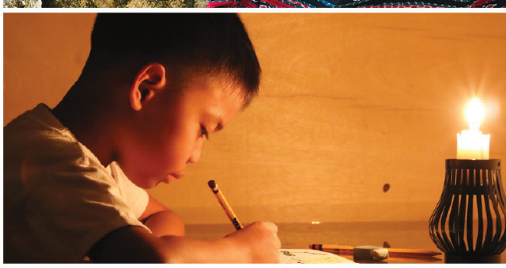
FIRST PACIFIC

First Pacific Company Limited

Stock Code: 00142



Creating Long-term Value in Asia

Annual Report 2019

Corporate Profile

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.

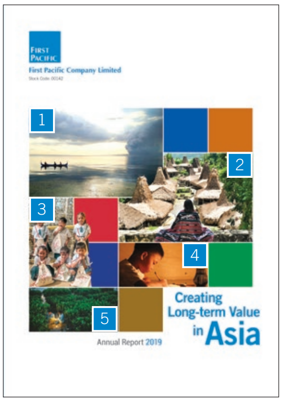
Our investment criteria are clear:

- 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.

The 5th First Pacific Group Photo Competition Winning Photos



Champion

1 *The Fear*
by Princess Diane Basal from Meralco

1st Runner-up

2 *Traditional Village – Praijing*
by Nanda Rachherlambang from Indofood

Joint 2nd Runners-up

3 *A Moment of Bliss*
by Katrina Dominique A Mallari from PLDT

4 *Pamana*
by Dennis S Pasag from Philex

5 *The Harvest*
by Heinz Reimann D Orais from MPT South Corporation

Contents

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") and Metro Pacific Investments Corporation ("MPIC"). 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, toll road operator, water distributor and hospital group. 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.

First Pacific also invested in Philex Mining Corporation ("Philex"), PXP Energy Corporation ("PXP"), PacificLight Power Pte. Ltd. ("PLP") and Roxas Holdings, Inc. ("RHI"). 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 23 March 2020, First Pacific's economic interest in Indofood is 50.1%, in PLDT 25.6%, in MPIC 42.2%, in Philex 31.2%[(1)], in PXP 35.7%[(1)(2)], in FPM Power Holdings Limited ("FPM Power") 67.6%[(3)] and in FP Natural Resources Limited ("FP Natural Resources") 80.6%[(4)].

(1) Two Rivers Pacific Holdings Corporation ("Two Rivers"), a Philippine affiliate of First Pacific, holds an additional 15.0% and 6.7% economic interests in Philex and PXP, respectively.

(2) Includes a 14.0% effective economic interest in PXP held through First Pacific's indirect interests in Philex.

(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 10.6% 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 243 and 244.

