025.

(h) Unsecured Peso bonds of Pesos 2.0 billion (US$37.5 million) issued by NLEX Corporation in July 2018, with a coupon rate of 6.9% per annum, are payable quarterly, and will mature in July 2028.

(D) Current Portion of Long-term Borrowings

The balance of short-term borrowings included US$789.0 million (2017: US$536.4 million) of the current portion of long-term borrowings and US$85.6 million (2017: Nil) of RHI's long-term borrowings classified as a current liability as RHI did not meet the minimum required debt service coverage ratio of at least 1.25 times on 30 September 2018. RHI received waivers from the approved banks in December 2018 and subsequently in January 2019.

(E) Charges on Group Assets

At 31 December 2018, certain bank and other borrowings were secured by the Group's property, plant and equipment, accounts receivable, cash and cash equivalents and inventories amounting to a net book value of US$2,081.3 million (2017: US$2,172.9 million) and the interests of the Group's 12% (2017: 12%) in PLDT, 56% (2017: 56%) in GBPC, 5% (2017: 13.1%) in Meralco, 100% (2017: 100%) in AIF Toll Road Holdings (Thailand) Limited, 29.5% (2017: 29.5%) in DMT, 70% (2017: 70%) in PLP and 45.1% (2017: 45.1%) in Hawaiian-Philippine Company, Inc.

27. Provision for Taxation

US$ millions	**2018**	2017
At 1 January	**65.3**	80.4
Exchange translation	**(3.4)**	0.2
Provision for taxation on estimated assessable profits for the year	**308.7**	305.6
Acquisition of subsidiary companies (Note 34(B))	**5.8**	6.6
Other movements	**–**	7.6
Taxes paid	**(319.1)**	(335.1)
At 31 December	**57.3**	65.3

28. Deferred Liabilities, Provisions and Payables

US$ millions	Long-term liabilities	Pension	Loans from non-controlling shareholders	Others	**2018**	2017
At 1 January	927.5	520.4	192.5	386.8	**2,027.2**	1,670.2
Exchange translation	(46.5)	(32.5)	(1.8)	(18.0)	**(98.8)**	(2.2)
Additions	35.7	13.0	9.9	96.9	**155.5**	455.6
Payment and utilization	(91.6)	(35.4)	–	(66.9)	**(193.9)**	(215.5)
Acquisition of subsidiary companies (Note 34(B))	–	12.5	–	6.2	**18.7**	119.1
At 31 December	825.1	478.0	200.6	405.0	**1,908.7**	2,027.2
Presented as:						
Non-current Portion	729.1	478.0	87.1	194.7	**1,488.9**	1,630.8
Current Portion	96.0	–	113.5	210.3	**419.8**	396.4
Total	825.1	478.0	200.6	405.0	**1,908.7**	2,027.2

The long-term liabilities mainly relate to (a) 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, (b) MPCALA's concession fees payable to the Philippine government in respect of CALAX, (c) LRMC's concession fees payable to the Philippine government in respect of LRT1, (d) NLEX Corporation's concession fees payable to the Philippine government in respect of Connector Road, (e) MPIC's outstanding payable for its acquisition of 25% interest in Beacon Electric from PCEV in May 2016, for which PCEV shall retain the voting rights (except the decisions or policies affecting dividend payouts to be made by Beacon Electric) over these Shares until full payment of the total consideration in June 2020, and (f) MPIC's outstanding payable for its acquisition of the remaining 25% interest in Beacon Electric from PCEV in June 2017, for which PCEV shall retain the voting rights (except the decisions or policies affecting dividend payouts to be made by Beacon Electric) over these Shares until full payment of the total consideration in June 2021. In respect of the disputed amounts between Maynilad and MWSS, no final resolution has been reached at 31 December 2018.

The pension relates to accrued liabilities in relation to defined benefit retirement schemes and long service payments.

The loans from non-controlling shareholders represent unsecured loans provided by non-controlling shareholders of FPM Power, PLP and IndoAgri, a subsidiary company of Indofood. In December 2017, the non-controlling shareholder of PLP converted its S$ denominated loans of S$105.3 million (US$76.6 million) into equity of PLP.

The others mainly represent (a) Maynilad's real property tax payables on certain common purpose facilities, (b) contractual obligations of NLEX Corporation and CIC to restore their service concession assets to a specified level of serviceability during their service concession periods and to maintain these assets in good conditions prior to the handover of these assets to the Philippine government at the end of their concession periods, (c) provisions for various claims and potential claims against the Group, (d) derivative liabilities arising from foreign exchange forward contracts, interest rate swaps, fuel swaps and electricity futures, (e) provision for heavy maintenance, (f) estimated liabilities to decommission or dismantle the power plants at the end of their useful lives, and (g) the Group's payables on LTIP.

At the end of the reporting period, certain Group's subsidiary companies are parties to other cases and claims arising from the ordinary course of business filed by third parties, which are either pending decisions by the courts or are subject to settlement agreements. The outcome of these claims cannot be presently determined. In the opinion of the Directors and/or legal counsels, the eventual liability from these lawsuits or claims, if any, will not have a material adverse effect on the Consolidated Financial Statements. Other disclosures required by HKAS 37 were not provided as it may prejudice the subsidiary companies' position in ongoing claims, litigations and assessments.

29. Share Capital

US$ millions	2018	2017
Authorized		
6,000,000,000 (2017: 6,000,000,000) ordinary shares of U.S. 1 cent each	**60.0**	60.0
Issued and fully paid		
At 1 January	**43.4**	42.8
Issue of shares upon the exercise of share options	**–**	0.6
At 31 December		
4,341,986,968 (2017: 4,341,986,968) ordinary shares of U.S. 1 cent each	**43.4**	43.4

(A) During the year ended 31 December 2018, no share options were exercised.

During the year ended 31 December 2017, 60,173,618 share options were exercised at the exercise price at HK$4.9457 per share, resulting in the issue of 60,173,618 new ordinary shares of U.S. 1 cent each for a total cash consideration of HK$297.6 million (US$38.2 million). Details of the Company's share option scheme are set out in Note 37(D)(a) to the Consolidated Financial Statements.

(B) During the years ended 31 December 2018 and 2017, the Company has not repurchased any of its ordinary shares on the SEHK.

30. Shares Held for Share Award Scheme

	Number of allocated shares held for		Number of unallocated shares held for	Shares held for Share Award Scheme
	Purchase Awards	Subscription Awards	Subscription Awards	US$ millions
At 1 January 2017	9,023,490	5,089,279	–	(10.9)
Granted and issued	–	134,342	–	(0.1)
Granted and purchased	7,452,000	–	–	(5.8)
Vested and transferred	(8,325,612)	(1,800,953)	–	7.9
At 31 December 2017	8,149,878	3,422,668	–	(8.9)
At 1 January 2018	8,149,878	3,422,668	–	**(8.9)**
Purchased	6,062,000	–	–	**(3.0)**
Vested and transferred	(7,327,704)	(1,599,824)	–	**7.0**
Forfeited	–	(223,020)	223,020	**–**
At 31 December 2018	**6,884,174**	**1,599,824**	**223,020**	**(4.9)**

For the Purchase Awards, during the year ended 31 December 2018, the independent trustee managing the Company's share award scheme purchased 6,062,000 shares (2017: 7,452,000) of the Company at an aggregate consideration of HK$23.6 million (US$3.0 million) (2017: HK$45.6 million (US$5.8 million)) from the open market at the cost of the Company.

For the Subscription Awards, during the year ended 31 December 2018, 223,020 (2017: Nil) shares were forfeited due to the resignation of a beneficiary. The unallocated shares can be granted to eligible employees in the future. During the year ended 31 December 2017, the independent trustee managing the Company's share award scheme subscribed 134,342 new shares issued by the Company at an aggregate consideration of HK$0.8 million (US$0.1 million).

Particulars of the share awards of the Company granted to the Directors and senior executives of the Company at 31 December 2018 are set out below:

(A) Particulars of the Company's Purchase Awards

	Shares granted and unvested shares held at 1 January 2018	Shares vested and transferred during the year	Reclassification[i]	**Shares granted and unvested shares held at 31 December 2018**	Grant date	Vesting period[ii]
Executive Directors						
Manuel V. Pangilinan, *Managing Director and Chief Executive Officer*	2,976,920	(1,488,460)	–	**1,488,460**	15 April 2016	April 2017 to April 2019
Robert C. Nicholson[i]	1,759,880	(879,940)	(879,940)	**–**	–	–
Christopher H. Young, *Chief Financial Officer*	2,369,560	(1,184,780)	–	**1,184,780**	15 April 2016	April 2017 to April 2019
Non-executive Directors						
Benny S. Santoso	297,690	(148,846)	–	**148,844**	15 April 2016	April 2017 to April 2019
Ambassador Albert F. del Rosario	595,380	(297,690)	–	**297,690**	30 June 2016	June 2017 to June 2019
Independent Non-executive Directors						
Prof. Edward K.Y. Chen, *GBS, CBE, JP*	595,380	(297,690)	–	**297,690**	15 April 2016	April 2017 to April 2019
Margaret Leung Ko May Yee, *SBS, JP*	47,718	(47,718)	–	**–**	–	–
	595,380	(297,690)	–	**297,690**	15 April 2016	April 2017 to April 2019
Philip Fan Yan Hok	47,718	(47,718)	–	**–**	–	–
	595,380	(297,690)	–	**297,690**	15 April 2016	April 2017 to April 2019
Madeleine Lee Suh Shin	893,070	(535,842)	–	**357,228**	15 April 2016	April 2018 to April 2019
Senior Executives	172,000	(172,000)	–	**–**	–	–
	3,263,280	(1,631,640)	879,940	**2,511,580**	15 April 2016	April 2017 to April 2019
Total	14,209,356	(7,327,704)	–	**6,881,652**		

(i) Mr. Robert C. Nicholson resigned from the Board of Directors with effect from 13 December 2018 and his outstanding awarded shares were reclassified under "Senior Executives".

(ii) The awarded shares would be vested in three equal tranches from the first to the third year after the shares are granted, except for new recruits (Independent Non-executive Director: 60% in the second year and 40% in the third year after the grant).

	Shares granted and unvested shares held at 1 January 2017	Shares vested and transferred during the year	Reclassification[i]	Shares granted and unvested shares held at 31 December 2017	Grant date	Vesting period[ii]
Executive Directors						
Manuel V. Pangilinan,	681,668	(681,668)	–	–	–	–
Managing Director and Chief Executive Officer	4,465,380	(1,488,460)	–	2,976,920	15 April 2016	April 2017 to April 2019
Robert C. Nicholson	443,083	(443,083)	–	–	–	–
	2,639,820	(879,940)	–	1,759,880	15 April 2016	April 2017 to April 2019
Christopher H. Young[i], *Chief Financial Officer*	–	–	2,369,560	2,369,560	15 April 2016	April 2017 to April 2019
Non-executive Directors						
Benny S. Santoso	446,535	(148,845)	–	297,690	15 April 2016	April 2017 to April 2019
Ambassador Albert F. del Rosario	893,070	(297,690)	–	595,380	30 June 2016	June 2017 to June 2019
Independent Non-executive Directors						
Prof. Edward K.Y. Chen, *GBS, CBE, JP*	95,434	(95,434)	–	–	–	–
	893,070	(297,690)	–	595,380	15 April 2016	April 2017 to April 2019
Margaret Leung Ko May Yee, *SBS, JP*	95,434	(47,716)	–	47,718	12 July 2013	March 2015 to March 2018
	893,070	(297,690)	–	595,380	15 April 2016	April 2017 to April 2019
Philip Fan Yan Hok	95,434	(47,716)	–	47,718	12 July 2013	March 2015 to March 2018
	893,070	(297,690)	–	595,380	15 April 2016	April 2017 to April 2019
Madeleine Lee Suh Shin	893,070	–	–	893,070	15 April 2016	April 2018 to April 2019
Senior Executives	313,570	(313,570)	–	–	–	–
	344,000	(172,000)	–	172,000	12 July 2013	July 2015 to July 2018
	8,449,260	(2,816,420)	(2,369,560)	3,263,280	15 April 2016	April 2017 to April 2019
Total	22,534,968	(8,325,612)	–	14,209,356		

(i) Mr. Christopher H. Young was appointed as an Executive Director of the Company with effect from 30 August 2017 and his outstanding awarded shares were reclassified under "Executive Directors".

(ii) The vesting periods of the awarded shares are as follows:

(a) For the 2013 grant, the shares would be vested in five equal tranches in September 2013, September 2014, September 2015, September 2016 and September 2017, except for new recruits (Independent Non-executive Directors: 40% in March 2015 and 20% each in March 2016, March 2017 and March 2018; Senior executives: 40% in the second year and 20% each for the third to the fifth year after the grant).

(b) For the 2016 grants, the shares would be vested in three equal tranches from the first to the third year after the shares are granted, except for new recruit (Independent Non-executive Director: 60% in the second year and 40% in the third year after the grant).

(B) Particulars of the Company's Subscription Awards

	Shares granted and unvested shares held at 1 January 2018	Shares vested and transferred during the year	Shares forfeited during the year	**Shares granted and unvested shares held at 31 December 2018**	Grant date	Vesting period(i)
Senior Executives	344,000	(172,000)	–	**172,000**	15 July 2014	February 2016 to February 2019
	2,944,326	(1,360,653)	(223,020)	**1,360,653**	15 April 2016	April 2017 to April 2019
	134,342	(67,171)	–	**67,171**	7 June 2017	June 2018 to June 2019
Total	3,422,668	(1,599,824)	(223,020)	**1,599,824**		

(i) The vesting periods of the awarded shares are as follows:
- (a) For the 2014 grant, the shares would be vested in four tranches (40% in February 2016 and 20% each in February 2017, February 2018 and February 2019).
- (b) For the 2016 grant, the shares would be vested in three equal tranches from the first to the third year after the shares are granted.
- (c) For the 2017 grant, the shares would be vested in two equal tranches in the first and the second year after the shares are granted.

	Shares granted and unvested shares held at 1 January 2017	Shares granted during the year	Shares vested and transferred during the year	Shares granted and unvested shares held at 31 December 2017	Grant date	Vesting period(i)
Senior Executives	156,790	–	(156,790)	–	–	–
	516,000	–	(172,000)	344,000	15 July 2014	February 2016 to February 2019
	4,416,489	–	(1,472,163)	2,944,326	15 April 2016	April 2017 to April 2019
	–	134,342	–	134,342	7 June 2017	June 2018 to June 2019
Total	5,089,279	134,342	(1,800,953)	3,422,668		

(i) The vesting periods of the awarded shares are as follows:
- (a) For the 2014 grant, the shares would be vested in four tranches (40% in February 2016 and 20% each in February 2017, February 2018 and February 2019).
- (b) For the 2016 grant, the shares would be vested in three equal tranches from the first to the third year after the shares are granted.
- (c) For the 2017 grant, the shares would be vested in two equal tranches in the first and the second year after the shares are granted.

On 19 March 2013, the Board resolved to adopt a share award scheme (the "Share Award Scheme"), which has a validity period of 15 years. Employees and Directors of the Group are eligible to participate. Under the Share Award Scheme, the Board can select grantees of awards and determine the number of the Company's shares (the "Shares") to be awarded. An independent trustee (the "Trustee") has been appointed to administer the Share Award Scheme. The Trustee will, depending on the form of the award made, either subscribe for new Shares to be issued by the Company at the relevant benchmarked price as stipulated in the Listing Rules or purchase existing Shares on the SEHK, in each case, at the cost of the Company. Those Shares purchased and held by the Trustee were not canceled. The Trustee will hold the Shares on trust for the grantees of awards, until the Shares become vested. The awards vest progressively over the vesting period, provided that the relevant grantee remains employed by the Group. Vested Shares will be transferred to the grantees at no cost. Directors of the Group are not eligible to be granted awards of new Shares to be subscribed by the Trustee and issued by the Company, but are eligible to be granted awards of existing Shares to be purchased by the Trustee. The Share Award Scheme also limits the aggregate number of Shares that may be awarded to no more than three percent of the outstanding shares of the Company.

On 12 July 2013, 9,483,061 share awards under the Company's Share Award Scheme were granted as Purchase Awards. The average fair value of shares granted as calculated by Towers Watson Hong Kong Limited, by adjusting the closing share price at the grant date by the present value of expected dividend payments during the vesting period, was HK$8.18 per share or an aggregate value of US$9.9 million for all shares granted. The assumptions used were as follows:

Share price at the date of grant	HK$8.70 per share
Expected dividend yield	2.7% per annum
Average risk-free interest rate (based on the Hong Kong Exchange Fund Notes)	0.5% per annum

On 15 July 2014, 860,000 share awards under the Company's Share Award Scheme were granted as Subscription Awards. The average fair value of shares granted as calculated by Towers Watson Hong Kong Limited, by adjusting the closing share price at the grant date by the present value of expected dividend payments during the vesting period, was HK$8.55 per share or an aggregate value of US$0.9 million for all shares granted. The assumptions used were as follows:

Share price at the date of grant	HK$9.23 per share
Expected dividend yield	2.7% per annum
Average risk-free interest rate (based on the Hong Kong Exchange Fund Notes)	0.7% per annum

On 15 April 2016, 19,573,275 share awards were granted as Purchase Awards and 4,416,489 share awards were granted as Subscription Awards under the Company's Share Award Scheme. The average fair value of shares granted as calculated by Towers Watson Hong Kong Limited, by adjusting the closing share price at the grant date by the present value of expected dividend payments during the vesting period, was HK$4.71 per share or an aggregate value of US$14.5 million for all shares granted. The assumptions used were as follows:

Share price at the date of grant	HK$4.95 per share
Expected dividend yield	2.4% per annum
Average risk-free interest rate (based on the Hong Kong Exchange Fund Notes)	0.6% per annum

On 30 June 2016, 893,070 share awards under the Company's Share Award Scheme were granted as Purchase Awards. The average fair value of shares granted as calculated by Towers Watson Hong Kong Limited, by adjusting the closing share price at the grant date by the present value of expected dividend payments during the vesting period, was HK$5.35 per share or an aggregate value of US$0.6 million for all shares granted. The assumptions used were as follows:

Share price at the date of grant	HK$5.62 per share
Expected dividend yield	2.4% per annum
Average risk-free interest rate (based on the Hong Kong Exchange Fund Notes)	0.4% per annum

On 7 June 2017, 134,342 share awards under the Company's Share Award Scheme were granted as Subscription Awards. The average fair value of shares granted as calculated by Towers Watson Hong Kong Limited, by adjusting the closing share price at the grant date by the present value of expected dividend payments during the vesting period, was HK$5.77 per share or an aggregate value of US$0.1 million for all shares granted. The assumptions used were as follows:

Share price at the date of grant	HK$5.98 per share
Expected dividend yield	2.4% per annum
Average risk-free interest rate (based on the Hong Kong Exchange Fund Notes)	0.4% per annum

31. Other Components of Equity

The Group's other components of equity comprise share premium, employee share-based compensation reserve, exchange reserve, fair value reserve of financial assets at FVOCI/available-for-sale assets, unrealized gains/losses on cash flow hedges, income tax related to cash flow hedges, actuarial gains/losses on defined benefit pension plans, share of other comprehensive income/loss of associated companies and joint ventures, differences arising from changes in equities of subsidiary companies, capital and other reserves and contributed surplus.