Ten-year Statistical Summary

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Results (US$ millions)										
Turnover	**8,054.7**	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
Profit for the year	**121.1**	608.7	561.3	517.8	418.9	503.2	620.9	834.9	1,097.4	785.3
(Loss)/profit attributable to owners of the parent	**(253.9)**	131.8	120.9	103.2	80.6	75.7	235.3	353.3	574.0	403.0
Contribution from operations	**395.6**	393.9	420.5	400.2	426.5	455.7	467.2	460.8	511.8	474.0
Recurring profit	**290.0**	289.5	300.0	264.9	287.5	316.9	327.1	358.0	423.0	402.1
Ordinary share distributions/dividends	**75.0**	74.8	74.7	74.5	74.2	115.7	116.1	103.8	109.8	99.4
Per Ordinary Share Data (U.S. cents)										
Basic (loss)/earnings	**(5.85)**	3.04	2.80	2.42	1.89	1.76	5.66	9.01	14.49	10.16
Basic recurring earnings	**6.68**	6.68	6.96	6.21	6.74	7.39	7.87	9.13	10.68	10.13
Distributions/dividends	**1.73**	1.73	1.73	1.73	1.73	2.70	2.70	2.70	2.85	2.55
Equity attributable to owners of the parent	**67.41**	71.02	74.32	72.68	71.93	78.08	81.44	84.65	78.50	65.99
Total assets	**503.64**	481.38	471.08	402.07	402.93	378.67	360.68	362.80	327.55	279.68
Tangible assets	**372.50**	359.45	361.58	300.82	305.12	295.40	281.00	281.45	251.57	208.51
Net cash flows from operating activities	**33.51**	16.91	17.96	17.11	15.21	19.48	17.41	25.54	16.22	20.66
Financial Ratios										
Gross margin (%)	**30.40**	28.13	29.50	29.57	27.86	27.59	29.31	31.08	31.21	35.50
Recurring return on average net assets (%)	**10.47**	9.00	9.47	9.23	9.24	10.13	10.18	11.83	15.01	16.11
Recurring return on average equity attributable to owners of the parent (%)	**9.65**	9.17	9.47	8.57	8.96	9.24	9.69	11.43	15.11	17.91
Distribution/dividend payout ratio (%)	**25.86**	25.84	25.03	28.12	25.81	36.51	35.49	28.99	25.96	24.72
Distribution/dividend cover (times)	**3.87**	3.87	4.02	3.56	3.87	2.74	2.82	3.45	3.85	4.05
Distribution/dividend yield (%)	**5.08**	4.45	2.53	2.50	2.64	2.74	2.38	2.49	2.75	2.84
Interest cover (times)	**4.24**	4.06	4.31	4.18	3.87	4.29	4.77	6.29	7.18	5.02
Current ratio (times)	**1.12**	1.03	1.32	1.24	1.39	1.69	1.72	1.78	1.57	1.85
Gearing ratio (times)										
– Consolidated	**0.68**	0.78	0.66	0.54	0.64	0.47	0.43	0.30	0.26	0.33
– Company	**0.76**	0.76	0.83	0.75	0.79	0.56	0.51	0.67	0.71	0.46

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Consolidated Statement of Financial Position Data (US$ millions)										
Total assets	**21,882.5**	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
Net debt	**5,978.4**	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
Total liabilities	**13,124.5**	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
Net current assets	**525.3**	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
Total assets less current liabilities	**17,385.2**	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
Equity attributable to owners of the parent	**2,928.7**	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
Total equity	**8,758.0**	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
Consolidated Statement of Cash Flows Data (US$ millions)										
Net cash flows from operating activities	**1,455.5**	734.1	776.1	731.4	650.0	835.8	723.9	1,002.0	642.5	819.9
Capital expenditure	**1,376.5**	1,236.0	1,063.0	696.7	830.8	636.4	899.7	701.6	561.7	513.7
Other Information (at 31 December)										
Company's net debt (US$ millions)[i]	**1,330.6**	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
Number of shares in issue (millions)	**4,344.9**	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
Weighted average number of shares in issue during the year (millions)	**4,344.1**	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
Share price (HK$)										
– After rights issue	**2.65**	3.02	5.30	5.42	5.14	7.69	8.82	8.32	7.90	6.83
– Before rights issue	**N/A**	N/A	N/A	N/A	N/A	N/A	N/A	8.51	8.08	7.00
Adjusted NAV per share (HK$)										
– After rights issue	**6.30**	7.26	10.26	10.45	9.67	13.24	12.57	15.09	13.09	12.63
– Before rights issue	**N/A**	N/A	N/A	N/A	N/A	N/A	N/A	15.43	13.38	12.91
Share price discount to adjusted NAV per share (%)	**57.9**	58.4	48.3	48.1	46.8	41.9	29.8	44.8	39.6	45.8
Market capitalization (US$ millions)	**1,476.2**	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
Number of shareholders	**4,494**	4,500	4,530	4,760	4,796	4,853	4,884	4,606	4,503	4,608
Number of employees	**101,836**	110,394	102,530	94,189	96,446	98,107	91,874	80,941	73,582	70,525

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

See pages 240 and 241 for a glossary of terms

Note: In July 2013, the Company completed a rights issue, offering its shareholders one rights share for every eight existing shares held at a subscription price of HK$8.10 per rights share. 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 2010 to 2012 have been restated to reflect the effects of this rights issue in order to provide a more meaningful comparison.

Financial Highlights

Turnover
US$
8.1b ↑4%

Recurring profit
US$
290.0m ↑0.2%

Total assets
US$
21.9b ↑5%

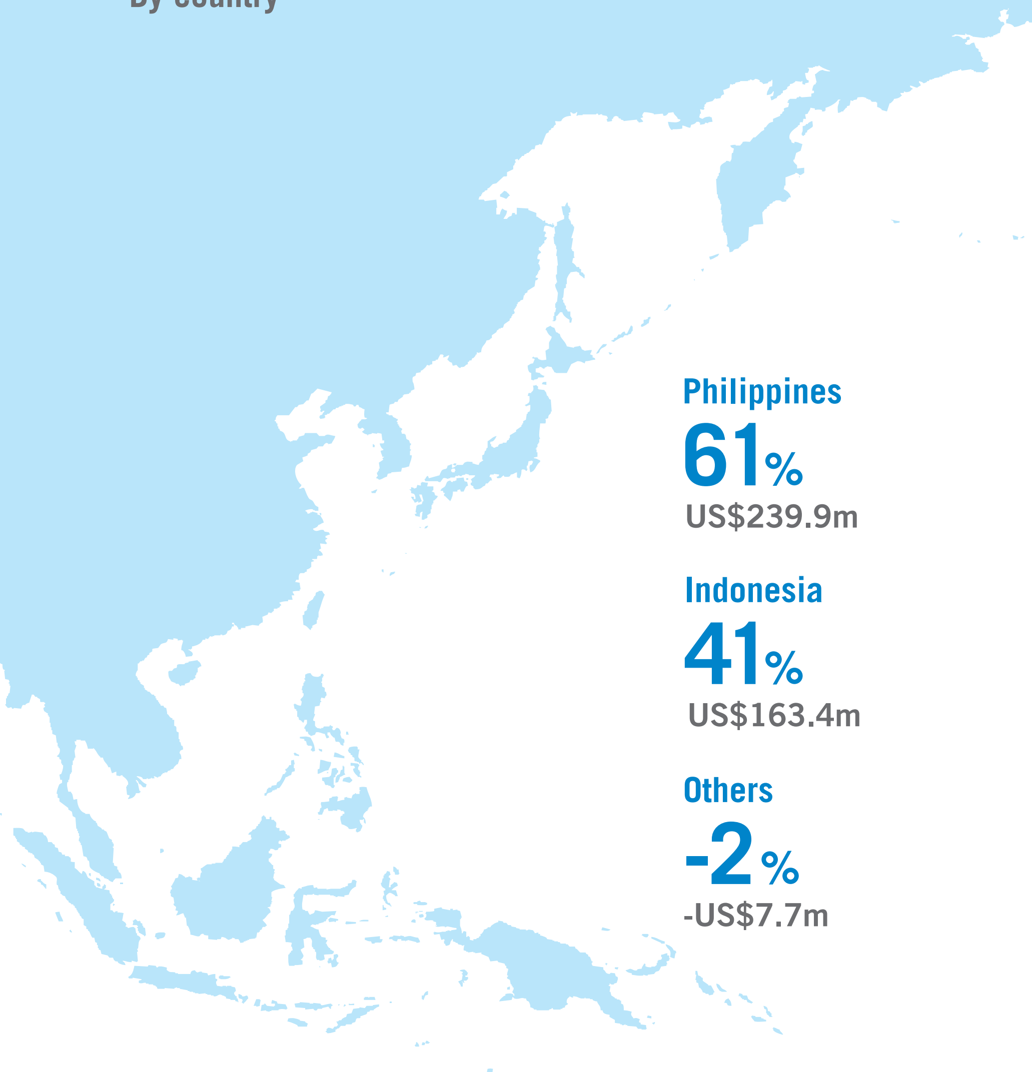
Consolidated net debt
US$
6.0b ↓12%

Equity attributable to owners of the parent
US$
2.9b ↓5%

Market capitalization
US$
1.5b ↓12%

Profit Contribution from Operations at **US$395.6m**

By country



Philippines
61%
US$239.9m

Indonesia
41%
US$163.4m

Others
-2%
-US$7.7m

By sector

Consumer food products
40%
US$159.0m

Telecommunications
30%
US$119.3m

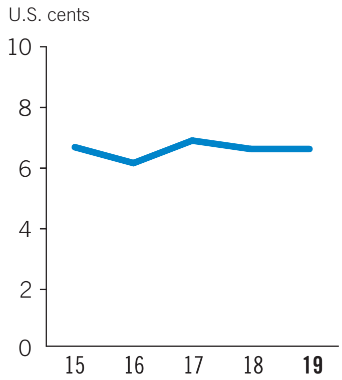
Infrastructure
29%
US$116.3m

Natural resources
1%
US$1.0m

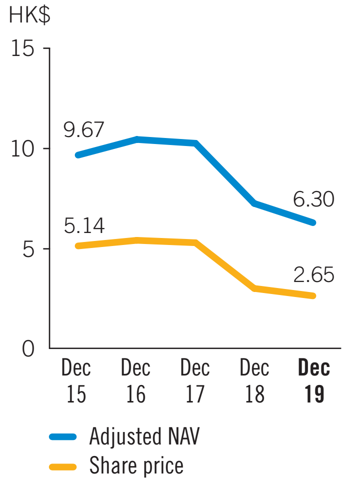
- Distribution payout at US$75.0 million
- Distribution payout at 26% of recurring profit
- Head Office dividend and fee income from operating companies at US$165.1 million
- Head Office net debt at approximately US$1.33 billion
- Head Office net interest expense at US$76.5 million
- Redeemed and cancelled US$214.9 million principal amount of bonds

Five-year Data
(Per share)

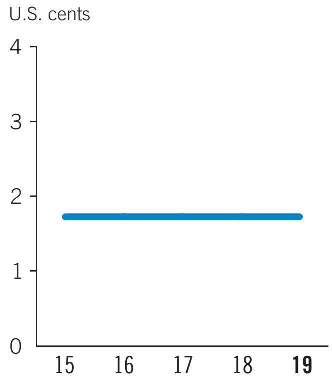
Basic Recurring Earnings



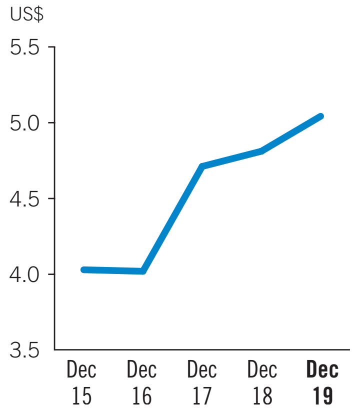