The share premium relates to the amount of fund received by the Company in excess of the par value of its shares issued. It may be used for repurchase of the Company's shares, distribution in the form of fully paid bonus shares and write-off of expenses related to issue of shares by the Company.

The employee share-based compensation reserve arises from the amortization of costs of share options and awarded shares granted under the share option schemes and the share award schemes adopted by the Company and the Group's entities (which include the Group's subsidiary and associated companies) over the vesting period. Upon the exercise of share options, the related amount accumulated in the employee share-based compensation reserve is transferred to share premium. Upon the vesting and transfer of the awarded shares to the awardees, the related costs are credited to shares held for the share award scheme, and the related fair value of the shares is debited to the employee share-based compensation reserve. The difference between the cost and the fair value of the vested awarded shares is credited to retained earnings if the fair value is higher than the cost or debited against retained earnings if the fair value is less than the cost.

The exchange reserve represents the resulting exchange differences arising from the translation of results and financial position of the Group's entities that have functional currencies different from the Company's presentation currency.

An analysis of the Group's exchange reserve, by principal operating company, is set out below:

US$ millions	**2018**	2017
Indofood	**(430.7)**	(361.3)
PLDT	**(115.8)**	(89.5)
MPIC	**(200.2)**	(129.0)
Philex	**(19.5)**	(9.5)
Others	**(48.7)**	0.7
Total	**(814.9)**	(588.6)

The fair value reserve of financial assets at FVOCI/available-for-sale assets relate to changes in the fair value of financial assets at FVOCI/available-for-sale assets of the Group's entities.

The unrealized gains/losses on cash flow hedges and income tax related to cash flow hedges relate to the effective portion of changes in fair value of cash flow hedges of the Group's entities.

The actuarial gains/losses on defined benefit pension plans relate to changes in the present value of defined benefit pension obligations resulting from experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions.

Share of other comprehensive income/losses of associated companies and joint ventures relates to the Group's share of its associated companies and joint ventures' exchange reserve, fair value reserve of financial assets at FVOCI/available-for-sale assets, unrealized gains/losses on cash flow hedges, income tax related to cash flow hedges, actuarial gains/losses on defined benefit pension plans and revaluation reserve. The differences arising from changes in equities of subsidiary companies relate to a change in the Group entities' ownership interest in their subsidiary companies without a change of control.

The capital and other reserves include capital reserves arising from reorganization activities in some of the Group's entities and equity conversion option. The equity conversion option represents the Group's share of the equity component of convertible notes issued by an associated company.

The contributed surplus of the Group arose from (a) the Company's reallocation of its entire amount of share premium balance of US$1,785.2 million on 28 June 2016 to the distributable reserve, following the approval obtained from the Company's shareholders during the adjourned annual general meeting, by way of a share premium reduction to nil and a subsequent transfer of the credit amount arising therefrom to the contributed surplus account and (b) 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.

An analysis of the accumulated reserves of associated companies and joint ventures, included within consolidated reserves, is set out below:

	Associated Companies		Joint Ventures		Total	
US$ millions	**2018**	2017	**2018**	2017	**2018**	2017
Associated Companies and Joint Ventures						
Revenue reserve	**(1,044.1)**	(1,270.3)	**(13.1)**	(3.0)	**(1,057.2)**	(1,273.3)
Exchange reserve	**(136.4)**	(100.1)	**(5.7)**	(18.5)	**(142.1)**	(118.6)
Fair value reserve of financial assets at FVOCI/available-for-sale assets	**(1.1)**	21.0	**–**	–	**(1.1)**	21.0
Unrealized (losses)/gains on cash flow hedges	**(0.2)**	1.2	**1.6**	0.9	**1.4**	2.1
Actuarial losses on defined benefit pension plans	**(153.4)**	(147.1)	**–**	–	**(153.4)**	(147.1)
Differences arising from changes in equities of subsidiary companies	**(7.1)**	(7.1)	**(10.3)**	(10.3)	**(17.4)**	(17.4)
Capital and other reserves	**15.0**	15.0	**–**	–	**15.0**	15.0
Total (Note 13)	**(1,327.3)**	(1,487.4)	**(27.5)**	(30.9)	**(1,354.8)**	(1,518.3)

32. Non-controlling Interests

Details of the Group's subsidiary companies that have material non-controlling interests are set out below:

	2018	2017
Percentage of equity interest held by non-controlling interests		
– Indofood	**49.9%**	49.9%
– MPIC	**58.0%**	58.0%
– FPM Power	**32.4%**	32.4%
– FP Natural Resources	**20.6%**	20.6%

US$ millions	**2018**	2017
Profit/(loss) for the year allocated to non-controlling interests		
– Indofood	**194.9**	200.4
– MPIC	**308.3**	257.7
– FPM Power	**(26.1)**	(18.8)
– FP Natural Resources	**(0.2)**	1.1
Dividends paid to non-controlling interests		
– Indofood	**150.7**	127.0
– MPIC	**124.5**	76.9
Accumulated balances of non-controlling interests at 31 December		
– Indofood	**2,315.1**	2,354.9
– MPIC	**3,159.0**	2,959.9
– FPM Power	**41.0**	84.2
– FP Natural Resources	**111.7**	116.4

The following table illustrates the summarized financial information under HKFRS of the above subsidiary companies. The amounts disclosed are before any inter-company eliminations.

	Indofood		MPIC		FPM Power		FP Natural Resources	
For the year ended/at 31 December US$ millions	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
Statements of Comprehensive Income								
Turnover	**5,136.1**	5,237.5	**1,575.8**	1,240.8	**728.6**	565.4	**301.9**	253.1
Profit/(loss) for the year	**344.3**	341.2	**420.9**	377.7	**(52.3)**	(23.5)	**(0.6)**	(3.3)
Other comprehensive income/(loss)	**102.0**	(7.9)	**6.1**	(9.2)	**(46.1)**	1.4	**(5.8)**	(1.0)
Total Comprehensive Income/(Loss)	**446.3**	333.3	**427.0**	368.5	**(98.4)**	(22.1)	**(6.4)**	(4.3)
Statements of Financial Position								
Non-current assets	**4,407.8**	4,172.6	**9,097.9**	8,275.2	**908.0**	947.1	**265.7**	379.0
Current assets	**2,297.4**	2,408.0	**1,513.5**	1,500.9	**118.2**	155.7	**238.9**	139.1
Non-current liabilities	**(1,094.4)**	(1,484.2)	**(4,995.8)**	(4,434.8)	**(494.1)**	(530.4)	**(9.4)**	(122.2)
Current liabilities	**(2,154.7)**	(1,611.3)	**(1,070.0)**	(1,021.7)	**(505.3)**	(458.1)	**(307.1)**	(198.7)
Net Assets	**3,456.1**	3,485.1	**4,545.6**	4,319.6	**26.8**	114.3	**188.1**	197.2
Statements of Cash Flows								
Net cash from/(used in) operating activities	**415.3**	494.2	**444.7**	411.7	**(11.0)**	5.2	**6.0**	(0.9)
Net cash used in investing activities	**(772.8)**	(461.8)	**(588.8)**	(270.4)	**(2.7)**	(3.1)	**(21.3)**	(19.2)
Net cash (used in)/from financing activities	**(9.2)**	(9.1)	**253.6**	362.5	**(27.5)**	–	**18.1**	12.8
Net (Decrease)/Increase in Cash and Cash Equivalents	**(366.7)**	23.3	**109.5**	503.8	**(41.2)**	2.1	**2.8**	(7.3)

Effects of Material Transactions with Non-controlling Interests

In March 2018, Indofood's subsidiary company, ICBP, completed the acquisition of a 49% interest in PT Indofood Anugerah Sukses Barokah ("IASB", formerly known as Indofood Asahi Sukses Beverage) at a consideration of US$2.2 million. As a result of this transaction, the interest of ICBP in IASB increased to 100% from 51%. The Group recorded a debit balance of US$8.0 million in differences arising from changes in equities of subsidiary companies within the Group's equity in respect of this transaction.

In April 2018, Indofood's subsidiary company, PT Sukses Artha Jaya ("SAJ"), acquired 10% interests in each of PT Tirta Makmur Perkasa ("TMP") and PT Tirta Sukses Perkasa ("TSP") at a total consideration of Rupiah 150 billion (US$10.5 million). As a result of this transaction, Indofood's effective interest in TMP and TSP increased to 72.4% from 64.4%. The Group recorded a debit balance of US$4.6 million in differences arising from changes in equities of subsidiary companies within the Group's equity in respect of this transaction.

In December 2018, MPIC's subsidiary company, PT Nusantara, conducted a rights issue to issue 2,475,036,314 new shares with a price of Rupiah 200 (US$0.014) per share, or an aggregate consideration of Rupiah 495 billion (US$34.6 million). Upon the completion of the rights issue, MPIC acquired an additional 2.0 billion shares of PT Nusantara at a total consideration of Rupiah 407 billion (US$28.1 million) which increased MPIC's interest in PT Nusantara to 75.9% from 74.8%. The Group recorded a credit balance of US$8.1 million in differences arising from changes in equities of subsidiary companies within the Group's equity in respect of this transaction.

In June 2017, Indofood and its subsidiary companies, ICBP and Lonsum, injected capital totaling S$125.7 million (US$91.5 million) into Asian Assets Management Pte. Ltd ("AAM"). As a result of these transactions, the effective interest of Indofood in AAM increased to 73.2% from 56.1%.

In July 2017, FP Natural Resources Holdings B.V., a wholly-owned subsidiary company of FP Natural Resources, converted the convertible notes of Pesos 524.0 million (US$10.4 million) issued by RHI in February 2017 into 125 million common shares of RHI at a price of Pesos 4.19 (U.S. 8 cents) per share. As a result of this transaction, the interest of FP Natural Resources and its Philippine affiliate, First Agri Holdings Corporation, in RHI increased to 62.9% from 59.7%. The Group recorded a credit balance of US$2.4 million in differences arising from changes in equities of subsidiary companies within the Group's equity in respect of this transaction.

In December 2017, FPM Power (Mauritius) Limited, a wholly-owned subsidiary company of FPM Power, and the 30% non-controlling shareholder of PLP converted their S$ denominated shareholders' loans of S$245.7 million (US$178.8 million) and S$105.3 million (US$76.6 million), respectively, into equity of PLP. Following the conversion, the interest of FPM Power in PLP remains unchanged at 70%.

33. Other Comprehensive (Loss)/Income Attributable to Owners of the Parent

US$ millions	Exchange reserve	Fair value reserve of available-for-sale assets/ financial assets at FVOCI	Unrealized gains/ (losses) on cash flow hedges	Income tax related to cash flow hedges	Actuarial losses on defined benefit pension plans	Share of other comprehensive (loss)/ income of associated companies and joint ventures	Total
At 1 January 2017	(603.7)	45.1	9.0	(2.2)	(17.5)	(120.9)	(690.2)
Other comprehensive income/(loss) for the year	15.1	14.8	(5.2)	0.9	(9.8)	9.0	24.8
Recycled to retained earnings	–	–	–	–	–	(3.0)	(3.0)
At 31 December 2017	(588.6)	59.9	3.8	(1.3)	(27.3)	(114.9)	(668.4)
At 1 January 2018	(588.6)	59.9	3.8	(1.3)	(27.3)	(114.9)	**(668.4)**
Impact on initial application of HKFRS 9 (Note 2(B))	–	3.6	–	–	–	(23.0)	**(19.4)**
At 1 January 2018 (As adjusted)	(588.6)	63.5	3.8	(1.3)	(27.3)	(137.9)	**(687.8)**
Other comprehensive (loss)/income for the year	(226.3)	22.9	(23.1)	4.0	12.2	11.2	**(199.1)**
At 31 December 2018	**(814.9)**	**86.4**	**(19.3)**	**2.7**	**(15.1)**	**(126.7)**	**(886.9)**

34. Notes to the Consolidated Statement of Cash Flows

(A) Proceeds from Divestment of Interests in Associated Companies

2017's cash inflow of US$246.6 million mainly relates to MPIC's divestment of a 4.5% direct interest in Meralco in June 2017.

(B) Acquisition of Subsidiary Companies and a Business

US$ millions	Indofood's acquisition of AIBM	Indofood's acquisition of NICI(i)	MPIC's acquisition of PT Nusantara(i)	MPIC's acquisition of PT RPSL(i)	MPIC's acquisition of DDH(i)	2018 Total	2017 Total
	Fair value recognized on acquisition						
Consideration							
Cash and cash equivalents	17.8	22.0	66.0	8.0	12.7	**126.5**	260.5
Associated companies and joint ventures(ii)	17.1	22.0	137.5	–	22.1	**198.7**	1,383.5
Current portion of deferred liabilities, provisions and payables(iii)	–	–	–	–	–	**–**	46.5
Deferred liabilities, provisions and payables(iv)	–	–	–	–	–	**–**	126.0
Total	34.9	44.0	203.5	8.0	34.8	**325.2**	1,816.5
Net Assets							
Property, plant and equipment (Note 11)	107.8	15.2	13.8	–	44.8	**181.6**	1,140.5
Associated companies and joint ventures	–	–	56.8	–	–	**56.8**	1,920.9
Other intangible assets (Note 15)	32.0	–	229.3	14.9	0.5	**276.7**	68.3
Accounts receivable, other receivables and prepayments (Non-current)	–	–	6.1	–	–	**6.1**	–
Deferred tax assets (Note 19)	0.7	0.8	4.9	0.3	0.4	**7.1**	8.0
Other non-current assets	0.8	0.5	27.0	–	0.3	**28.6**	4.5
Cash and cash equivalents	1.6	2.2	41.1	0.1	2.0	**47.0**	140.0
Restricted cash	–	–	4.8	–	–	**4.8**	–
Financial assets at FVOCI (Current)	–	–	3.1	–	0.3	**3.4**	–
Bank deposits of more than three months of maturity	–	–	–	–	–	**–**	212.1
Accounts receivable, other receivables and prepayments (Current)	38.9	22.5	16.9	1.2	7.1	**86.6**	147.0
Inventories	12.4	5.0	–	–	2.2	**19.6**	40.1
Accounts payable, other payables and accruals	(30.7)	(18.1)	(5.9)	(10.5)	(6.7)	**(71.9)**	(128.7)
Short-term borrowings (Note 34(G))	(17.1)	(5.2)	(16.1)	–	(0.9)	**(39.3)**	(97.9)
Provision for taxation (Note 27)	(0.1)	(1.1)	(2.8)	–	(1.8)	**(5.8)**	(6.6)
Current portion of deferred liabilities, provisions and payables (Note 28)	(6.3)	(2.1)	(0.3)	–	–	**(8.7)**	(3.5)
Long-term borrowings (Note 34(G))	(94.6)	–	(46.9)	–	–	**(141.5)**	(1,198.0)
Deferred liabilities, provisions and payables (Note 28)	(3.8)	–	(4.9)	–	(1.3)	**(10.0)**	(115.6)
Deferred tax liabilities (Note 19)	(3.7)	(0.3)	(42.9)	–	(4.0)	**(50.9)**	(39.8)
Total Net Identifiable Assets Acquired	37.9	19.4	284.0	6.0	42.9	**390.2**	2,091.3
Non-controlling interests(v)	(3.0)	–	(110.7)	(1.2)	(21.5)	**(136.4)**	(351.0)
Total Share of Net Identifiable Assets Acquired	34.9	19.4	173.3	4.8	21.4	**253.8**	1,740.3
Goodwill (Note 14)	–	24.6	30.2	3.2	13.4	**71.4**	76.2
Net Cash Outflow per the Consolidated Statement of Cash Flows							
– Acquisition of subsidiary companies	(16.2)	(19.8)	(24.9)	(7.9)	(10.7)	**(79.5)**	(116.5)
– Acquisition of a business	–	–	–	–	–	**–**	(4.0)
Total	(16.2)	(19.8)	(24.9)	(7.9)	(10.7)	**(79.5)**	(120.5)

(i) Provisional amounts determined based on management's estimates of the fair values of the identifiable assets acquired, liabilities and contingent liabilities assumed, and subject to revision upon their further assessment.

(ii) Represents the fair values of a 49% interest in AIBM and a 50% interest in NICI previously held by Indofood, and a 49.5% interest in PT Nusantara and a 35.2% interest in DDH previously held by MPIC (2017: fair values of a 75% interest in Beacon Electric, a 60% interest in TMC and a 50% interest in ESC previously held by MPIC).

(iii) Represents the present value of MPIC's instalment payable due in June 2018 for its acquisition of the remaining 25% interest in Beacon Electric.

(iv) Represents the present values of MPIC's instalment payables due from June 2019 till June 2021 for its acquisition of the remaining 25% interest in Beacon Electric and instalment payables due from December 2018 till December 2020 for its acquisition of a logistics business.

(v) The non-controlling interests were measured at the proportionate share of their interests in the acquiree's identifiable net assets.

On 29 March 2018, ICBP, a subsidiary company of Indofood, acquired the remaining 51% interest in AIBM for a consideration of US$17.8 million. Following the completion of the acquisition, ICBP's interest in AIBM increased to 100% from 49% and AIBM became a wholly-owned subsidiary company of Indofood. Prior to the completion of this transaction, Indofood accounted for its investment in AIBM as an associated company. The fair value and gross amount of AIBM's receivables were US$31.5 million. The transaction costs of US$0.1 million incurred for this business combination and the gain on remeasurement of a previously held 49% interest in AIBM of US$4.1 million have been recognized as administrative expenses and other operating income, respectively, in the consolidated income statement.