Share Price vs Adjusted NAV



Dividends/ Distributions



Total Assets



FIRST PACIFIC

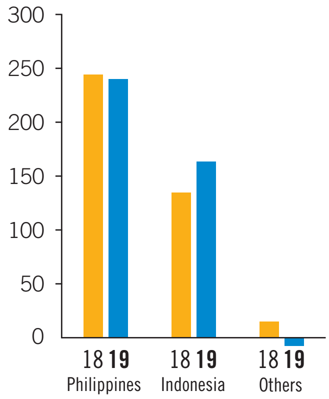
Below is an analysis of results by individual company.

Contribution and Profit Summary

For the year ended 31 December US$ millions	Turnover 2019	Turnover 2018	Contribution to Group profit[(i)] 2019	Contribution to Group profit[(i)] 2018
Indofood	**5,414.4**	5,136.1	**163.4**	134.7
PLDT[(ii)]	**–**	–	**119.3**	120.7
MPIC	**1,709.5**	1,575.8	**126.8**	120.9
Philex[(ii)]	**–**	–	**1.0**	2.9
FPM Power	**713.4**	728.6	**(10.5)**	(6.2)
FP Natural Resources	**217.4**	301.9	**(7.2)**	(0.3)
FPW[(iii)]	**–**	–	**2.8**	21.2
Contribution from Operations[(iv)]	**8,054.7**	7,742.4	**395.6**	393.9
Head Office items:				
– Corporate overhead			**(20.8)**	(23.7)
– Net interest expense			**(76.5)**	(76.4)
– Other expenses			**(8.3)**	(4.3)
Recurring Profit[(v)]			**290.0**	289.5
Foreign exchange and derivative gains, net[(vi)]			**6.8**	0.4
Gain/(loss) on changes in fair value of biological assets			**3.0**	(0.3)
Non-recurring items[(vii)]			**(553.7)**	(157.8)
(Loss)/Profit Attributable to Owners of the Parent			**(253.9)**	131.8