On 2 July 2018, MPTC, through its Indonesian subsidiary company, PT MPTI, acquired an additional 5.1% of the outstanding share capital (4.99% of the issued share capital) of PT Nusantara for a consideration of Pesos 597 million (US$11.3 million). This transaction increased MPTC's aggregate interest in PT Nusantara to approximately 54.6% (53.3% of the issued share capital) and the Group had started to consolidate PT Nusantara's financial results and financial position since then. Prior to the completion of this transaction, MPIC accounted for its investment in PT Nusantara as an associated company. As a result of the transaction, MPTC was required to conduct a mandatory tender offer (the "MTO") in favor of the non-controlling shareholders of PT Nusantara who collectively held approximately 44.2% of the issued share capital of PT Nusantara with the remaining 2.5% of the issued share capital held as treasury stock by PT Nusantara. The MTO was also considered as part of the business combination. Upon the settlement of the MTO on 10 September 2018, PT MPTI further acquired another 25.3% of the outstanding share capital (24.68% of the issued share capital) of PT Nusantara for a consideration of Pesos 2.9 billion (US$54.7 million), which increased MPTC's aggregate interest in PT Nusantara to approximately 79.9% from 54.6%. The fair value and gross amount of PT Nusantara's receivables were US$10.4 million. The transaction costs of US$2.2 million incurred for this business combination and the gain on remeasurement of a previously held 49.5% interest in PT Nusantara of US$9.3 million have been recognized as administrative expenses and other operating income, respectively, in the consolidated income statement.

On 16 August 2018, PT Energi Infranusantara, a wholly-owned subsidiary company of PT Nusantara, acquired a 80% interest in PT Rezeki Perkasa Sejahtera Lestari ("PT RPSL") for a consideration of Rupiah 115 billion (US$8.0 million). The fair value and gross amount of PT RPSL's receivables were US$0.7 million. The transaction costs of US$0.1 million incurred for this business combination have been recognized as administrative expenses in the consolidated income statement.

On 1 August 2018, MPHHI conducted a voluntary tender offer (the "VTO") to acquire additional an 14.7% interest in DDH for a consideration of Pesos 669 million (US$12.7 million). Following the completion of the VTO on 19 October 2018, MPHHI's interest in DDH increased to approximately 49.9% from 35.2%. The Group has concluded that MPHHI controls DDH and accounts for it as a subsidiary company even though MPHHI owns less than 50% of the voting rights because MPHHI is the single largest shareholder of DDH with a 49.9% interest and the remaining 50.1% interest are widely held by many other shareholders. The Group is also unaware of any formal arrangements or agreements among the other shareholders to consult and make collective actions. Prior to the completion of this transaction, MPIC accounted for its investment in DDH as an associated company. The fair value and gross amount of DDH's receivables were US$6.4 million. The transaction costs of US$0.1 million incurred for this business combination and the gain on remeasurement of a previously held 35.2% interest in DDH of US$4.3 million have been recognized as administrative expenses and other operating income, respectively, in the consolidated income statement.

On 31 October 2018, ICBP acquired the remaining 50% interest in NICI for a consideration of Rupiah 314 billion (US$22.0 million). Following the completion of the acquisition, ICBP's interest in NICI increased to 100% from 50% and NICI became a wholly-owned subsidiary company of Indofood. Prior to the completion of this transaction, Indofood accounted for its investment in NICI as a joint venture. The fair value and gross amount of NICI's receivables were US$22.5 million. The transaction costs of US$0.1 million incurred for this business combination and the gain on remeasurement of a previously held 50% interest in NICI of US$14.8 million have been recognized as administrative expenses and other operating income, respectively, in the consolidated income statement.

The net assets of the above acquired subsidiary companies recognized in the Group's 2018 Consolidated Financial Statements, except for AIBM, were based on provisional assessments of their fair values while the Group is still evaluating the fair values of their assets acquired and liabilities and contingent liabilities assumed. The valuation and assessment had not been completed by the date the Group's 2018 Consolidated Financial Statements were approved for issue by the Board of Directors. If new information obtained within one year of the acquisition dates about facts and circumstances that existed at the acquisition dates identifies adjustments to the above provisional amounts, or any provisions that existed at the acquisition dates, then the accounting for the acquisition will be revised.

The goodwill arising from Indofood's acquisition of NICI and MPIC's acquisition of PT Nusantara, PT RPSL and DDH pertains to, but is not limited to, the expected synergies in the Group arising from the acquisition. None of the goodwill recognized is expected to be deductible for income tax purposes.

Since the dates of acquisition, the above acquired subsidiary companies recorded in aggregate a turnover of US$191.8 million and loss for the period of US$26.8 million which are included in the consolidated income statement of the Group. If the acquisitions had taken place on 1 January 2018, the turnover and profit for the year ended 31 December 2018 of the Group would have been US$7,927.9 million and US$613.2 million, respectively.

2017's net cash outflow of US$120.5 million mainly relates to MPIC's acquisition of the remaining 25% interest in Beacon Electric, an additional 7% interest in TMC and a logistics business.

(C) Increased Investments in Joint Ventures

2018's cash outflow of US$75.9 million mainly relates to MPIC's instalment payment to PCEV for its acquisition of a 25% interest in Beacon Electric in May 2016 and Head Office's capital injections into Goodman Fielder.

2017's cash outflow of US$42.2 million mainly relates to MPIC's instalment payment to PCEV for its acquisition of a 25% interest in Beacon Electric in May 2016.

(D) Investments in Associated Companies

2018's cash outflow of US$51.1 million mainly relates to MPIC's acquisition of a 45% interest in PNW and a 49% interest in TLW in May and June 2018, respectively.

2017's cash outflow of US$208.4 million mainly relates to MPIC's acquisition of a 49.5% interest in PT Nusantara, and a 50% interest in ATEC.

(E) Instalment Payment for Acquisition of a Subsidiary Company

2018's cash outflow of US$46.5 million relates to MPIC's instalment payment to PCEV for its acquisition of the remaining 25% interest in Beacon Electric in 2017.

(F) Proceeds from Redemption of Preferred Shares Issued by a Joint Venture

2017's cash inflow of US$69.5 million mainly relates to Beacon Electric's redemption of preferred shares issued to MPIC in May 2017.

(G) Reconciliation of Liabilities Arising from Financing Activities

US$ millions	Service concession fees payable	Borrowings	Total
At 1 January 2017	580.7	6,108.4	6,689.1
Changes in financing cash flows	(20.0)	541.1	521.1
Exchange translation	(1.9)	4.4	2.5
Acquisition of subsidiary companies (Note 34(B))	–	1,295.9	1,295.9
Finance costs	11.4	19.9	31.3
Other movements	25.5	–	25.5
At 31 December 2017	595.7	7,969.7	8,565.4
At 1 January 2018	595.7	7,969.7	**8,565.4**
Changes in financing cash flows	(19.1)	657.9	**638.8**
Exchange translation	(29.5)	(278.9)	**(308.4)**
Acquisition of subsidiary companies (Note 34(B))	–	180.8	**180.8**
Finance costs	9.8	7.1	**16.9**
Other movements	25.8	(18.7)	**7.1**
At 31 December 2018	**582.7**	**8,517.9**	**9,100.6**

(H) Major Non-cash Transaction

In December 2017, the non-controlling shareholder of PLP converted its S$ denominated shareholder's loan of S$105.3 million (US$76.6 million) into equity of PLP.

35. Commitments and Contingent Liabilities

(A) Capital Expenditure

US$ millions	2018	2017
Commitments in respect of subsidiary companies:		
Authorized, but not contracted for	**2,310.8**	1,873.5
Contracted, but not provided for	**117.2**	681.1
Total	**2,428.0**	2,554.6

The Group's capital expenditure commitments principally relate to Indofood's, RHI's and PLP's purchase of property, plant and equipment, and construction of infrastructures for GBPC's power business, Maynilad's water business, MPTC's toll road business and LRMC's rail business.

(B) Leasing Commitments

At 31 December 2018, the Group had total future minimum lease payments under non-cancelable operating leases falling due as follows:

US$ millions	2018	2017
Land and Buildings		
– Within one year	**14.7**	8.7
– Between two and five years, inclusive	**34.9**	27.5
– After five years	**29.7**	32.5
Subtotal	**79.3**	68.7
Plant and Equipment		
– Within one year	**3.4**	2.0
– Between two and five years, inclusive	**4.6**	4.3
– After five years	**0.4**	–
Subtotal	**8.4**	6.3
Total	**87.7**	75.0

(C) Contingent Liabilities

(a) At 31 December 2018, except for guarantees of US$48.0 million (2017: US$53.1 million) given by Indofood for loan facilities obtained by certain plantation farmers in relation to arrangements for those farmers' production and sale of fresh fruit bunches to Indofood, the Group had no significant contingent liabilities (2017: Nil).

(b) In Wilson P. Gamboa vs. Finance Secretary Margarito B. Teves, et. al. (G.R. No. 176579) (the "Gamboa Case"), the Supreme Court of the Philippines (the "Court") held 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)". It directed the Philippine Securities and Exchange Commission ("SEC") "to apply this definition of the term 'capital' in determining the extent of allowable foreign ownership in PLDT, and if there is a violation of Section 11, Article XII of the Constitution, to impose the appropriate sanctions under the law." On 9 October 2012, the Court issued a Resolution denying with finality all Motions for Reconsideration of the respondents. The Court decision became final and executory on 18 October 2012.

On 20 May 2013, the Philippine SEC issued SEC Memorandum Circular No. 8, Series of 2013 – Guidelines on Compliance with the Filipino-Foreign Ownership Requirements Prescribed in the Constitution and/or Existing Laws by Corporations Engaged in Nationalized and Partly-Nationalized Activities, or MC No. 8, which provides that the required percentage of Filipino ownership shall be applied to BOTH (a) the total number of outstanding shares of stock entitled to vote in the election of directors; AND (b) the total number of outstanding shares of stock, whether or not entitled to vote in the election of directors.

On 10 June 2013, Jose M. Roy III filed before the Court a Petition for Certiorari against the Philippine SEC, Philippine SEC Chairman and PLDT, or the Petition, claiming: (1) that MC No. 8 violates the decision of the Court in the Gamboa Case, which according to the Petitioner required that (a) the 60-40 ownership requirement be imposed on "each class of shares" and (b) Filipinos must have full beneficial ownership of 60% of the outstanding capital stock of those corporations subject to that 60-40 Filipino-foreign ownership requirement; and (2) that the PLDT Beneficial Trust Fund is not a Filipino-owned entity and consequently, the corporations owned by PLDT Beneficial Trust Fund, including BTF Holdings, Inc., which owns 150 million voting preferred shares in PLDT, cannot be considered a Filipino-owned corporation. PLDT and Philippine SEC sought the dismissal of the Petition.

On 16 July 2013, Wilson C. Gamboa, Jr. et. al. filed a Motion for Leave to file a Petition-in-Intervention dated 16 July 2013, which the Court granted on 6 August 2013. The Petition-in-Intervention raised identical arguments and issues as those in the Petition.

The Court, in its 22 November 2016 decision, dismissed the Petition and Petition-in-Intervention and upheld the validity of MC No. 8. In the course of discussing the Petition, the Court expressly rejected petitioners' argument that the 60% Filipino ownership requirement for public utilities must be applied to each class of shares. According to the Court, the position is "simply beyond the literal text and contemplation of Section 11, Article XII of the 1987 Constitution" and that the petitioners' suggestion would "effectively and unwarrantedly amend or change" the Court's ruling in the Gamboa Case. In categorically rejecting the petitioners' claim, the Court declared and stressed that its Gamboa Case ruling "did NOT make any definitive ruling that the 60% Filipino ownership requirement was intended to apply to each class of shares." On the contrary, according to the Court, "nowhere in the discussion of the term 'capital' in Section 11, Article XII of the 1987 Constitution in the Gamboa Decision did the Court mention the 60% Filipino equity requirement to be applied to each class of shares."

In respect of ensuring Filipino ownership and control of public utilities, the Court noted that this is already achieved by the requirements under MC No. 8. According to the Court, "since Filipinos own at least 60% of the outstanding shares of stock entitled to vote directors, which is what the Constitution precisely requires, then the Filipino stockholders control the corporation – i.e., they dictate corporate actions and decisions…"

The Court further noted that the application of the Filipino ownership requirement as proposed by petitioners "fails to understand and appreciate the nature and features of stocks and financial instruments" and would "greatly erode" a corporation's "access to capital – which a stock corporation may need for expansion, debt relief/repayment, working capital requirement and other corporate pursuits." The Court reaffirmed that "stock corporations are allowed to create shares of different classes with varying features" and that this "is a flexibility that is granted, among others, for the corporation to attract and generate capital (funds) from both local and foreign capital markets" and that "this access to capital – which a stock corporation may need for expansion, debt relief/repayment, working capital requirement and other corporate pursuits – will be greatly eroded with further unwarranted limitations that are not articulated in the Constitution." The Court added that "the intricacies and delicate balance between debt instruments (liabilities) and equity (capital) that stock corporations need to calibrate to fund their business requirements and achieve their financial targets are better left to the judgment of their boards and officers, whose bounden duty is to steer their companies to financial stability and profitability and who are ultimately answerable to their shareholders."

The Court went on to say that "a too restrictive definition of 'capital', one that was never contemplated in the Gamboa Decision, will surely have a dampening effect on the business milieu by eroding the flexibility inherent in the issuance of preferred shares with varying terms and conditions. Consequently, the rights and prerogatives of the owners of the corporation will be unwarrantedly stymied." Accordingly, the Court said that the petitioners' "restrictive interpretation of the term 'capital' would have a tremendous adverse impact on the country as a whole – and to all Filipinos."

Petitioner Jose M. Roy III filed a Motion for Reconsideration of the Court Decision dated 22 November 2016. On 18 April 2017, the Court denied with finality Petitioner's Motion for Reconsideration. On 5 August 2017, PLDT received a copy of the Entry of Judgment.

36. Employees' Benefits

(A) Remuneration

US$ millions	2018	2017
Basic salaries	**489.0**	458.6
Bonuses	**168.4**	184.3
Benefits in kind	**104.2**	100.0
Pension contributions	**45.4**	48.5
Retirement and severance allowances	**5.1**	7.5
Employee share-based compensation benefit expenses/LTIP	**4.3**	9.6
Total	**816.4**	808.5
Average Number of Employees	**107,289**	99,879

The above includes the remuneration of the Directors. Detailed disclosures in respect of the Directors' remuneration are set out in Note 37(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 the Philippines Republic Act (R.A.) No. 7641 ("R.A. 7641") and the Indonesian Labor Law. Under R.A. 7641, companies are required to pay a minimum benefit of equivalent to one-half month's salary for every year of service, with six months or more of service considered as one year, to employees with at least five years of services. As some of the entities of the Group operate in the Philippines, they provide for either a defined contribution retirement plan or a defined benefit plan that consider the minimum benefit guarantee mandated under R.A. 7641.

Under the Indonesian Labor Law, companies are required to pay separation, appreciation and compensation benefits to their employees if the conditions specified in the Indonesian Labor Law are met. Some of the Group's Indonesian subsidiary companies maintain and operate formal pension plans for the benefit of their employees, additional provisions for the estimated liabilities for employee service entitlement benefits are made on top of the benefits provided under their respective pension plans, if necessary, in order to meet and cover the minimum benefits required to be paid to employees under the Indonesian Labor Law.

Under the Central Provident Fund Act in Singapore, the Singapore companies in the Group are required to make contributions to the Central Provident Fund scheme in Singapore, which is a defined contribution pension scheme. Contributions to defined contribution pension schemes are made based on a percentage of the employees' basic salaries and charged to the income statement as they become payable in accordance with the rules of the respective schemes.

Under the Mandatory Provident Fund Schemes Ordinance and the Occupational Retirement Schemes Ordinance in Hong Kong, the Hong Kong companies in the Group are required to make contributions to the Mandatory Provident Fund retirement scheme and the occupational retirement scheme in Hong Kong, which are defined contribution pension schemes. Contributions are made based on a percentage of the employees' basic salaries and charged to the consolidated income statement as they become payable in accordance with the rules of the respective schemes.

(a) Defined contribution schemes

The Group operates 12 (2017: nine) defined contribution schemes covering approximately 15,929 (2017: 15,536) 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 40% (2017: 0% to 40%). Under the terms of the schemes, the Group cannot be requested to make additional payments over and above these levels of contributions. In eight (2017: five) of the schemes, forfeited contributions may be used to reduce the existing levels of employer contributions and, in 2018, no amount (2017: Nil) was used for this purpose. At 31 December 2018 and 2017, the forfeited contributions had been fully utilized.

The Group's Indonesian and Singapore subsidiary companies have defined contribution retirement plans covering substantially all of their qualified permanent employees. The related liability arising from the difference between the cumulative funding since the establishment of the program and the cumulative pension costs charged to the consolidated income statement during the same period is recognized as employee benefit liabilities in the consolidated statement of financial position.

Although the Group's Philippine operating companies operate defined contribution schemes, they are covered under R.A. 7641 which provides for its qualified employees under a defined benefit minimum guarantee. The defined minimum guarantee is equivalent to a certain percentage of the monthly salary payment to an employee at the normal retirement age with the required credited years of service based on the provisions of R.A. 7641. The Philippine operating companies account for the retirement obligation under the higher of defined benefit obligation relating to the minimum guarantee and the obligation arising from the defined contribution plan.

(b) Defined benefit schemes and estimated liabilities for employee benefits

The Group operates 28 (2017: 27) defined benefit schemes covering approximately 14,716 (2017: 13,676) employees. 12 (2017: 11) of the plans are unfunded where the Group meets the benefit payment obligations as they fall due while 16 (2017: 16) of the defined benefit payments are from trustee-administered funds. For unfunded schemes, the Group engages the services of actuaries to conduct valuation studies to determine the retirement obligations to ensure that these maturing obligations and expected benefit payments are covered and budgeted for. For the funded schemes, the assets 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 on an annual basis. These actuarial valuations, performed by the actuaries of PT Kappa Konsultan Utama (a member of the Actuarial Consultant Association of Indonesia), Institutional Synergy, Inc., E.M. Zalamea Actuarial Services, Inc. (members of the Actuary Society of the Philippines), Key Actuarial Intelligence, Inc., PT Dayamandiri Dharmakonsilindo and ActuarialExponents, Inc., 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 2018, the Group's level of funding in respect of its defined benefit schemes was 52.9% (2017: 65.3%).

The Group's plan assets mainly comprise debt securities, equities, cash in banks, time deposits and unit trust funds. Thus, the cash flows from the assets alter in accordance with the change of equity prices and interest rates, and the assets are subject to various risks including credit, investment and liquidity risks. While the Group does not perform any asset-liability matching study, the risks arising from the nature of the assets comprising the fund, are mitigated by limiting the investments in financial assets only to the good quality instruments as recommended by the trust managers, investing in reputable equity shares with good fair values and contributing to the respective fund from time to time, based on the recommendations of their actuaries with the objective of maintaining their respective funds in a sound condition.

The Group has also made provisions for estimated liabilities for employee benefits covering the employees of its Indonesian subsidiary companies. 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 Kappa Konsultan Utama (a member of the Actuarial Consultant Association of 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 consolidated statement of financial position are as follows:

US$ millions	Defined benefit schemes	Estimated liabilities for employee benefits	Total **2018**	Total 2017
Present value of defined benefit obligations	(75.8)	(442.7)	**(518.5)**	(557.7)
Fair value of plan assets	40.5	–	**40.5**	37.3
Liability in the Consolidated Statement of Financial Position	(35.3)	(442.7)	**(478.0)**	(520.4)

(II) The changes in the present value of the obligations under 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	Total 2018	Total 2017
At 1 January	(80.4)	(477.3)	**(557.7)**	(443.0)
Exchange translation	3.8	30.2	**34.0**	7.8
Current service cost	(8.4)	(30.7)	**(39.1)**	(49.6)
Past service cost	–	4.4	**4.4**	–
Interest cost on obligation	(4.3)	(30.6)	**(34.9)**	(43.8)
Actuarial gains/(losses) arising from:				
– Changes in demographic assumptions	0.2	–	**0.2**	–
– Changes in financial assumptions	11.7	38.7	**50.4**	(46.9)
– Experience adjustments	0.6	6.7	**7.3**	2.2
Acquisition of subsidiary companies	(5.7)	(7.9)	**(13.6)**	(20.0)
Benefit paid	6.7	23.8	**30.5**	35.6
At 31 December	(75.8)	(442.7)	**(518.5)**	(557.7)

(III) The changes in the fair value of plan assets under the defined benefit schemes during the year are as follows:

US$ millions	2018	2017
At 1 January	**37.3**	39.7
Exchange translation	**(1.5)**	(2.0)
Interest income included in net interest cost	**2.3**	2.4
Return on plan assets (excluding amount included in net interest cost)	**(3.6)**	(1.1)
Contributions by employers	**9.7**	5.4
Acquisition of subsidiary companies	**1.1**	3.6
Benefit paid	**(4.8)**	(10.7)
At 31 December	**40.5**	37.3

(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:

	2018	2017
Philippine debt securities	**43%**	42%
Philippine equities	**16%**	18%
Indonesian debt securities	**1%**	2%
Indonesian equities	**2%**	3%
Cash in banks and time deposits	**20%**	23%
Unit trust funds and others	**18%**	12%

(V) The amounts recognized in the consolidated income statement and consolidated statement of comprehensive income are analyzed as follows:

US$ millions	Defined benefit schemes	Estimated liabilities for employee benefits	Total 2018	2017
Current service cost[i]	8.4	30.7	**39.1**	49.6
Past service cost[i]	–	(4.4)	**(4.4)**	–
Interest cost on obligation[i]	4.3	30.6	**34.9**	43.8
Interest income on plan assets[i]	(2.3)	–	**(2.3)**	(2.4)
Actuarial (gains)/losses arising from				
– Changes in demographic assumptions[ii]	(0.2)	–	**(0.2)**	–
– Changes in financial assumptions[ii]	(11.7)	(38.7)	**(50.4)**	46.9
– Experience adjustments[ii]	(0.6)	(6.7)	**(7.3)**	(2.2)
Return on plan assets (excluding amount included in net interest cost)[ii]	3.6	–	**3.6**	1.1
Total	1.5	11.5	**13.0**	136.8
Actual Return on Plan Assets			**(1%)**	5%

(i) Included in cost of sales, selling and distribution expenses and administrative expenses
(ii) Included in other comprehensive income

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

	2018	2017
Discount rate	**8%**	7%
Future annual salary increases	**8%**	8%

(VII) The calculation of the defined benefit obligation is sensitive to the assumptions set above. The following table summarizes how the present value of the defined benefit obligation at the end of the reporting period would have increased or decreased as a result of changes in the respective assumptions:

US$ millions	Increase/ (decrease)	(Decrease)/ increase at 31 December 2018	Increase/ (decrease)	(Decrease)/ increase at 31 December 2017
Annual discount rate (%)	**1.0**	**(36.6)**	1.0	(45.3)
	(1.0)	**42.3**	(1.0)	52.2
Future annual salary increases (%)	**1.0**	**44.8**	1.0	49.9
	(1.0)	**(39.3)**	(1.0)	(43.5)

(VIII) The following table provides the maturity analysis of the undiscounted benefit payments as at 31 December:

US$ millions	2018	2017
Less than one year	**37.4**	35.8
One year to five years	**143.8**	128.7
More than five years	**3,605.3**	3,786.0
Total expected benefit payments	**3,786.5**	3,950.5

The weighted average duration of the defined benefit obligation is 12 years (2017: 12 years).

(IX) The Group expects to contribute US$11.5 million (2017: US$7.9 million) to its defined benefit pension plans next year.

(C) Loans to Officers

During the years ended 31 December 2018 and 2017, there were no loans made by the Group to officers which required disclosure pursuant to section 383(1)(d) of the Hong Kong Companies Ordinance and Part 3 of the Companies (Disclosure of Information about Benefits of Directors) Regulation.

37. Directors' and Senior Executives' Remuneration

(A) Directors' Remuneration

The remuneration of Directors and chief executive of the Company for the year ended 31 December 2018, disclosed on an individual basis and pursuant to the Appendix 16 paragraph 24 of the Listing Rules, section 383 (1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

Directors' remuneration – 2018

	Non-performance based							
US$'000	Salaries	Other benefits	Pension contributions	Performance based payments(i)	Employee share-based compensation benefit expenses/LTIP	Fees(ii)	Retirement benefit payments	**Total**
Chairman								
Anthoni Salim	3,006	–	–	–	–	48	–	**3,054**
Executive Directors								
Manuel V. Pangilinan, *Managing Director and Chief Executive Officer*	4,333	520	194	680	1,114	–	–	**6,841**
Robert C. Nicholson(iii)	974	278	2	245	626	–	3,190	**5,315**
Christopher H. Young, *Chief Financial Officer*	1,580	365	156	506	886	–	–	**3,493**
Non-executive Directors								
Tedy Djuhar	–	–	–	–	–	28	–	**28**
Benny S. Santoso	–	–	–	–	72	102	–	**174**
Ambassador Albert F. del Rosario	–	–	–	–	146	123	–	**269**
Independent Non-executive Directors								
Prof. Edward K.Y. Chen, *GBS, CBE, JP*	–	–	–	–	85	105	–	**190**
Margaret Leung Ko May Yee, *SBS, JP*	–	–	–	–	85	93	–	**178**
Philip Fan Yan Hok	–	–	–	–	85	111	–	**196**
Madeleine Lee Suh Shin	–	–	–	–	117	85	–	**202**
Total	9,893	1,163	352	1,431	3,216	695	3,190	**19,940**

(i) Performance based payments comprise performance bonuses and long-term monetary incentive awards.
(ii) For meetings attended
(iii) Mr. Robert C. Nicholson resigned from the Board of Directors with effect from 13 December 2018.

Directors' remuneration – 2017

US$'000	Non-performance based Salaries	Other benefits	Pension contributions	Performance based payments[i]	Employee share-based compensation benefit expenses/LTIP	Fees[ii]	Total
Chairman							
Anthoni Salim	3,098	–	–	–	–	41	3,139
Executive Directors							
Manuel V. Pangilinan, *Managing Director and Chief Executive Officer*	3,687	517	189	886	1,017	–	6,296
Edward A. Tortorici[iii]	613	59	550	–	1,206	–	2,428
Robert C. Nicholson	1,007	289	2	379	1,524	–	3,201
Christopher H. Young[iv], *Chief Financial Officer*	508	106	43	525	517	–	1,699
Non-executive Directors							
Tedy Djuhar	–	–	–	–	–	36	36
Benny S. Santoso	–	–	–	–	201	121	322
Ambassador Albert F. del Rosario	–	–	–	–	301	139	440
Independent Non-executive Directors							
Prof. Edward K.Y. Chen, *GBS, CBE, JP*	–	–	–	–	233	103	336
Margaret Leung Ko May Yee, *SBS, JP*	–	–	–	–	263	98	361
Philip Fan Yan Hok	–	–	–	–	263	108	371
Madeleine Lee Suh Shin	–	–	–	–	232	82	314
Total	8,913	971	784	1,790	5,757	728	18,943

(i) Performance based payments comprise performance bonuses and long-term monetary incentive awards.
(ii) For meetings attended
(iii) Mr. Edward A. Tortorici resigned from the Board of Directors with effect from 30 August 2017.
(iv) Mr. Christopher H. Young was appointed to the Board of Directors with effect from 30 August 2017.

Included within the total Directors' remuneration is an amount of US$1.2 million (2017: US$0.8 million) paid by PLDT, an associated company, in respect of the services of the Managing Director and Chief Executive Officer of the Company.

(B) Senior Executives' Remuneration

As similar remuneration schemes operate for the senior executives of the Group, their remuneration may exceed those of the Company's Directors. One (2017: two) senior executive was among the Group's five highest earning employee during the year ended 31 December 2018. The remaining four (2017: three) of the five highest earning employees are the Company's Directors.

US$'000	2018	2017
Non-performance based		
– Salaries and benefits	**648**	3,163
– Pension contributions	**–**	85
Performance based		
– Bonuses and long-term monetary incentive awards	**–**	527
Employee share based compensation benefit expenses/LTIP	**820**	1,249
Total	**1,468**	5,024

The table below shows the remuneration of one (2017: two) senior executive who was among the Group's five highest earning employees in 2018.

Remuneration bands	2018 Number	2017 Number
US$1,412,000 – US$1,476,000	**1**	–
US$2,436,000 – US$2,500,000	**–**	1
US$2,564,000 – US$2,628,000	**–**	1

(C) Key Management Personnel Compensation

US$ millions	2018	2017
Non-performance based		
– Salaries and benefits	**72.5**	69.6
– Pension contributions	**4.5**	7.3
Performance based		
– Bonuses and long-term monetary incentive awards	**60.9**	58.1
Employee share-based compensation benefit expenses/LTIP	**4.3**	9.6
Fees	**0.7**	0.7
Total	**142.9**	145.3

(D) Share Options

The Company and its subsidiary companies operate share option schemes for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Particulars of the share options of the Company and its subsidiary companies granted to the Directors and senior executives of the Company and its subsidiary companies at 31 December 2018 are set out below:

(a) Particulars of the Company's share option scheme

	Share options held at 1 January 2018	Share options forfeited during the year	Reclassification[ii]	**Share options held at 31 December 2018**	Share options exercise price per share[i] (HK$)	Market price per share immediately before the date of grant[i] (HK$)	Grant date	Vesting period[iv]	Exercisable period
Executive Directors									
Manuel V. Pangilinan	10,224,972	–	–	**10,224,972**	10.2299	10.4450	22 March 2013	September 2013 to September 2017	September 2013 to March 2023
Robert C. Nicholson[ii]	6,646,232	–	(6,646,232)	**–**	10.2299	10.4450	–	–	–
	7,281,203	–	(7,281,203)	**–**	10.2729	9.7213	–	–	–
Non-Executive Director									
Benny S. Santoso	715,748	–	–	**715,748**	10.2299	10.4450	22 March 2013	September 2013 to September 2017	September 2013 to March 2023
	1,097,139	–	–	**1,097,139**	10.2729	9.7213	4 June 2013	September 2013 to September 2017	September 2013 to June 2023
	715,748	–	–	**715,748**	10.2299	7.72	29 August 2013	September 2013 to September 2017	September 2013 to August 2023
	1,339,600	–	–	**1,339,600**	4.972	4.950	15 April 2016	April 2017 to April 2019	April 2017 to April 2022
Independent Non- Executive Directors									
Prof. Edward K.Y. Chen, *GBS, CBE, JP*	1,097,139	–	–	**1,097,139**	10.2729	9.7213	4 June 2013	September 2013 to September 2017	September 2013 to June 2023
Margaret Leung Ko May Yee, *SBS, JP*	715,748	–	–	**715,748**	10.2299	10.4450	22 March 2013	March 2015 to March 2018	March 2015 to March 2023
	1,097,139	–	–	**1,097,139**	10.2729	9.7213	4 June 2013	March 2015 to March 2018	March 2015 to June 2023
Philip Fan Yan Hok	715,748	–	–	**715,748**	10.2299	10.4450	22 March 2013	March 2015 to March 2018	March 2015 to March 2023
	1,097,139	–	–	**1,097,139**	10.2729	9.7213	4 June 2013	March 2015 to March 2018	March 2015 to June 2023
Senior Executives	3,242,137	–	–	**3,242,137**	5.1932	5.2127	18 June 2010	June 2012 to June 2015	June 2012 to June 2020
	17,893,700	(408,999)	6,646,232	**24,130,933**	10.2299	10.4450	22 March 2013	September 2013 to September 2017	September 2013 to March 2023
	37,680,045	(734,153)	7,281,203	**44,227,095**	10.2729	9.7213	4 June 2013	September 2013 to September 2017	September 2013 to June 2023
	5,112,486	–	–	**5,112,486**	10.2299	7.72	29 August 2013	September 2013 to September 2017	September 2013 to August 2023
	14,638,000	–	–	**14,638,000**	10.2514	7.72	29 August 2013	July 2015 to July 2018	July 2015 to August 2023
	7,538,000	–	–	**7,538,000**	10.2514	9.24	15 July 2014	February 2016 to February 2019	February 2016 to July 2024
	1,184,750	–	–	**1,184,750**	4.972	4.950	15 April 2016	April 2017 to April 2019	April 2017 to April 2022
	403,025	–	–	**403,025**	6.092	5.98	7 June 2017	June 2018 to June 2019	June 2018 to April 2022
Total	120,435,698	(1,143,152)	–	**119,292,546**[iii]					

(i) Adjusted for the effect of the Company's rights issue completed in July 2013 for the prices prior to the trading of the Company's shares on an ex-rights basis on 6 June 2013 and 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) Mr. Robert C. Nicholson resigned from the Board of Directors with effect from 13 December 2018 and his outstanding share options were reclassified under "Senior Executives".

(iii) The number of outstanding share options vested and exercisable at 31 December 2018 was 116,741,883. These share options had a weighted average exercise price of HK$10.03.

(iv) The vesting periods of the share options are as follows:

- (a) For the 2010 grant, the share options would be vested in four tranches (40% in the second year after the share options are granted and 20% each from the third to the fifth year after the grant).
- (b) For the 2013 grants, the share options would be vested in five equal tranches in September 2013, September 2014, September 2015, September 2016 and September 2017, except for new recruits (Independent Non-executive Directors: 40% in March 2015 and 20% each in March 2016, March 2017 and March 2018; Senior executives: 40% in July 2015 and 20% each in July 2016, July 2017 and July 2018).
- (c) For the 2014 grant, the share options would be vested in four tranches (40% in February 2016 and 20% each in February 2017, February 2018 and February 2019).
- (d) For the 2016 grant, the share options would be vested in three equal tranches from the first to the third year after the share options are granted.
- (e) For the 2017 grant, the share options would be vested in two equal tranches in the first and the second year after the share options are granted.

	Share options held at 1 January 2017	Share options granted during the year	Reclassification[ii]	Share options exercised during the year	Share options forfeited during the year	Share options held at 31 December 2017	Share options exercise price per share[i] (HK$)	Market price per share immediately before the date of grant[i] (HK$)	Grant date	Vesting period[v]	Exercisable period
Executive Directors											
Manuel V. Pangilinan	15,000,000	–	–	(15,000,000)	–	–	4.9457	4.9363	–	–	–
	10,224,972	–	–	–	–	10,224,972	10.2299	10.4450	22 March 2013	September 2013 to September 2017	September 2013 to March 2023
Edward A. Tortorici[ii]	5,112,486	–	(5,112,486)	–	–	–	10.2299	10.4450	–	–	–
	10,348,694	–	(10,348,694)	–	–	–	10.2729	9.7213	–	–	–
	5,112,486	–	(5,112,486)	–	–	–	10.2299	7.72	–	–	–
Robert C. Nicholson	13,704,933	–	–	(13,704,933)	–	–	4.9457	4.9363	–	–	–
	6,646,232	–	–	–	–	6,646,232	10.2299	10.4450	22 March 2013	September 2013 to September 2017	September 2013 to March 2023
	7,281,203	–	–	–	–	7,281,203	10.2729	9.7213	4 June 2013	September 2013 to September 2017	September 2013 to June 2023
Non-Executive Director											
Benny S. Santoso	1,066,177	–	–	(1,066,177)	–	–	4.9457	4.9363	–	–	–
	715,748	–	–	–	–	715,748	10.2299	10.4450	22 March 2013	September 2013 to September 2017	September 2013 to March 2023
	1,097,139	–	–	–	–	1,097,139	10.2729	9.7213	4 June 2013	September 2013 to September 2017	September 2013 to June 2023
	715,748	–	–	–	–	715,748	10.2299	7.72	29 August 2013	September 2013 to September 2017	September 2013 to August 2023
	1,339,600	-	-			1,339,600	4.972	4.950	15 April 2016	April 2017 to April 2019	April 2017 to April 2022
Independent Non- Executive Directors											
Prof. Edward K.Y. Chen, *GBS, CBE, JP*	3,405,651	–	–	(3,405,651)	–	–	4.9457	4.9363	–	–	–
	1,097,139	–	–	–	–	1,097,139	10.2729	9.7213	4 June 2013	September 2013 to September 2017	September 2013 to June 2023
Margaret Leung Ko May Yee, *SBS, JP*	715,748	–	–	–	–	715,748	10.2299	10.4450	22 March 2013	March 2015 to March 2018	March 2015 to March 2023
	1,097,139	–	–	–	–	1,097,139	10.2729	9.7213	4 June 2013	March 2015 to March 2018	March 2015 to June 2023
Philip Fan Yan Hok	715,748	–	–	–	–	715,748	10.2299	10.4450	22 March 2013	March 2015 to March 2018	March 2015 to March 2023
	1,097,139	–	–	–	–	1,097,139	10.2729	9.7213	4 June 2013	March 2015 to March 2018	March 2015 to June 2023
Senior Executives	26,996,857	–		(26,996,857)	–	–	4.9457	4.9363	–	–	–
	3,242,137	–		–	–	3,242,137	5.1932	5.2127	18 June 2010	June 2012 to June 2015	June 2012 to June 2020
	14,212,710	–	5,112,486	–	(1,431,496)	17,893,700	10.2299	10.4450	22 March 2013	September 2013 to September 2017	September 2013 to March 2023
	28,428,490	–	10,348,694	–	(1,097,139)	37,680,045	10.2729	9.7213	4 June 2013	September 2013 to September 2017	September 2013 to June 2023
	–	–	5,112,486	–	–	5,112,486	10.2299	7.72	29 August 2013	September 2013 to September 2017	September 2013 to August 2023
	14,638,000	–	–	–	–	14,638,000	10.2514	7.72	29 August 2013	July 2015 to July 2018	July 2015 to August 2023
	7,538,000	–	–	–	–	7,538,000	10.2514	9.24	15 July 2014	February 2016 to February 2019	February 2016 to July 2024
	1,184,750	–	–	–	–	1,184,750	4.972	4.950	15 April 2016	April 2017 to April 2019	April 2017 to April 2022
	–	403,025	–	–	–	403,025	6.092	5.98	7 June 2017	June 2018 to June 2019	June 2018 to April 2022
Total	182,734,926	403,025	–	(60,173,618)[iii]	(2,528,635)	120,435,698[iv]					

(i) Adjusted for the effect of the Company's rights issue completed in July 2013 for the prices prior to the trading of the Company's shares on an ex-rights basis on 6 June 2013 and 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) Mr. Edward A. Tortorici resigned from the Board of Directors with effect from 30 August 2017 and his outstanding share options were reclassified under "Senior Executives".