(i) After taxation and non-controlling interests, where appropriate.
(ii) Associated companies.
(iii) FPW Singapore Holdings Pte. Ltd. ("FPW"), a joint venture and was sold on 16 December 2019.
(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, gain/(loss) 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. 2019's non-recurring losses of US$553.7 million mainly represent (a) the Group's loss on disposal of Goodman Fielder Pty Limited ("Goodman Fielder") (US$308.3 million), (b) impairment provisions for the Group's investments in PLP (US$249.5 million) and Philex's mining assets (US$37.5 million), and MPIC's investments in Maynilad Water Services Inc. ("Maynilad"), MetroPac Movers, Inc. ("MMI") and other water investments (US$124.2 million), (c) PLDT's manpower reduction costs (US$11.5 million), PLP's provision for onerous contracts (US$6.9 million) and RHI's write-off of deferred tax assets (US$6.7 million), partly offset by MPIC's gain on deconsolidation of Metro Pacific Hospital Holdings, Inc. ("MPHHI") (US$210.6 million). 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).

Contribution by Country



Turnover up 4% to US$8.1 billion from US$7.7 billion	■ reflecting higher revenues at Indofood and MPIC, driven by continued strong growth at most of their businesses ■ partly offset by lower revenues at FPM Power and FP Natural Resources
Recurring profit to US$290.0 million from US$289.5 million	■ reflecting higher profit contributions from Indofood and MPIC, and lower Head Office corporate overhead ■ offset by lower profit contributions from FPW, Philex and PLDT, higher losses at FP Natural Resources and FPM Power and higher Head Office other expenses
Non-recurring losses to US$553.7 million from US$157.8 million	■ largely reflecting First Pacific's loss on disposal of its 50% interest in Goodman Fielder ■ the Group's impairment provision for investment in PLP ■ MPIC's impairment provisions for its investments in Maynilad, MMI and other water investments ■ the Group's impairment provisions for Philex's mining assets ■ PLDT's manpower reduction costs ■ PLP's provision for onerous contracts ■ RHI's write-off of deferred tax assets ■ partly offset by MPIC's gain on deconsolidation of MPHHI
Reported loss of US$253.9 million versus reported profit of US$131.8 million	■ reflecting higher non-recurring losses

The Group's operating results are denominated in local currencies, principally the rupiah, the peso, the Singapore dollar (S$) and the Australian dollar (A$), 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	2019	2018	One year change
Rupiah	**13,901**	14,481	+4.2%
Peso	**50.64**	52.58	+3.8%
S$	**1.346**	1.363	+1.3%
A$	**1.425**	1.419	-0.4%

Average exchange rates against the U.S. dollar For the year ended 31 December	2019	2018	One year change
Rupiah	**14,146**	14,290	+1.0%
Peso	**51.57**	52.69	+2.2%
S$	**1.363**	1.350	-1.0%
A$	**1.438**	1.346	-6.4%

During 2019, the Group recorded net foreign exchange and derivative gains of US$6.8 million (2018: US$0.4 million), which can be further analyzed as follows:

US$ millions	2019	2018
Head Office	**3.2**	(5.7)
Indofood	**0.8**	1.1
PLDT	**1.1**	0.5
MPIC	**(1.4)**	3.8
Philex	**0.5**	(0.7)
FPM Power	**1.0**	(1.4)
FPW	**1.6**	2.8
Total	**6.8**	0.4

Asset Disposal

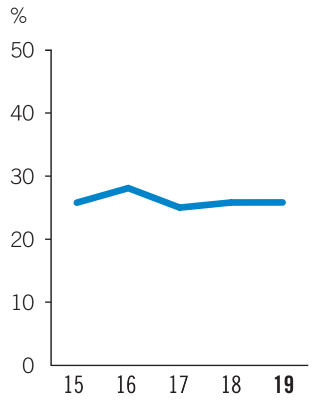
On 16 December 2019, First Pacific completed the sale by Oceanica Developments Limited, an indirect wholly owned subsidiary of First Pacific, of its 50% interest in FPW to Wilmar International Limited. First Pacific no longer holds any investment in FPW or in Goodman Fielder.

First Pacific will use the sale proceeds of US$275.0 million principally for debt reduction, beginning with a US$251.8 million 6.375% bond maturing in September 2020.