(iii) The weighted average closing prices of the Company's shares immediately before and at the dates on which these share options were exercised were HK$5.85 and HK$5.85, respectively.

(iv) The number of outstanding share options vested and exercisable at 31 December 2017 was 111,681,761. These share options have a weighted average exercise price of HK$10.07.

(v) The vesting periods of the share options are as follows:
   - (a) For the 2010 grant, the share options would be vested in four tranches (40% in the second year after the share options are granted and 20% each from the third to the fifth year after grant).
   - (b) For the 2013 grants, the share options would be vested in five equal tranches in September 2013, September 2014, September 2015, September 2016 and September 2017, except for new recruits (Independent Non-executive Directors: 40% in March 2015 and 20% each in March 2016, March 2017 and March 2018; Senior executives: 40% in July 2015 and 20% each in July 2016, July 2017 and July 2018).
   - (c) For the 2014 grant, the share options would be vested in four tranches (40% in February 2016 and 20% each in February 2017, February 2018 and February 2019).
   - (d) For the 2016 grant, the share options would be vested in three equal tranches from the first to the third year after the share options are granted.
   - (e) For the 2017 grant, the share options would be vested in two equal tranches in the first and the second year after the share options are granted.

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 LTIP. The Scheme, which complies with the provisions set out in Chapter 17 of the Listing Rules, became effective on 24 May 2004. The Scheme was valid for 10 years and expired 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, which equaled to 318,599,300 shares. 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 of the closing prices 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 for a certain period after the date on which any option is accepted. Share options vest progressively over the vesting period, provided that the relevant grantee remains employed by the Group. Options which lapse or are canceled prior to their expiry date are deleted from the register of options. After the adoption of the new share option scheme in 2012, no further share options were granted pursuant to the Scheme before it expired or was terminated.

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 each 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 (before adjusting for the effect of the Company's 2013 rights issue)	HK$5.31 per share[i]
Exercise price (before adjusting for the effect of the Company's 2013 rights issue)	HK$5.31 per share[i]
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	2.0% 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. No other feature of the option granted was incorporated into the measurement of fair value.

(i) HK$5.1932 after adjusting for the effect of the Company's rights issue in 2013

At the AGM held on 31 May 2012, the Company's shareholders approved a new share option scheme (the "New Scheme") under which the Directors may, at their discretion, at any time during the life of the New Scheme, grant Directors and executives of the Company's share options as part of the Company's LTIP. The New Scheme, which complies with the provisions set out in Chapter 17 of the Listing Rules, became effective on 31 May 2012. The New Scheme will be valid for 10 years and will expire on 30 May 2022.

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 New Scheme by the shareholders, which equaled to 382,827,354 shares. The maximum number of shares in respect of which options may be granted under the New 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 of the closing prices 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 New Scheme provide that subject to any other restrictions on vesting imposed by the Directors, share options may be exercised under the New Scheme at any time from the date of acceptance until the date of expiry. Any options granted under the New Scheme are subject to certain restrictions on exercise including a prohibition on exercise for a certain period after the date on which any option is accepted. Share options vest progressively over the vesting period, provided that the relevant grantee remains employed by the Group. Options which lapse or are canceled prior to their expiry date are deleted from the register of options.

On 22 March 2013, 40,300,000 share options under the Company's New 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$3.04 each or an aggregate value of US$15.7 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 2013 rights issue)	HK$10.46 per share(ii)
Exercise price (before adjusting for the effect of the Company's 2013 rights issue)	HK$10.46 per share(ii)
Expected volatility (based on historical volatility of the Company's shares commensurate with the average expected life of the options granted)	38%
Option life	10 years
Expected dividend yield	2.7% per annum
Average risk-free interest rate (based on the Hong Kong Exchange Fund Notes)	0.7% 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 6.6 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. No other feature of the option granted was incorporated into the measurement of fair value.

On 4 June 2013, 54,900,000 share options under the Company's New 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$2.94 each or an aggregate value of US$20.7 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 2013 rights issue)	HK$10.22 per share(iii)
Exercise price (before adjusting for the effect of the Company's 2013 rights issue)	HK$10.504 per share(iv)
Expected volatility (based on historical volatility of the Company's shares commensurate with the average expected life of the options granted)	38%
Option life	10 years
Expected dividend yield	2.7% per annum
Average risk-free interest rate (based on the Hong Kong Exchange Fund Notes)	1.0% 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 6.6 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. No other feature of the option granted was incorporated into the measurement of fair value.

(ii) HK$10.2299 after adjusting for the effect of the Company's rights issue in 2013
(iii) HK$9.9951 after adjusting for the effect of the Company's rights issue in 2013
(iv) HK$10.2729 after adjusting for the effect of the Company's rights issue in 2013

On 29 August 2013, 5,828,234 share options under the Company's New 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$2.22 each 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$8.11 per share
Exercise price	HK$10.2299 per share
Expected volatility (based on historical volatility of the Company's shares commensurate with the average expected life of the options granted)	38%
Option life	10 years
Expected dividend yield	2.7% per annum
Average risk-free interest rate (based on the Hong Kong Exchange Fund Notes)	1.9% 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 7.3 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. No other feature of the option granted was incorporated into the measurement of fair value.

On 29 August 2013, 17,178,000 share options under the Company's New 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$2.36 each or an aggregate value of US$5.2 million for all options granted. The assumptions used were as follows:

Share price at the date of grant	HK$8.11 per share
Exercise price	HK$10.2514 per share
Expected volatility (based on historical volatility of the Company's shares commensurate with the average expected life of the options granted)	38%
Option life	10 years
Expected dividend yield	2.7% per annum
Average risk-free interest rate (based on the Hong Kong Exchange Fund Notes)	1.9% 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 7.3 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. No other feature of the option granted was incorporated into the measurement of fair value.

On 15 July 2014, 7,538,000 share options under the Company's New 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$2.49 each or an aggregate value of US$2.4 million for all options granted. The assumptions used were as follows:

Share price at the date of grant	HK$9.23 per share
Exercise price	HK$10.2514 per share
Expected volatility (based on historical volatility of the Company's shares commensurate with the average expected life of the options granted)	37%
Option life	10 years
Expected dividend yield	2.7% per annum
Average risk-free interest rate (based on the Hong Kong Exchange Fund Notes)	1.7% 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 7 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. No other feature of the option granted was incorporated into the measurement of fair value.

On 15 April 2016, 2,524,350 share options under the Company's New 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$1.05 each or an aggregate value of US$0.3 million for all options granted. The assumptions used were as follows:

Share price at the date of grant	HK$4.95 per share
Exercise price	HK$4.972 per share
Expected volatility (based on historical volatility of the Company's shares commensurate with the average expected life of the options granted)	29%
Option life	6 years
Expected dividend yield	2.4% per annum
Average risk-free interest rate (based on the Hong Kong Exchange Fund Notes)	1.0% 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 5 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. No other feature of the option granted was incorporated into the measurement of fair value.

On 7 June 2017, 403,025 share options under the Company's New 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$1.03 each or an aggregate value of US$0.1 million for all options granted. The assumptions used were as follows:

Share price at the date of grant	HK$5.98 per share
Exercise price	HK$6.092 per share
Expected volatility (based on historical volatility of the Company's shares commensurate with the average expected life of the options granted)	26%
Option life	4.85 years
Expected dividend yield	2.4% per annum
Average risk-free interest rate (based on the Hong Kong Exchange Fund Notes)	0.8% 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 4 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. No other feature of the options granted was incorporated into the measurement of fair value.

The binomial model, applied for determining the estimated values of the share options granted under the Scheme and the New 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.

At the date of approval of the Consolidated Financial Statements, the Company had 119,292,546 share options outstanding under the Company's share option schemes, which represented approximately 2.7% of the Company's shares in issue as at that date.

Details of the Group's accounting policy in respect of the share options granted are set out in Note 2(D)(t)(III) to the Consolidated Financial Statements.

(b) Particulars of MPIC's share option scheme

	Share options held at 1 January 2018	Reclassification[i]	Share options exercised during the year	Share options forfeited during the year	**Share options held at 31 December 2018**	Share option exercise price per share (Peso)	Market price per share immediately before the date of grant (Peso)	Grant date	Vesting period[iv]	Exercisable period[v]
Executive Director										
Robert C. Nicholson[i]	5,000,000	(5,000,000)	–	–	**–**	4.60	4.59	–	–	–
Senior Executives	64,825,000	5,000,000	(7,000,000)	(8,000,000)	**54,825,000**	4.60	4.59	14 October 2013	October 2014 to October 2015	October 2014 to October 2019
Total	69,825,000	–	(7,000,000)[ii]	(8,000,000)	**54,825,000[iii]**					

(i) Mr. Robert C. Nicholson resigned from the Board of Directors with effect from 13 December 2018 and his outstanding share options were reclassified under "Senior Executives".
(ii) The weighted average closing prices of MPIC's shares immediately before and at the dates on which these share options were exercised were Pesos 5.46 and Pesos 5.42, respectively.
(iii) The number of outstanding share options vested and exercisable at 31 December 2018 was 54,825,000. These share options have a weighted average exercise price of Pesos 4.60.
(iv) The share options would be vested in two equal tranches in the first and the second year after the share options are granted.
(v) The end of the exercisable period was extended by MPIC's Compensation Committee from October 2018 to October 2019 on 9 October 2018.

	Share options held at 1 January 2017	Reclassification[i]	Share options exercised during the year	Share options held at 31 December 2017	Share option exercise price per share (Peso)	Market price per share immediately before the date of grant (Peso)	Grant date	Vesting period[iv]	Exercisable period
Executive Directors									
Manuel V. Pangilinan	2,000,000	–	(2,000,000)	–	4.60	4.59	–	–	–
Edward A. Tortorici[i]	5,000,000	(5,000,000)	–	–	4.60	4.59	–	–	–
Robert C. Nicholson	5,000,000	–	–	5,000,000	4.60	4.59	14 October 2013	October 2014 to October 2015	October 2014 to October 2018
Senior Executives	64,525,000	5,000,000	(4,700,000)	64,825,000	4.60	4.59	14 October 2013	October 2014 to October 2015	October 2014 to October 2018
Total	76,525,000	–	(6,700,000)[ii]	69,825,000[iii]					

(i) Mr. Edward A. Tortorici resigned from the Board of Directors with effect from 30 August 2017 and his outstanding share options were reclassified under "Senior Executives".
(ii) The weighted average closing prices of MPIC's shares immediately before and at the dates on which these share options were exercised were Pesos 6.56 and Pesos 6.51, respectively.
(iii) The number of outstanding share options vested and exercisable at 31 December 2017 was 69,825,000. These share options had a weighted average exercise price of Pesos 4.60.
(iv) The share options would be vested in two equal tranches in the first and the second year after the share options are granted.

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 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 at 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 14 October 2013, 120,000,000 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 0.76 each or an aggregate value of Pesos 91.4 million (US$2.1 million) for all options granted. The assumptions used were as follows:

Share price at the date of grant	Pesos 4.59 per share
Exercise price	Pesos 4.60 per share
Expected volatility (based on historical volatility of MPIC's shares commensurate with the average expected life of the options granted)	34%
Option life	5 years
Expected dividend yield	0.76%
Average risk-free interest rate (based on the Philippine government zero coupon bond)	1.53% per annum

(c) Particulars of RHI's share option scheme

	Share options held at 1 January 2018	Share options exercised during the year	Share options forfeited during the year	Share options lapsed during the year	**Share options held at 31 December 2018**	Share option exercise price per share (Peso)	Market price per share immediately before the date of grant (Peso)	Grant date	Vesting period[iii]	Exercisable period
Executive Director										
Manuel V. Pangilinan	500,000	–	–	–	**500,000**	5.32	7.09	30 April 2014	April 2015 to April 2019	April 2015 to April 2019
Senior Executives	14,837,670	(980,133)	–	(13,857,537)	**–**	2.49	2.66	–	–	–
	20,901,400	–	(4,253,304)	–	**16,648,096**	5.32	7.09	30 April 2014	April 2015 to April 2019	April 2015 to April 2019
Total	36,239,070	(980,133)[i]	(4,253,304)	(13,857,537)	**17,148,096**[ii]					

(i) The closing prices of RHI's shares immediately before and at the date on which these share options were exercised were Pesos 3.85 and Pesos 3.83, respectively.

(ii) The number of outstanding share options vested and exercisable at 31 December 2018 was 13,718,477. These share options had a weighted average exercise price of Pesos 5.32.

(iii) The share options would be vested in five equal tranches from the first to the fifth year after the share options are granted.

	Share options held at 1 January 2017	Share options exercised during the year	Share options forfeited during the year	Share options held at 31 December 2017	Share option exercise price per share (Peso)	Market price per share immediately before the date of grant (Peso)	Grant date	Vesting period[iii]	Exercisable period
Executive Director									
Manuel V. Pangilinan	500,000	–	–	500,000	5.32	7.09	30 April 2014	April 2015 to April 2019	April 2015 to April 2019
Senior Executives	15,101,376	(156,985)	(106,721)	14,837,670	2.49	2.66	29 July 2013	July 2014 to July 2018	July 2014 to July 2018
	23,960,832	–	(3,059,432)	20,901,400	5.32	7.09	30 April 2014	April 2015 to April 2019	April 2015 to April 2019
Total	39,562,208	(156,985)[i]	(3,166,153)	36,239,070[ii]					

(i) The closing prices of RHI's shares immediately before and at the date on which these share options were exercised were Pesos 5.10 and Pesos 5.00, respectively.
(ii) The number of outstanding share options vested and exercisable at 31 December 2017 was 26,593,107. These share options had a weighted average exercise price of Pesos 3.89.
(iii) The share options would be vested in five equal tranches from the first to the fifth year after the share options are granted.

The RHI employee share option schemes were approved on 8 May 2013 and 16 January 2014 as LTIPs for the employees of RHI and its subsidiary companies based on individual performance.

On 29 July 2013, 24,621,494 share options under RHI's scheme were granted. The average fair value of options granted, as calculated based on the Black-Scholes-Merton formula, was Peso 0.90 each or an aggregate value of Pesos 22.2 million (US$0.5 million) for all options granted. The assumptions used were as follows:

Share price at the date of grant	Pesos 2.80 per share
Exercise price	Pesos 2.49 per share
Expected volatility (based on historical volatility of RHI's shares commensurate with the average expected life of the options granted)	39%
Option life	5 years
Expected dividend yield	1.97%
Average risk-free interest rate (based on the Philippine government zero coupon bonds)	3.23% per annum

On 30 April 2014, 38,808,567 share options under RHI's scheme were granted. The average fair value of options granted, as calculated based on the Black-Scholes-Merton formula, was Pesos 3.00 each or an aggregate value of Pesos 116.4 million (US$2.6 million) for all options granted. The assumptions used were as follows:

Share price at the date of grant	Pesos 6.90 per share
Exercise price	Pesos 5.32 per share
Expected volatility (based on historical volatility of RHI's shares commensurate with the average expected life of the options granted)	38%
Option life	5 years
Expected dividend yield	0.00%
Average risk-free interest rate (based on the Philippine government zero coupon bonds)	3.22% per annum

(E) Restricted Stock Unit Plan

Particulars of MPIC's restricted stock unit plan

	Shares unvested at 1 January 2017, 31 December 2017 and 1 January 2018	Reclassification[i]	Shares vested during the year	Shares forfeited during the year	**Shares unvested at 31 December 2018**
Executive Directors					
Manuel V. Pangilinan	2,500,000	–	(2,500,000)	–	**–**
Robert C. Nicholson[i]	600,000	(600,000)	–	–	**–**
Non-executive Director					
Ambassador Albert F. del Rosario	600,000	–	(600,000)	–	**–**
Senior Executives	23,700,000	600,000	(23,600,000)	(700,000)	**–**
Total	27,400,000	–	(26,700,000)	(700,000)	**–**

(i) Mr. Robert C. Nicholson resigned from the Board of Directors with effect from 13 December 2018 and his outstanding awarded shares were reclassified under "Senior Executives".

On 14 July 2016, the Compensation Committee of MPIC approved a Restricted Stock Unit Plan ("RSUP") as part of MPIC's LTIP. The RSUP, which has a validity period of 10 years, replaced MPIC's share option scheme.

The RSUP is designed, among others, to reward the directors and certain key officers of MPIC who contribute to its growth to stay with MPIC for the long term. Under the RSUP, which shall have a first cycle of three years starting 2016, MPIC will purchase its common shares at its cost from the open market and reserve those treasury shares for transferring to the eligible participants as determined by MPIC's Compensation Committee.

The RSUP also limits the aggregate number of shares that may be subject to award to no more than three percent of the outstanding common shares of MPIC. For the first 3-year cycle (i.e., 2016 to 2018) under the RSUP, MPIC would purchase up to 26.7 million common shares (originally 27.4 million common shares) at such time and under such terms and conditions as MPIC's Compensation Committee may determine. At 31 December 2018, MPIC had already purchased 26.1 million of its common shares for this purpose. In January 2019, MPIC further purchased 0.6 million of its common shares for this purpose.

The value of the share award was determined based on its fair value of Pesos 7.15 per share on the date of grant.

38. Related Party Transactions

Significant related party transactions entered into by the Group during the years ended 31 December 2018 and 2017 are disclosed as follows:

(A) On 22 December 2017, ICBP, a subsidiary company of Indofood, entered into a conditional sale and purchase agreement with Asahi in relation to the acquisition of Asahi's entire 51% interest in AIBM and 49% interest in IASB at a total consideration of US$20.0 million. ICBP would also acquire Asahi's shareholder's loans to AIBM and IASB and release Asahi from all the bank guarantees. The transaction was completed on 29 March 2018. As a result, AIBM and IASB became wholly-owned subsidiary companies of Indofood.

(B) Asia Link B.V. ("ALBV"), a wholly-owned subsidiary company of the Company, had a technical assistance agreement with 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 two years from 23 February 2016 and the agreement expired on 23 February 2018. The agreement provided for payments of technical service fees equivalent to 0.4% (2017: 0.4%) of the consolidated net revenue of Smart.

For the period ended 23 February 2018, the fees under the above arrangement amounted to Pesos 34 million (US$0.7 million) (2017: Pesos 190 million (US$3.8 million)). At 31 December 2018 and 2017, no technical service fee receivable from Smart remained outstanding.