Distributions

First Pacific's Board of Directors, taking into consideration cash flow trends and following consistent prudent risk management practices, declared a final distribution of HK 7.0 cents (U.S. 0.90 cent) per share which brings the total distribution for 2019 to HK 13.5 cents (U.S. 1.73 cents), unchanged from a year earlier. The total distribution represents a payout ratio of approximately 26% (2018: 26%) of recurring profit, marking the 10th consecutive year that First Pacific has distributed at least 25% of recurring profit to its shareholders.

Dividend/Distribution Payout Ratio



Debt Profile

On 28 June 2019, First Pacific redeemed US$214.9 million principal amount of bonds on maturity.

At 31 December 2019, Head Office gross debt stood at approximately US$1.66 billion with an average maturity of approximately 3.2 years. Net debt declined to approximately US$1.33 billion mainly reflecting the proceeds from the sale of Goodman Fielder. Approximately 53% of the Head Office borrowings were at fixed rates while floating rate bank loans comprised the remainder, and the blended interest rate was approximately 4.2% per annum. Unsecured debts accounted for approximately 85% of Head Office borrowings.

In January 2020, First Pacific bought back and canceled approximately US$0.1 million principal amount of bond due in 2020.

As at 23 March 2020, the principal amounts of the following bonds remain outstanding:

- US$251.8 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

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

Interest Cover

For 2019, Head Office recurring operating cash inflow before interest expense and tax was US$147.3 million. Net cash interest expense rose 2% to US$72.5 million, reflecting a higher average debt balance arising from debt refinancing. For the year ended 31 December 2019, the cash interest cover was approximately 2 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

The global Novel Coronavirus ("Covid-19") pandemic is beginning to cut into and shift demand for the goods and services provided by First Pacific Group companies. Its impact on contribution will be negative but uncertain in extent. Ahead of the pandemic, the Company was expecting continued strong demand for the products and services offered by its three core holdings, Indofood, MPIC and PLDT and as markets recover from the impact of Covid-19 this demand is expected to return. Notwithstanding the current uncertainty owing to the economic and social impact of the pandemic, First Pacific remains committed to a capital allocation policy of prioritizing debt reduction and share repurchases going forward as contribution from operations permits.

Indofood
THE SYMBOL OF QUALITY FOODS

Profit Contribution
US$163.4
million

Indofood's contribution to the Group increased 21% to US$163.4 million (2018: US$134.7 million) principally reflecting higher core profit.

Core profit up 23% to 4.9 trillion rupiah (US$346.3 million) from 4.0 trillion rupiah (US$279.5 million)	■ reflecting strong performance of the Consumer Branded Products ("CBP") and Bogasari groups ■ higher margins of the CBP, Bogasari and Distribution groups ■ partly offset by weaker performance of the Agribusiness and higher finance costs
Net income up 18% to 4.9 trillion rupiah (US$347.0 million) from 4.2 trillion rupiah (US$291.5 million)	■ reflecting higher core profit ■ including a foreign exchange gain resulting from a 4% appreciation of the closing rupiah exchange rate against the U.S. dollar versus a foreign exchange loss in 2018
Consolidated net sales up 4% to 76.6 trillion rupiah (US$5.4 billion) from 73.4 trillion rupiah (US$5.1 billion)	■ driven by higher sales of the CBP and Bogasari groups ■ partly offset by lower sales of the Distribution and Agribusiness groups
Gross profit margin to 29.7% from 27.5%	■ reflecting higher average selling prices at the CBP and Bogasari groups ■ partly offset by lower average selling prices of palm products at the Agribusiness group
Consolidated operating expenses up 16% to 12.9 trillion rupiah (US$910.9 million) from 11.1 trillion rupiah (US$774.6 million)	■ reflecting higher selling and general and administration expenses ■ partly offset by lower net other operating income in relation to the absence of gain arising from investment revaluation in 2019 and an operating foreign exchange losses versus a gain in 2018
EBIT margin to 12.8% from 12.5%	

Debt Profile

As at 31 December 2019, Indofood recorded gross debt of 23.0 trillion rupiah (US$1.7 billion), down 23% from 29.7 trillion rupiah (US$2.1 billion) as at 31 December 2018. Of this total, 61% matures within one year and the remainder matures between 2021 and August 2028, while 91% was denominated in rupiah and the remaining 9% was denominated in foreign currencies.

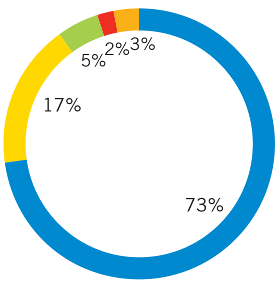
Additional Investments

In January 2019, PT Salim Ivomas Pratama Tbk ("SIMP") made a capital contribution of 29.3 billion rupiah (US$2.1 million) to PT Indoagri Daitocacao ("Indoagri Daitocacao"). SIMP's shareholding in Indoagri Daitocacao remained at 51% following the contribution.

On 26 March 2019, PT Indofood CBP Sukses Makmur Tbk ("ICBP") acquired an additional 35% interest in PT Indofood Comsa Sukses Makmur ("ICSM") for a total consideration of 8.6 billion rupiah (US$0.6 million). As a result, ICBP's interest in ICSM was increased to 86%.

In 2019, ICBP made capital contributions of 30 billion rupiah (US$2.1 million) and 144.5 billion rupiah (US$10.2 million) to PT Indo Oji Sukses Pratama ("IOSP") and PT Oji Indo Makmur Perkasa ("OIMP"), respectively. ICBP's shareholdings in IOSP and OIMP remained at 50% following the contributions.

Operating Profit 2019*



	US$ millions
Consumer Branded Products	509.0
Bogasari	114.6
Agribusiness	35.0
Distribution	15.1
Unallocated other operating income	21.3
Total	**695.0**

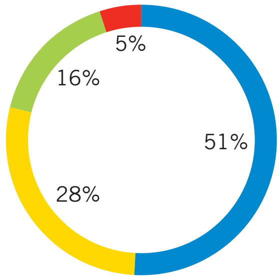
* Before inter-segment elimination

In July 2019, ICBP made a capital contribution of 24.0 billion rupiah (US$1.7 million) to PT Arla Indofood Makmur Dairy Import ("Arla Indofood"). ICBP's shareholding in Arla Indofood remained at 49.9% following the contribution.

In July 2019, IndoAgri made a capital contribution of 74.6 billion rupiah (US$5.3 million) to Canápolis Holding S.A. ("Canápolis"). IndoAgri's shareholding in Canápolis remained at 50% following the contribution.

From 1 July 2019 to 31 December 2019, Indofood acquired a total of 100.1 million shares of IndoAgri from the open market for a total consideration of S$32.5 million (US$23.8 million), which increased Indofood's effective interest in IndoAgri to 70.0% from 62.8%.

Turnover 2019*



	US$ millions
Consumer Branded Products	3,022.3
Bogasari	1,614.5
Agribusiness	961.4
Distribution	292.7
Total	**5,890.9**

* Before inter-segment elimination

Consumer Branded Products

The CBP group produces and markets a wide range of consumer branded products, offering everyday solutions to consumers of all ages across different market segments. This business group comprises the Noodles, Dairy, Snack Foods, Food Seasonings, Nutrition & Special Foods, and Beverages divisions. With over 50 plants located in key markets across Indonesia, CBP's products are available across the country and are exported to more than 60 markets around the world.

Indofood's Noodles division is one of the world's largest producers of instant noodles and is the market leader in Indonesia. Its annual production capacity is around 19 billion packs, across a broad range of instant noodle varieties.

The Dairy division has an annual production capacity of more than 700,000 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, multicereal milk, milk flavored drinks, powdered milk, ice cream and butter.

The Snack Foods division comes under a joint venture company with Fritolay Netherlands Holding B.V. which manages the majority of snack foods operations. The division has an annual production capacity of around 60,000 tonnes, producing western and traditional snacks, and extruded snacks.

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

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

The Beverages division produces a wide range of ready-to-drink teas, packaged water and fruit-flavored drinks with a combined annual production capacity of around 3 billion liters.

In 2019, sales by the CBP group rose 10% to 42.8 trillion rupiah (US$3.0 billion), with sales growing across all business divisions. The EBIT margin improved to 16.8% from 14.9% primarily due to improved gross profit margin.