(C) On 1 March 2018, First Pacific Investment Management Limited ("FPIML"), a wholly-owned subsidiary company of the Company, entered into an advisory services agreement with Smart. The agreement is for a period of one year subject to a 12-month automatic renewal unless either party notifies the other party of its intent not to renew the agreement. FPIML provides advisory and related services in connection with the operation of Smart's business of providing mobile communications services, high-speed internet connectivity, and access to digital services and content. The agreement provides that Smart shall pay a monthly service fee of US$0.25 million and any additional fee shall be mutually agreed upon by both parties on a monthly basis. The fees under this agreement amounted to US$2.5 million for the period from 1 March 2018 to 31 December 2018. At 31 December 2018, there is no outstanding receivable from Smart under this agreement.

(D) In April 2018, Meralco PowerGen, through its wholly-owned subsidiary company, MPG Asia Limited ("MPG Asia"), made a pro-rata capital injection to FPM Power of US$4.4 million. There was no change in shareholdings in FPM Power following the capital injection.

In March 2013, MPG Asia provided a loan of US$110.0 million to FPM Power. In June 2014, MPG Asia provided an additional loan of US$3.5 million to FPM Power. The loans are unsecured, interest-free and repayable on demand. The loans of US$113.5 million (2017: US$113.5 million) remained outstanding at 31 December 2018 and were included in the current portion of deferred liabilities, provisions and payables (Note 28).

(E) In April 2018, Petronas Power Sdn. Bhd. ("Petronas"), the 30% shareholder of PLP, made a pro-rata capital injection to PLP of S$6.1 million (US$4.6 million). There was no change in shareholdings in PLP following the capital injection.

At 31 December 2018, Petronas had outstanding loans due from PLP of approximately US$57.5 million (2017: US$53.1 million), which were included in the non-current portion of deferred liabilities, provisions and payables (Note 28). The loans are unsecured, subject to a variable London Interbank Offered Rate and are payable semi-annually. The tenor for each loan shall be 10 years. For the year ended 31 December 2018, PLP accrued interest expenses of US$4.5 million (2017: US$8.8 million) to Petronas, which were compounded as part of the outstanding loans from Petronas. At 31 December 2018, PLP had approximately US$14,190 (2017: US$34,638) of outstanding interest payable due to Petronas which was included in accounts payable, other payables and accruals.

(F) FPIML has a service agreement with Goodman Fielder for FPIML to provide Goodman Fielder with management, advisory and financial services with effect from 17 March 2015 and subject to an annual review on the terms and conditions by the end of each reporting period between the parties.

For the year ended 31 December 2018, the fees under the above arrangement amounted to A$0.9 million (US$0.7 million) (2017: A$1.2 million (US$0.9 million)). At 31 December 2018, FPIML had outstanding service fees receivable of approximately A$0.2 million (US$0.1 million) (2017: A$0.1 million (US$0.1 million)) from Goodman Fielder which was included in accounts receivable, other receivables and prepayments.

(G) In December 2014, ALBV entered into a subscription agreement with SMECI, a wholly-owned subsidiary company of Philex, in respect of the subscription for the SMECI's notes with a principal amount of Pesos 5.04 billion (US$95.9 million) (out of the total Pesos 7.2 billion (US$136.9 million) SMECI's notes), principally for financing capital expenditure of the Silangan project and repaying the advances from Philex. The SMECI's notes bear interest at a coupon rate of 1.5%, payable semi-annually every 18 June and 18 December and has a maturity of 8 years. A redemption premium, payable at a rate of 3% per annum, retroactively from the issue date and compounded semi-annually, will apply upon the maturity of the SMECI's notes. During the year ended 31 December 2018, ALBV accrued interest income of US$4.5 million (2017: US$4.6 million) on these notes.

(H) In May 2018, the Company through a tender offer repurchased bonds of US$200,000 due 2019 issued by FPC Finance Limited from Ambassador Albert F. del Rosario, a Non-executive Director of the Company, at a consideration of US$207,000. At 31 December 2018, Ambassador del Rosario did not own any bonds due 2019 issued by FPC Finance Limited (2017: US$200,000) but he owned bonds of US$200,000 due 2025 issued by FPC Capital Limited on 30 May 2018, where all the issuers are wholly-owned subsidiary companies of the Company. For the year ended 31 December 2018, Ambassador del Rosario earned interest income of US$11,835 (2017: US$12,629) on these bonds.

(I) In May 2018, the Company through a tender offer repurchased bonds of US$600,000 due 2019 issued by FPC Finance Limited and bonds of US$200,000 due 2020 issued by FPT Finance Limited from Mr. Robert C. Nicholson, who was an Executive Director of the Company up till 13 December 2018, at an aggregate consideration of US$834,000. For the period from 1 January 2018 to 13 December 2018, Mr. Nicholson earned interest income of US$28,927 (2017: US$67,712) on these bonds. At 31 December 2017, Mr. Robert C. Nicholson owned bonds of US$600,000 due 2019 issued by FPC Finance Limited, bonds of US$200,000 due 2020 issued by FPT Finance Limited, and bonds of US$400,000 due 2023 issued by FPC Treasury Limited, where all the issuers are wholly-owned subsidiary companies of the Company.

(J) On 27 June 2017, MPIC acquired from PCEV, a subsidiary company of PLDT, the remaining 25% interest in Beacon Electric's common and preferred shares at a consideration of Pesos 21.8 billion (US$435.6 million), of which Pesos 12.0 billion (US$239.8 million) was settled in cash upfront and Pesos 2.45 billion (US$46.9 million) was settled in June 2018. The outstanding payable of Pesos 7.35 billion (US$139.8 million) will be settled in equal annual instalments until June 2021. At 31 December 2018, the outstanding consideration payable due in June 2019 of Pesos 2.45 billion (US$46.6 million) (with a present value of US$45.5 million) was included in the current portion of deferred liabilities, provisions and payables (Note 28) and the remaining outstanding consideration due between June 2020 and June 2021 of Pesos 4.9 billion (US$93.2 million) (with a present value of US$84.1 million) was included in the non-current portion of deferred liabilities, provisions and payables (Note 28).

On 30 May 2016, MPIC acquired from PCEV, a 25% interest in Beacon Electric's common shares and preferred shares at a total consideration of Pesos 26.2 billion (US$549.6 million), of which Pesos 17.0 billion (US$356.6 million) was settled in cash upfront and Pesos 4.0 billion (US$78.3 million) was settled up to June 2018. The outstanding payable of Pesos 5.2 billion (US$98.9 million) will be settled in annual instalments until June 2020. At 31 December 2018, the outstanding consideration payable due in June 2019 of Pesos 2.0 billion (US$38.0 million) (with a present value of US$37.3 million) was included in the current portion of deferred liabilities, provisions and payables (Note 28) and the remaining outstanding consideration due in June 2020 of Pesos 3.2 billion (US$60.9 million) (with a present value of US$56.9 million) was included in the non-current portion of deferred liabilities, provisions and payables (Note 28).

(K) Under certain framework agreements, Indofood has engaged in trade transactions in the ordinary course of business with certain of its associated companies, joint ventures and affiliated companies 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

For the year ended 31 December US$ millions	2018	2017
Income Statement Items		
Sales of finished goods		
– to associated companies and joint ventures	**42.5**	58.5
– to affiliated companies	**528.0**	493.1
Purchases of raw materials and finished goods		
– from associated companies and joint ventures	**126.4**	236.9
Outsourcing expenses		
– to affiliated companies	**21.4**	19.5
Insurance expenses		
– to affiliated companies	**11.2**	11.1
Rental expenses		
– to affiliated companies	**0.9**	2.0
Pump services expenses		
– to affiliated companies	**0.5**	0.7
Royalty and technical income		
– from associated companies and joint ventures	**2.5**	3.0
– from affiliated companies	**17.5**	15.7
Rental income		
– from associated companies and joint ventures	**–**	0.2
– from affiliated companies	**1.2**	0.5

Approximately 11% (2017: 11%) of Indofood's sales and 3% (2017: 6%) of its purchases were transacted with these related parties.

Nature of Balances

At 31 December US$ millions	2018	2017
Statement of Financial Position Items		
Accounts receivable – trade		
– from associated companies and joint ventures	**–**	5.4
– from affiliated companies	**79.0**	75.7
Accounts receivable – non-trade		
– from associated companies and joint ventures	**–**	9.2
– from affiliated companies	**15.1**	19.1
Accounts payable – trade		
– to associated companies and joint ventures	**–**	47.5
– to affiliated companies	**4.5**	5.2
Accounts payable – non-trade		
– to affiliated companies	**29.5**	26.0

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 85 to 95.

(L) In March 2018, Maynilad, a subsidiary company of MPIC, renewed the framework agreement with D.M. Consunji, Inc. ("Consunji"), a subsidiary company of DMCI Holdings, Inc. (a 27.2% shareholder of Maynilad Water Holding Company, Inc., Maynilad's parent company) for the period from 1 January 2018 to 31 December 2020 on substantially the same terms as the previous framework agreement in relation to the provision of engineering, procurement and/or construction services by Consunji to Maynilad. For the year ended 31 December 2018, Maynilad entered into certain construction contracts with Consunji for the latter's construction of water infrastructure for Maynilad.

All significant transactions with Consunji, 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	**2018**	2017
Capital Expenditure Item		
Construction services for water infrastructure	**23.2**	37.8

(M) MPIC, RHI and their subsidiary companies were charged for electricity expenses by Meralco, an associated company of the Group.

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	**2018**	2017
Income Statement Item		
Electricity expenses	**31.1**	25.6

Nature of Balances

At 31 December US$ millions	**2018**	2017
Statement of Financial Position Item		
Accounts payable – trade	**1.7**	2.4

(N) MPIC, RHI and their subsidiary companies had the 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	2018	2017
Income Statement Items		
Voice and data service expenses	**1.7**	2.1
Rental expenses	**0.3**	0.3
Income from advertising	**0.1**	0.4

Nature of Balances

At 31 December US$ millions	2018	2017
Statement of Financial Position Items		
Accounts receivable – trade	**–**	0.7
Accounts payable – trade	**2.2**	1.8

(O) MPIC and its subsidiary companies had the following transactions with Indra Philippines Inc. ("Indra"), an associated company of the Group.

All significant transactions with Indra, 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	2018	2017
Income Statement Item		
Service expenses	**6.0**	5.1

Nature of Balances

At 31 December US$ millions	2018	2017
Statement of Financial Position Item		
Accounts payable – trade	**0.1**	0.5

(P) MPIC and its subsidiary companies had the following balance with Landco Pacific Corporation ("Landco"), a joint venture of the Group.

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

Nature of Balances

At 31 December US$ millions	**2018**	2017
Statement of Financial Position Item		
Associated companies and joint ventures		
– Amounts due from associated companies and joint ventures	**9.3**	16.6

(Q) MPIC and its subsidiary companies had the following balance with ATEC, an associated company of the Group.

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

Nature of Balances

At 31 December US$ millions	**2018**	2017
Statement of Financial Position Item		
Associated companies and joint ventures		
– Amounts due from associated companies and joint ventures	**35.7**	37.7

(R) GBPC sold electricity to Meralco, an associated company of the Group.

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	**2018**	2017
Income Statement Item		
Sale of electricity	**44.1**	25.6[i]

Nature of Balances

At 31 December US$ millions	**2018**	2017
Statement of Financial Position Item		
Accounts receivable – trade	**8.5**	10.4

(i) Relates to the period from 27 June 2017 to 31 December 2017 when GBPC became a subsidiary company of the Group

(S) For the period from 1 January 2017 to 30 August 2017, Mr. Edward A. Tortorici, who was a Director of the Company up till 30 August 2017, earned interest income of US$23,868 on the bonds of US$600,000 due 2019 issued by FPC Finance Limited, a wholly-owned subsidiary company of the Company.

(T) For the period from 1 January 2017 to 10 October 2017, Easytrip Services Corporation, a joint venture of the Group up to 10 October 2017, provided electronic toll collection services to NLEX Corporation for a consideration of US$1.1 million.

(U) On 30 June 2017, MPCALA, a subsidiary company of MPIC, entered into a construction contract with Consunji in relation to the construction of CALAX at a consideration of Pesos 7.2 billion (US$142.7 million).

(V) For the period from 1 January 2017 to 27 June 2017, MPIC was entitled to US$50.4 million of dividend income on preferred shares from Beacon Electric, a joint venture of the Group up to 27 June 2017.

In May 2017, Beacon Electric redeemed its preferred shares of Pesos 3.5 billion (US$69.9 million) issued to MPIC in May 2016 and repaid its amounts due to MPIC of Pesos 612 million (US$12.3 million). In June 2017, MPIC acquired Beacon Electric's preferred shares of Pesos 5.8 billion (US$114.9 million) (with a book value amount, which reflected the effect of discounting, of Pesos 5.5 billion (US$108.5 million)) from PCEV. At 27 June 2017, MPIC had an investment in preferred shares issued by Beacon Electric of Pesos 22.6 billion (US$447.8 million), which was eliminated at consolidation level after Beacon Electric became a subsidiary company of the Group on that date.

(W) On 21 June 2017, Indofood agreed to sell a plot of land to PT Indoagri Daitocacao, a 49%-owned associated company of SIMP, a subsidiary company of Indofood, for a consideration of Rupiah 53 billion (US$4.0 million) with reference to an independent valuation. The transaction was completed in July 2017.

(X) On 7 June 2017, PT Aston Inti Makmur ("AIM"), a subsidiary company of Indofood, agreed to acquire six plots of land from Mr. Anthoni Salim, the Chairman and a substantial shareholder of the Company, and PT Adithya Suramitra, a company wholly-owned by Mr. Anthoni Salim, at a total consideration of Rupiah 2.2 trillion (US$165.1 million) with reference to an independent valuation. The transaction was completed in August 2017.

(Y) TMC, an associated company of MPIC up to 4 April 2017, collected toll fees for NLEX Corporation, a subsidiary company of MPIC, for the period from 1 January 2017 to 4 April 2017. TMC received operator's fees and management income of US$9.0 million and US$0.3 million, respectively.

(Z) Disclosures pursuant to Chapter 14A.72 of the Listing Rules:

(I) Related party transactions numbered (A), (J), (K), (L), (U) and (X) are connected transactions, or continuing connected transactions, under Chapter 14A of the Listing Rules. The Company has complied with the disclosure requirements for such connected transactions, or continuing connected transactions, in accordance with Chapter 14A of the Listing Rules.

(II) Related party transactions numbered (B), (C), (D), (E), (H), (I), (M), (N), (R) and (S) are connected transactions, or continuing connected transactions, under Chapter 14A of the Listing Rules, but are fully exempted from all disclosure requirements.

(III) Related party transactions numbered (F), (G), (O), (P), (Q), (T), (V), (W) and (Y) are not connected transactions, or continuing connected transactions, under Chapter 14A of the Listing Rules.

39. Financial Instruments

(A) Financial Instruments by Category

(a) Financial assets

The following table summarizes the Group's financial assets at the end of the reporting period:

US$ millions	2018 Financial assets at amortized cost	2018 Financial assets at FVOCI	2018 Financial assets at FVPL	2018 Total	2017 Loans and receivables	2017 Available-for-sale financial assets	2017 Financial assets at fair value	2017 Total
Accounts and other receivables (Non-current)	10.0	–	0.2	10.2	4.0	–	3.0	7.0
Financial assets at FVOCI/available-for-sale assets (Non-current)	–	319.4	–	319.4	–	274.5	–	274.5
Other non-current assets	99.7	–	–	99.7	85.5	–	–	85.5
Cash and cash equivalents and short-term deposits	1,630.8	–	–	1,630.8	2,157.2	–	–	2,157.2
Restricted cash	103.2	–	–	103.2	81.1	–	–	81.1
Financial assets at FVOCI/available-for-sale assets (Current)	–	289.6	–	289.6	–	60.2	–	60.2
Accounts and other receivables (Current)	856.9	–	7.1	864.0	1,019.3	–	18.9	1,038.2
Total	**2,700.6**	**609.0**	**7.3**(i)	**3,316.9**	3,347.1	334.7	21.9(i)	3,703.7

(i) Represents derivative assets designated as hedge items

(b) Financial liabilities

The following table summarizes the Group's financial liabilities at the end of the reporting period:

US$ millions	2018 Financial liabilities at amortized cost	2018 Financial liabilities at fair value	2018 Total	2017 Financial liabilities at amortized cost	2017 Financial liabilities at fair value	2017 Total
Accounts payable, other payables and accruals	1,140.3	–	1,140.3	1,063.9	–	1,063.9
Short-term borrowings	2,281.1	–	2,281.1	1,460.4	–	1,460.4
Current portion of deferred liabilities, provisions and payables	248.2	31.2	279.4	105.0	8.3	113.3
Long-term borrowings	6,236.8	–	6,236.8	6,509.3	–	6,509.3
Deferred liabilities, provisions and payables (Non-current)	802.7	7.2	809.9	896.8	2.5	899.3
Total	**10,709.1**	**38.4**(i)	**10,747.5**	10,035.4	10.8(i)	10,046.2

(i) Represents derivative liabilities designated as hedge items

(B) Fair Values of Financial Instruments

The fair values of the financial assets and liabilities are determined 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. The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

- Fair values of cash and cash equivalents and short-term deposits, restricted cash, current accounts and other receivables, accounts payable, other payables and accruals, short-term borrowings and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

- Fair values of non-current accounts and other receivables and other non-current assets are evaluated based on the discounted values of the expected future cash flows using the prevailing market rates for similar types of assets.

- Fair values of listed investments included in financial assets at FVOCI, which were previously classified as available-for-sale financial assets, are derived from quoted market prices in active markets.

- Fair values of unlisted investments included in financial assets at FVOCI, which were previously classified as available-for-sale financial assets, are measured by discounted cash flow models, by reference to the most recent transaction prices, market comparable companies or valuations of the underlying assets supplied by independent sources.

- Long-term borrowings with fixed interest rates and other non-current financial liabilities are evaluated based on the discounted value of the expected future cash flows using the prevailing market rates for similar types of liabilities. Fair values of long-term borrowings with variable interest rates approximate their carrying amounts because of regular repricing based on market conditions. Fair values of listed bonds are derived from quoted market prices in active markets.

- Derivative assets/liabilities in respect of derivative financial instruments, such as foreign exchange forward contracts, interest rate swaps, fuel swaps and electricity futures, are valued using valuation techniques with market observable inputs. The most frequently applied valuation techniques include the use of present value calculations of future cash flows by reference to current forward exchange rates and fuel prices for contracts with similar maturity profiles and market values for similar instruments with similar maturity profiles.

The following table shows a comparison between the carrying amounts and fair values of the Group's financial instruments with carrying amounts not equal or reasonably approximating their fair values at the end of the reporting period. The Group's financial instruments with carrying amounts equal or reasonably approximating their fair values at 31 December 2018 and 2017 and unquoted available-for-sale assets that were measured at cost less any accumulated impairment losses at 31 December 2017 are not included in this table.

	2018		2017	
US$ millions	**Carrying amount**	**Fair Value**	Carrying amount	Fair value
Financial Liabilities				
Long-term borrowings	**6,236.8**	**6,258.3**	6,509.3	6,568.9
Deferred liabilities, provisions and payables (Non-current)	**802.7**	**839.0**	896.8	934.8
Total	**7,039.5**	**7,097.3**	7,406.1	7,503.7

(C) Fair Value Hierarchy

The Group uses the following hierarchy for determining and disclosing the fair values 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 values measured based on valuation techniques for which any inputs which have a significant effect on the recorded fair values that are not based on observable market data (unobservable inputs)

The Group held the following financial instruments measured at fair value at the end of the reporting period:

	2018				2017			
US$ millions	**Level 1**	**Level 2**	**Level 3**	**Total**	Level 1	Level 2	Level 3	Total
Financial assets at FVOCI/available–for-sale assets								
– Listed equity investments	**186.3**	**–**	**–**	**186.3**	132.3	–	–	132.3
– Listed debentures	**20.1**	**–**	**–**	**20.1**	25.1	–	–	25.1
– Unlisted investments	**–**	**386.4**	**16.2**	**402.6**	–	63.0	–	63.0
Derivative assets(i)	**4.1**	**3.2**	**–**	**7.3**	–	21.9	–	21.9
Derivative liabilities(ii)	**(0.3)**	**(38.1)**	**–**	**(38.4)**	(0.1)	(10.7)	–	(10.8)
Net Amount	**210.2**	**351.5**	**16.2**	**577.9**	157.3	74.2	–	231.5

(i) Included within accounts receivable, other receivables and prepayments
(ii) Included within deferred liabilities, provisions and payables

The fair values of unlisted investments, derivative assets and derivative liabilities in Level 2 are measured by reference to the most recent transaction prices, valuation of the underlying assets supported by independent sources and using the discounted cash flow models as described in Note 39(B) to the Consolidated Financial Statements, respectively.

The fair values of certain unlisted equity investments included in unlisted investments in the above table are categorized within Level 3 and are determined using the EBITDA multiple of comparable listed companies adjusted for lack of marketability discount up to 30% and adjusted for the net debt of the investee, if applicable. The fair value measurement is negatively correlated to the discount for lack of marketability. As at 31 December 2018, it was estimated that with all other variables held constant, a decrease/increase in discount for lack of marketability by 1% would have decreased/increased the Group's other comprehensive loss by US$0.2 million (2017: Nil).

The movement during the year in the balance of Level 3 fair value measurement is as follows:

Unlisted equity investments US$ millions	**2018**
At 1 January	**–**
Impact of initial application of HKFRS 9 (Note 2(B))	**16.3**
At 1 January (As adjusted)	**16.3**
Additions	**7.6**
Changes in fair value	**(6.9)**
Exchange translation	**(0.8)**
At 31 December	**16.2**

For financial instruments that are recognized at fair value on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. During the years ended 31 December 2018 and 2017, there were no transfers among Level 1, Level 2 and Level 3 fair value measurements.

40. 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 distribution payment to shareholders, return capital to shareholders, repurchase shares or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2018 and 2017.

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 short-term deposits, and restricted cash. The total equity includes equity attributable to owners of the parent and non-controlling interests.

US$ millions	**2018**	2017
Short-term borrowings	**2,281.1**	1,460.4
Long-term borrowings	**6,236.8**	6,509.3
Less: Cash and cash equivalents and short-term deposits	**(1,630.8)**	(2,157.2)
Less: Restricted cash	**(103.2)**	(81.1)
Net debt	**6,783.9**	5,731.4
Equity attributable to owners of the parent	**3,083.6**	3,227.1
Non-controlling interests	**5,626.8**	5,515.4
Total equity	**8,710.4**	8,742.5
Gearing ratio (times)	**0.78**	0.66

(B) Financial Risk Management

The Group's principal financial instruments include various financial assets (which comprise accounts receivable, other receivables, financial assets at FVOCI which were previously classified as available-for-sale financial assets, cash and cash equivalents and short-term 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 deposits, and short-term and long-term borrowings is to finance the Group's operations and investments. The other financial assets and liabilities, such as accounts receivable and accounts payable, mainly arise directly from its operations.

The Group also issues fixed interest rate bonds, arranges borrowings in local currencies and enters into derivative transactions, including principally fuel swaps, foreign currency swaps, foreign currency forwards, interest rate swaps and electricity futures. The purpose is to manage the price, currency and interest rate risks arising from the Group's operations, investments and its sources of finance.

The fuel swaps are used to manage the risk arising from fluctuations in fuel costs. Under the fuel swaps, the Group agrees with other parties to exchange, at specified intervals, the difference between fixed rate and floating rate amounts calculated by reference to the agreed notional purchase quantity. The fair value of fuel swaps is calculated by reference to current forward fuel prices for contracts with similar maturity profiles.

The foreign currency forwards are used to manage the risk arising from fluctuations in foreign exchange rates. Under the foreign currency forwards, the Group agrees with other parties to exchange at the maturity date the foreign currency amounts at the agreed exchange rates. The terms of the foreign currency forwards have been negotiated for the expected highly probable forecast transactions. If changes in circumstances affect the terms of the hedged item such that the critical terms no longer match exactly with the critical terms of the hedging instrument, the Group uses the hypothetical derivative method to assess effectiveness. The hedge ratio is determined to be 1:1. The fair value of foreign currency forwards is calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

The interest rate swaps are used to manage the risk arising from fluctuations in interest rates. Under the interest rate swaps, the Group agrees with other parties to exchange at the maturity date the difference between the fixed interest rate and floating interest rate of the notional amount. The Group determines the economic relationship between the borrowings and the derivatives by matching the critical terms of the hedging instruments with the terms of the hedged items. There were no expected sources of ineffectiveness as the critical terms of the interest rate swaps match exactly with the terms of the hedged items. The hedge ratio is determined to be 1:1. The fair value of interest rate swap contracts is determined by reference to forward interest rates for similar instruments with similar maturity profiles.

The electricity futures are used to manage the risk arising from fluctuations in prices of electricity. Under the electricity futures, the Group agrees with other parties to exchange, at the maturity date the difference between the fixed rate and floating rate of electricity prices calculated by reference to the agreed notional quantity, clearing through Singapore Exchange Securities Trading Limited (“SGX”). The fair value of electricity futures is calculated by reference to Uniform Singapore Energy Price monthly or quarterly base load electricity futures prices quoted on SGX.

The Group applies hedge accounting for these contracts which qualify as effective hedges. For the purpose of hedge accounting, these hedges are classified as cash flow hedges, as the contracts are used to hedge exposure to variability of cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction.

Details of the fair value of the Group’s fuel swaps, foreign currency forwards, interest rate swaps and electricity futures at the end of the reporting period are set out below:

	2018		2017	
US$ millions	**Assets**	**Liabilities**	Assets	Liabilities
Cash flow hedges				
– Fuel swaps	**2.2**	**36.8**	21.7	3.6
– Foreign currency forwards	**0.4**	**1.3**	0.2	6.6
– Interest rate swaps	**0.6**	**–**	–	0.5
– Electricity futures	**4.1**	**0.3**	–	0.1
Total	**7.3**	**38.4**	21.9	10.8
Represented by:				
Non-current portion	**7.1**	**31.2**	3.0	2.5
Current portion	**0.2**	**7.2**	18.9	8.3
Total	**7.3**	**38.4**	21.9	10.8

The notional amount of the Group’s fuel swaps, foreign currency forwards, interest rate swaps and electricity futures at the end of the reporting period are set out below:

US$ millions	**2018**	2017
Cash flow hedges		
– Fuel swaps	**222.6**	190.6
– Foreign currency forwards	**275.1**	175.5
– Interest rate swaps	**256.8**	262.0
– Electricity futures	**21.2**	1.6
Total	**775.7**	629.7
Represented by:		
Non-current portion	**152.4**	107.1
Current portion	**623.3**	522.6
Total	**775.7**	629.7

The movements of the Group’s unrealized gains/losses on cash flow hedges attributable to owners of the parent in relation to the above derivative financial instruments are disclosed in Note 33. The Group’s accounting policies in relation to derivatives are set out in Note 2(D)(m) to the Consolidated Financial Statements.

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 Group's Board of Directors reviews and agrees policies for managing each of these risks and they are summarized below:

(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.

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 a currency different from the functional currencies of the Rupiah, Peso and S$ used by the Group's subsidiary companies in the Indonesia, Philippines and Singapore.

US$ millions	**2018**	2017
Accounts receivable and other receivables	**68.1**	80.8
Cash and cash equivalents and short-term deposits	**280.3**	403.5
Short-term borrowings and long-term borrowings	**(769.3)**	(600.5)
Accounts payable, other payables and accruals	**(31.2)**	(87.5)
Deferred liabilities, provisions and payables	**(122.1)**	(128.7)
Net Amount	**(574.2)**	(332.4)

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 the Rupiah, Peso and S$, with all other variables held constant, of the Group's profit attributable to owners of the parent and retained earnings. There is no significant impact on the other components of the Group's equity.

	2018		2017	
US$ millions	**Depreciation against the U.S. dollar (%)**	**Decrease in profit attributable to owners of the parent and retained earnings**	Depreciation against the U.S. dollar (%)	Decrease in profit attributable to owners of the parent and retained earnings
Rupiah	**(0.1)**	**(0.1)**	(0.8)	(0.2)
Peso	**(0.2)**	**(0.1)**	(4.8)	(1.5)
S$	**(1.0)**	**(0.3)**	(3.2)	(1.1)

(II) Price risk

The Group is primarily exposed to securities price risk which principally relates to the changes in the market value of its listed equity investments, which include the Group's investments in principal operating subsidiary and associated companies in the Philippines, Indonesia and Singapore and the other listed equity investments held by Group and classified as financial assets at FVOCI, which were previously classified as available-for-sale financial assets, on the Group's consolidated statement of financial position.

In addition, the Group is also exposed to commodity price risk for its consumer food products and power businesses due to certain factors, such as weather, government policies, level of demand and supply in the market and the global economic environment. Such exposure mainly arises from its purchases of CPO (which is the main raw material used in the refinery factories to produce edible oil and fats products) and the usage of fuel in the generation of energy where the profit margin on sale of its consumer food products and electricity may be affected if the costs of CPO and fuel increase and the Group is unable to pass on such cost increases to its customers, and the selling price of electricity supplied to the merchant market by its power generation business.

The Group's policy is to minimize the risks of its raw material costs arising from the fluctuations in the commodity prices by increasing self-sufficiency in the supply of CPO for the refinery operations (through the purchase of CPO from the Group's own plantations). For the years ended 31 December 2018 and 2017, no hedging in the said commodity price risk have been undertaken.

The Group has entered into fuel swap contracts that for its power generation business oblige it to make payments for fuel at fixed prices on an agreed notional purchase quantity and receive payments for fuel at floating prices on the same amounts.

The Group has entered into electricity futures that oblige it to make or receive payments for electricity futures at fixed rates of electricity prices on a notional quantity and receive or make payments for electricity futures at floating rates of electricity prices on the same quantity.

At 31 December 2018, if the fuel and electricity prices increased/decreased by 10%, the Group's unrealized cash flow hedge reserve and equity attributable to owners of the parent would have been US$5.4 million (2017: US$5.3 million) higher/lower, with all other variables including tax rate being held constant.

(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 generally allows seven to 60 days of credit for its water and sewerage service customers, and 45 to 60 days of credit for its bulk water supply customers. For the hospital business, the Group collects charges when goods or services are delivered or rendered, except for certain corporate customers which are allowed an average of 30 days of credit. In addition, receivable balances are monitored on an ongoing basis to reduce the Group's exposure to bad debts. For the power generation business, the Group generally allows 15 to 30 days of credit to its customers. PLP also requires deposits and/or guarantees from creditworthy financial institutions to secure substantial obligations of its customers.

Maximum exposure and year-end staging as at 31 December 2018:

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December 2018. The amounts presented are gross carrying amounts for financial assets and the exposure to credit risk for the financial guarantee contracts.

	12-month ECLs	Lifetime ECLs			
US$ millions	Stage 1	Stage 2	Stage 3	Simplified approach	**Total**
Debt investments at FVOCI					
– Not yet past due	403.0	–	–	–	**403.0**
Accounts receivable[i]	–	–	–	738.9	**738.9**
Contract assets[i]	–	–	–	22.5	**22.5**
Financial assets included in other receivables and other non-current assets					
– Not yet past due	283.2	–	–	–	**283.2**
Restricted cash					
– Not yet past due	103.2	–	–	–	**103.2**
Cash and cash equivalents and short-term deposits					
– Not yet past due	1,630.8	–	–	–	**1,630.8**
Guarantees for planation farmers' loan facilities					
– Not yet past due	48.0	–	–	–	**48.0**
At 31 December 2018	**2,468.2**	**–**	**–**	**761.4**	**3,229.6**

(i) For accounts receivable and contract assets to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in Note 17 to the Consolidated Financial Statements.

Maximum exposure as at 31 December 2017:

The credit risk of the Group's other financial assets, which included other receivables, certain investments in debt securities classified as available-for-sale assets, cash and cash equivalents and short-term deposits, and restricted cash, arose from default of the counterparty, with a maximum exposure equal to the aggregate carrying amount of these instruments and the unrealized losses, if any, on debt securities classified as available-for-sale financial assets charged directly to the Group's equity. The Group was also exposed to credit risk through the granting of financial guarantees. Further details of which are set out in Note 35(C)(a) to the Consolidated Financial Statements.

The Group had no significant concentrations of credit risk.

Further quantitative data in respect of the Group's exposure to credit risk arising from accounts receivable are disclosed in Note 17 to the Consolidated Financial Statements.

(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, 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 the end of the reporting period, is as follows:

	Accounts payable, other payables and accruals		Borrowings		Deferred liabilities and provisions		Guarantees for plantation farmers' loan facilities		Total	
US$ millions	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
Not exceeding one year	**1,140.3**	1,063.9	**2,607.5**	1,926.9	**148.6**	144.6	**4.6**	5.0	**3,901.0**	3,140.4
More than one year but not exceeding two years	**–**	–	**889.2**	1,420.5	**224.3**	119.1	**5.6**	6.7	**1,119.1**	1,546.3
More than two years but not exceeding five years	**–**	–	**3,224.0**	3,570.6	**370.9**	496.6	**23.1**	24.9	**3,618.0**	4,092.1
More than five years	**–**	–	**3,188.8**	3,036.7	**674.5**	804.0	**14.7**	16.5	**3,878.0**	3,857.2
Total	**1,140.3**	1,063.9	**9,909.5**	9,954.7	**1,418.3**	1,564.3	**48.0**	53.1	**12,516.1**	12,636.0

(d) Fair Value and Cash Flow Interest Rate Risks

The Group's interest rate risk arises from interest-bearing borrowings, cash and cash equivalents and short-term 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 with fixed interest rate terms expose the Group to fair value interest rate risk. At 31 December 2018, 64.0% (2017: 66.7%) of the Group's borrowings were effectively at fixed interest 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. The assumed basis point increase or decrease represents management's assessment of a reasonably possible change in those interest rates which have the most impact on the Group, especially the Rupiah, Peso and S$ interest rates, over the period until the ending date of the next annual reporting period.

	2018		2017	
US$ millions	**Increase (Basis points)**	**(Decrease)/ increase in profit attributable to owners of the parent and retained earnings**	Increase/ (decrease) (Basis points)	(Decrease)/ increase in profit attributable to owners of the parent and retained earnings
Interest rates for				
– U.S. dollar	**25**	**(1.7)**	50	(2.7)
– Rupiah	**25**	**(0.2)**	(25)	0.1
– Peso	**50**	**1.2**	(25)	(0.6)
– S$	**30**	**(0.4)**	(30)	0.4

41. Statement of Financial Position of the Company

The Company's statement of financial position is as follows:

At 31 December US$ millions	2018	2017
Non-current Assets		
Subsidiary companies	**443.9**	965.0
	443.9	965.0
Current Assets		
Cash and cash equivalents(i)	**76.5**	68.8
Amounts due from subsidiary companies	**3,492.3**	3,450.6
Other receivables and prepayments	**0.1**	0.1
	3,568.9	3,519.5
Current Liabilities		
Amounts due to subsidiary companies	**563.3**	1,050.3
Other payables and accruals	**8.6**	2.1
	571.9	1,052.4
Net Current Assets	**2,997.0**	2,467.1
Total Assets Less Current Liabilities	**3,440.9**	3,432.1
Equity		
Issued share capital	**43.4**	43.4
Shares held for share award scheme	**(4.9)**	(8.9)
Retained earnings/(accumulated losses)	**127.2**	(148.9)
Other components of equity(ii)	**1,874.0**	1,952.1
Equity attributable to owners of the parent	**2,039.7**	1,837.7
Non-current Liabilities		
Loans from subsidiary companies	**1,401.2**	1,589.8
Other payables	**–**	4.6
	1,401.2	1,594.4
	3,440.9	3,432.1

(i) Includes restricted cash of US$0.1 million (2017: US$0.1 million)
(ii) The Company's other components of equity comprise share premium, employee share-based compensation reserve and contributed surplus (Note 31).

The Company's statement of changes in equity is as follows:

US$ millions	Issued share capital	Shares held for share award scheme	Share premium	Employee share-based compensation reserve	Contributed surplus	(Accumulated losses)/ retained earnings	Total
At 1 January 2017	42.8	(10.9)	5.3	68.5	1,915.0	(4.0)	2,016.7
Loss for the year	–	–	–	–	–	(144.7)	(144.7)
Issue of shares upon the exercise of share options	0.6	–	56.6	(19.0)	–	–	38.2
Issue of shares under share award scheme	–	(0.1)	0.1	–	–	–	–
Purchase of shares under share award scheme	–	(5.8)	–	–	–	–	(5.8)
Shares vested under share award scheme	–	7.9	–	(7.0)	–	(0.9)	–
Forfeiture of share options	–	–	–	(0.7)	–	0.7	–
Employee share-based compensation benefits	–	–	–	8.1	–	–	8.1
2016 final distribution paid	–	–	–	–	(30.5)	–	(30.5)
2017 interim distribution paid	–	–	–	–	(44.3)	–	(44.3)
At 31 December 2017	43.4	(8.9)	62.0	49.9	1,840.2	(148.9)	1,837.7
At 1 January 2018	43.4	(8.9)	62.0	49.9	1,840.2	(148.9)	**1,837.7**
Profit for the year	–	–	–	–	–	277.1	**277.1**
Purchase of shares under share award scheme	–	(3.0)	–	–	–	–	**(3.0)**
Shares vested under share award scheme	–	7.0	–	(5.6)	–	(1.4)	**–**
Forfeiture of share options	–	–	–	(0.4)	–	0.4	**–**
Employee share-based compensation benefits	–	–	–	2.5	–	–	**2.5**
2017 final distribution paid	–	–	–	–	(30.4)	–	**(30.4)**
2018 interim distribution paid	–	–	–	–	(44.2)	–	**(44.2)**
At 31 December 2018	**43.4**	**(4.9)**	**62.0**	**46.4**	**1,765.6**	**127.2**	**2,039.7**

42. Event after the Reporting Period

On 11 March 2019, Oceanica Developments Limited ("Oceanica"), the Company's indirect wholly-owned subsidiary, entered into a Share Purchase Agreement ("SPA") with Wilmar. Pursuant to the SPA, Oceanica has agreed to sell, and Wilmar has agreed to purchase, Oceanica's 50% shareholding in FPW and the benefit of the shareholder's loans made by Oceanica to FPW Australia prior to the date of the SPA. FPW is a special purpose entity established as a 50:50 joint venture by the Company and Wilmar for the purpose of holding Goodman Fielder.

The aggregate purchase price payable under the SPA for the 50% shareholding in FPW and the shareholder's loans to FPW Australia is US$300.0 million, including a contingent instalment payment in respect of the shareholder's loans, rising to US$325.0 million if an additional earn-out payment becomes payable. Completion of the sale and purchase is conditional on the fulfilment (or waiver by Wilmar) of the conditions precedent to completion, mainly various regulatory approvals. The transaction is expected to be completed on or before 31 December 2019.

As a result of the signing of the SPA on 11 March 2019, the Group will reclassify its investment in FPW as asset held for sale. Accordingly, an impairment loss of approximately US$280.0 million will be recognized to write-down the Group's carrying cost in FPW to its fair value less costs to sell.

43. 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 26 March 2019.

Glossary of Terms

Financial Terms

CONCESSION ASSETS Value of concessions of right granted by governments under service concession arrangements to charge users of public service provided

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 using actuarial valuations 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

EBITDA Earnings Before Interest, Tax, Depreciation and Amortization

GAV Gross Asset Value, which represents the total market value of listed investments, investment costs, carrying amounts or fair value of unlisted investments and other assets of First Pacific Head Office

IMPAIRMENT PROVISION Provision made to reduce the carrying amount of an asset to its recoverable amount

NAV Net Asset Value, which represents GAV less net debt of First Pacific Head Office

NET ASSETS Total assets less total liabilities, equivalent to total equity

NET CURRENT ASSETS Current assets less current liabilities

NET DEBT Total of short-term and long-term borrowings, net of cash and cash equivalents and short-term deposits and restricted cash

NON-RECURRING ITEMS Certain items, through occurrence or size, are not considered usual operating items

RECURRING PROFIT Profit attributable to owners of the parent excluding foreign exchange and derivative gains/losses, gain/loss on changes in fair value of biological assets and non-recurring items

TOTAL EQUITY Equity attributable to owners of the parent and non-controlling interests

Financial Ratios

ADJUSTED NAV PER SHARE Total valuation calculated based on quoted share prices of listed investments and book values of unlisted investments and Head Office assets and liabilities divided by the number of shares in issue

BASIC EARNINGS PER SHARE Profit attributable to owners of the parent divided by the weighted average number of shares in issue during the year

CASH INTEREST COVER Dividend and fee income less overhead expense divided by net cash interest expense

CURRENT RATIO Current assets divided by 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 divided by the 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

DISTRIBUTION/DIVIDEND COVER Recurring profit divided by ordinary share distributions/dividends paid and recommended

DISTRIBUTION/DIVIDEND PAYOUT RATIO Ordinary share distributions/dividends paid and recommended divided by recurring profit

DISTRIBUTION/DIVIDEND YIELD Distributions/dividends per share divided by share price

EBIT MARGIN EBIT divided by turnover

EBITDA MARGIN EBITDA divided by turnover

GEARING RATIO Net debt divided by total equity

GROSS MARGIN Gross profit divided by turnover

INTEREST COVER Profit before taxation (excluding foreign exchange and derivative gains/losses, gain/loss on changes in fair value of biological assets and non-recurring items) and net finance costs divided by net finance costs

NET CASH FLOWS FROM OPERATING ACTIVITIES PER ORDINARY SHARE Net cash flows from operating activities divided by the weighted average number of shares in issue during the year

RECURRING RETURN ON AVERAGE EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT Recurring profit divided by average equity attributable to owners of the parent

RECURRING RETURN ON AVERAGE NET ASSETS Recurring profit divided by average net assets

SHARE PRICE DISCOUNT TO ADJUSTED NAV PER SHARE Shortfall between share price and adjusted NAV per share divided by adjusted NAV per share

TANGIBLE ASSETS PER ORDINARY SHARE Total assets (excluding goodwill and other intangible assets) divided by the number of shares in issue

TOTAL ASSETS PER ORDINARY SHARE Total assets divided by the number of ordinary shares in issue

Other

ADR American Depositary Receipts

AGM Annual General Meeting

AUSTRALASIA A region of Oceania, comprises Australia, New Zealand, the island of New Guinea, and neighbouring islands in the Pacific Ocean

CPO Crude Palm Oil

FFB Fresh Fruit Bunches

GAAP Generally Accepted Accounting Principles

GDP Gross Domestic Product

HKAS Hong Kong Accounting Standards

HKFRSs Hong Kong Financial Reporting Standards

HKICPA Hong Kong Institute of Certified Public Accountants

HK(IFRIC)-Int Hong Kong (International Financial Reporting Interpretations Committee) – Interpretation

IDX Indonesia Stock Exchange

IFRS International Financial Reporting Standards

ISO International Organization for Standardization

LISTING RULES The Rules Governing the Listing of Securities on SEHK

LTE Long Term Evolution high speed wireless phone technology

NYSE The New York Stock Exchange

PSE The Philippine Stock Exchange, Inc.

RSS1 Rubber Smoke Sheet 1

SEHK The Stock Exchange of Hong Kong Limited

SGM Special General Meeting

SMS Short Message Service

UHT Ultra High Temperature processing

3D 3 Dimensions

3G The third generation of wireless network technology

4G The fourth generation of wireless network technology

5G The fifth generation of wireless network technology

Information for Investors

Financial Diary

Preliminary announcement of 2018 results	26 March 2019
Annual report posted to shareholders	30 April 2019
2019 Annual General Meeting	21 June 2019
Last day to register for final dividend	26 June 2019
Payment of final dividend	11 July 2019
Preliminary announcement of 2019 interim results	27 August 2019*
Interim report posted to shareholders	30 September 2019*
Financial year-end	31 December 2019
Preliminary announcement of 2019 results	24 March 2020*

* Subject to confirmation

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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: 4,341,986,968

Stock Codes

SEHK : 142
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

To Consolidate Shareholdings

Write to our principal share registrar and transfer office in Bermuda at:

Conyers Corporate Services (Bermuda) Limited
Clarendon House, 2 Church Street
Hamilton HM11, 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
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A Chinese Version of this Report, or Additional Information

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15 Queen's Road Central, Hong Kong SAR

Principal Bankers

Bank of China (Hong Kong) Limited
China Banking Corporation
Mizuho Bank, Ltd.
Sumitomo Mitsui Banking Corporation
The Hongkong & Shanghai Banking Corporation Limited

Summary of Principal Investments

As at 31 December 2018

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 the manufacture of consumer food and beverage products and their distribution to the market. It is based and listed in Indonesia while its Consumer Branded Products subsidiary PT Indofood CBP Sukses Makmur Tbk and Agribusiness subsidiaries PT Salim Ivomas Pratama Tbk and PT Perusahaan Perkebunan London Sumatra Indonesia Tbk are also listed in Indonesia. Another subsidiary, Indofood Agri Resources Ltd. is listed in Singapore, and an Agribusiness associate, Roxas Holdings, Inc. is listed in the Philippines. Through its four complementary Strategic Business groups, Indofood manufactures and distributes a wide range of food and beverage products: Consumer Branded Products (noodles, dairy, snack foods, food seasonings, nutrition & special foods, and beverages), Bogasari (wheat flour and pasta), Agribusiness (seed breeding, oil palm cultivation and milling, branded cooking oils, margarine and shortening, cultivates and processes rubber, sugar cane and other crops) and Distribution.

Indofood is one of the world's largest manufacturers by volume of wheat-based instant noodles, one of the largest plantation companies by area and the largest flour miller in Indonesia. Indofood also has an extensive distribution network across Indonesia.

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 and voting interests	:	50.1%

Further information on Indofood can be found at www.indofood.com.

PLDT Inc.

PLDT (PSE: TEL; NYSE: PHI) is the leading telecommunications and digital services provider in the Philippines. Its shares are listed on the Philippine Stock Exchange and its American Depositary Receipts are listed on the New York Stock Exchange. It has one of the largest market capitalizations among Philippine listed companies. Through its principal business groups – fixed line and wireless – PLDT offers a wide range of telecommunications and digital services across the Philippines' most extensive fiber optic backbone and fixed broadband, and mobile networks.

Sector	:	Telecommunications
Place of incorporation/business area	:	The Philippines
Outstanding number of shares	:	216.1 million
Particulars of outstanding shares held	:	Common shares of Pesos 5 par value
Economic/voting interest	:	25.6%/15.1%

Further information on PLDT can be found at www.pldt.com.

Metro Pacific Investments Corporation

MPIC (PSE: MPI; ADR code: MPCIY) is a Philippine-listed investment management and holding company focused on infrastructure development.

Sector	:	Infrastructure, Utilities and Hospitals
Place of incorporation/business area	:	The Philippines
Outstanding number of shares	:	31.5 billion
Particulars of outstanding shares held	:	Common shares of Peso 1 par value
Economic/voting interest	:	42.0%/55.0%

Further information on MPIC can be found at www.mpic.com.ph.

FPW Singapore Holdings Pte. Ltd.

FPW controls **Goodman Fielder.**

Sector	:	Consumer Food Products
Place of incorporation/business area	:	Singapore/Australasia
Issued number of shares	:	204.9 million
Particulars of issued shares held	:	Shares with no par value
Economic and voting interest	:	50.0%

Goodman Fielder Pty Limited

Goodman Fielder is headquartered in Sydney, Australia, and has over 35 manufacturing sites in Australia, New Zealand and Asia-Pacific. It is a leading food company in Australasia, producing and marketing a wide range of food products including bread, dressings and mayonnaise, milk, cheese, chicken, flour, cooking oils, spreads, baking ingredients, ice cream, rice and snacks to over 30,000 retail outlets. Goodman Fielder's corporate history spans over a century, with iconic brands such as Meadow Fresh, Helga's, Wonder White, Puhoi Valley, Crest, Meadow Lea, Edmonds, Vogel's, Molenberg, Tuckers Ridge and many more. Its products are available in 29 countries.

Sector	:	Consumer Food Products
Place of incorporation/business area	:	Australia/Australasia
Issued number of shares	:	2.0 billion
Particulars of issued shares held	:	Common shares with no par value
Economic and voting interests	:	50.0%

Further information on Goodman Fielder can be found at www.goodmanfielder.com.

Philex Mining Corporation

Philex (PSE: PX) is a Philippine-listed company engaged in the exploration and mining of mineral resources and, through investment in Philippine-listed **PXP Energy Corporation (PSE: PXP)**, in energy and hydrocarbon exploration and production.

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 and voting interests	:	31.2%[(1)]

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

Further information on Philex can be found at www.philexmining.com.ph and on PXP at www.pxpenergy.com.ph.

FPM Power Holdings Limited

FPM Power controls **PLP**.

Sector	:	Infrastructure/Utilities
Place of incorporation/business area	:	British Virgin Islands/Singapore
Issued number of shares	:	10,440
Particulars of issued shares held	:	Shares of US$1 par value
Economic/voting interests	:	67.6%[(2)]/60.0%

(2) Includes a 7.6% effective economic interest in FPM Power held by First Pacific through its indirect interests in Meralco.

PacificLight Power Pte. Ltd.

PLP operates one of Singapore's most efficient power plants, housing an 800-megawatt natural gas-fired combined cycle facility. Its wholly-owned subsidiary PacificLight Energy Pte. Ltd. offers customized price packages for retail electricity customers in Singapore.

Sector	:	Infrastructure/Utilities
Place of incorporation/business area	:	Singapore
Issued number of shares	:	463.8 million
Particulars of issued shares held	:	Ordinary shares with no par value
Economic/voting interests	:	47.4%[(3)]/70.0%

(3) Represents a 42.0% effective economic interest in PLP held by First Pacific through its interest in FPM Power and a 5.4% effective economic interest in PLP held by First Pacific through its indirect interests in Meralco.

Further information on PLP can be found at www.pacificlight.com.sg.

FP Natural Resources Limited

FP Natural Resources together with its Philippine affiliate, FAHC, hold interests in **RHI**.

Sector	:	Consumer Food Products
Place of incorporation/business area	:	British Virgin Islands/The Philippines
Issued number of shares	:	15,100
Particulars of outstanding shares held	:	Shares of US$1 par value
Economic/voting interests	:	79.4%[(4)]/70.0%

(4) Includes a 9.4% effective economic interest in FP Natural Resources held by First Pacific through its indirect interests in IndoAgri.

Roxas Holdings, Inc.

RHI (PSE: ROX) is a leading integrated sugar producer in the Philippines and also the country's largest ethanol producer.

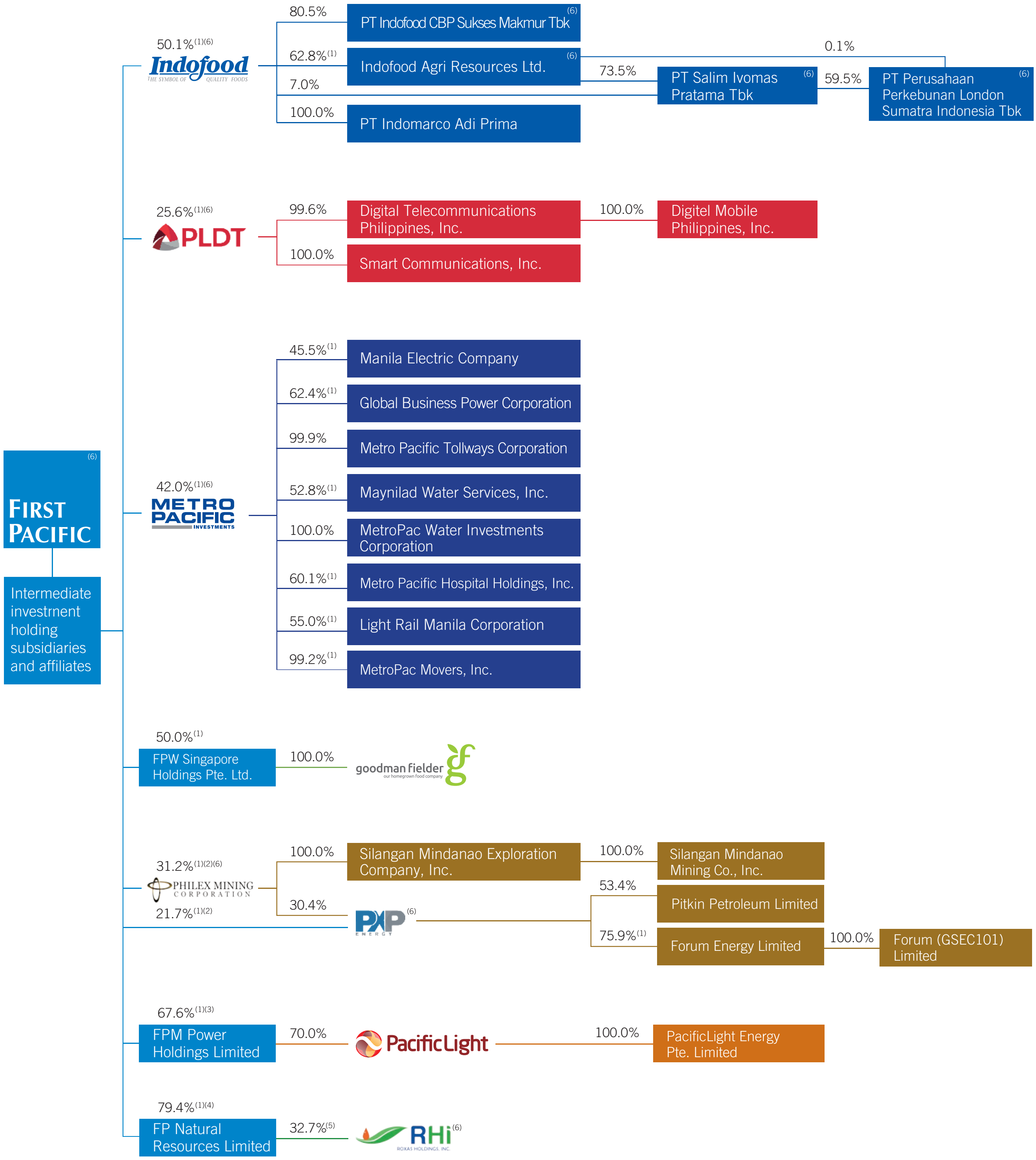
Sector	:	Consumer Food Products
Place of incorporation/business area	:	The Philippines
Outstanding number of shares	:	1.5 billion
Particulars of outstanding shares held	:	Common shares of Peso 1 par value
Economic/voting interests	:	26.0%[(5)]/32.7%[(6)]

(5) Represents a 22.9% effective economic interest in RHI held by First Pacific through its interest in FP Natural Resources and a 3.1% effective economic interest in RHI held by First Pacific through its indirect interests in IndoAgri.
(6) FAHC, a Philippine affiliate of FP Natural Resources, holds an additional 30.2% economic and voting interest in RHI.

Further information on RHI can be found at www.roxasholdings.com.ph.

Corporate Structure

As at 26 March 2019



(1) Economic interest.
(2) Two Rivers Pacific Holdings Corporation, a Philippine affiliate of First Pacific, holds additional 15.0% and 6.7% economic interests in Philex and PXP, respectively.
(3) Includes a 7.6% effective economic interest in FPM Power held through First Pacific's indirect interests in Meralco.
(4) Includes a 9.4% effective economic interest in FP Natural Resources held through First Pacific's indirect interests in IndoAgri.
(5) FAHC, a Philippine affiliate of FP Natural Resources, holds an additional 30.2% economic interest in RHI.
(6) Listed company.

First Pacific Company Limited

(Incorporated with limited liability under the laws of Bermuda)

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A Chinese version of this report is available at www.firstpacific.com or from the Company on request.
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