On 11 February 2020, ICBP announced it is exploring and assessing the offer to acquire the entire issued share capital of Pinehill Company Limited ("Pinehill"). Pinehill owns four subsidiary companies and is primarily engaged in the manufacturing of instant noodles in Saudi Arabia, Nigeria, Ghana, Turkey, Egypt, Kenya, Morocco and Serbia using the "Indomie" trademark under a licensing agreement with Indofood. ICBP will conduct due diligence on the Pinehill group before deciding whether to proceed with a transaction.

Indofood believes that Indonesia's promising macroeconomic outlook and favorable demographics will continue to provide future growth opportunities. However, this is likely to attract increased competition. To stay competitive, its strategy will be to maintain the trust and loyalty of its consumers by strengthening the brand equity. Indofood will also continue with product innovation, product availability improvement, export sales and food service expansion as well as raw material sourcing diversification and cost saving initiatives. At the same time, it will closely monitor how the global economy develops, especially in light of the recent Covid-19 outbreak as it has the potential to impact Indonesia's growth trajectory and destabilize the rupiah.

Bogasari

Bogasari is the largest integrated flour miller in Indonesia. It operates four flour mills in the country with total combined annual production capacity of approximately 4.1 million tonnes. Bogasari produces a wide range of wheat flour products and pasta for domestic and international markets.

Its sales rose 8% to 22.8 trillion rupiah (US$1.6 billion), reflecting higher average selling prices. As a result, the EBIT margin improved to 7.1% from 6.0%.

Continued growth is projected for Indonesia's flour industry, as improved macroeconomic conditions and higher affluence amongst the country's expanding middle class drive increasing demand for flour-based foods, despite signs of softer growth this year.

Agribusiness

The diversified and vertically integrated Agribusiness group is one of Indonesia's largest producers of palm oil 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, SIMP and PT Perusahaan Perkebunan London Sumatra Indonesia Tbk ("Lonsum") in Indonesia. In Brazil, IndoAgri has equity investments in sugar and ethanol operations in Companhia Mineira de Açúcar e Álcool Participações ("CMAA") and Canápolis. It has also invested in RHI in the Philippines.

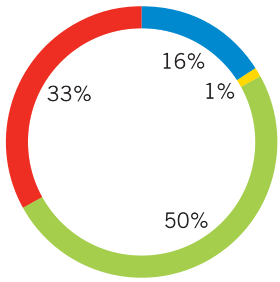
Sales declined 3% to 13.6 trillion rupiah (US$961.4 million), mainly reflecting the negative impacts from lower prices of crude palm oil ("CPO") and edible oils and fats products despite higher sales volume of palm kernel ("PK"), sugar and EOF products.

Sales volume of CPO were flat at 882,000 tonnes, whilst PK sales volume increased 14% to 220,000 tonnes, sugar sales volume increased 16% to 67,000 tonnes, rubber sales volume decreased by 11% to 8,700 tonnes and oil palm seeds sales volume decreased 52% to 5.5 million seeds.

Plantations

In Indonesia, the newly built chocolate factory commenced operation in May 2019. The expansion of milling facilities in Kalimantan with a 45 tonnes per hour of fresh fruit bunches ("FFB") new mill was completed in September 2019. Approximately 4,000 hectares of older palms in North Sumatra and Riau were replanted with higher yielding seed varieties during the year.

Age Profile of Oil Palm Plantations



	Hectares
Immature areas	41,271
4-6 years	3,585
7-20 years	126,492
Above 20 years	80,471
Total	**251,819**

The total planted area increased slightly to 302,372 hectares from end-2018, 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 16 years, while around 17% of its oil palms are younger than seven years. This division has a total annual processing capacity of 7.0 million tonnes of FFB.

FFB nucleus production declined 2% to 3.3 million tonnes with yields at 15.7 tonnes per hectare, reflecting mainly replanting in Riau and North Sumatra, and newly matures estates in Sumatra and Kalimantan. CPO production decreased 9% to 840,000 tonnes on lower purchases from external parties with CPO yields declining slightly to 3.4 tonnes per hectare.

In Indonesia, the total planted area of rubber rose slightly to 16,796 hectares from end-2018, while sugar cane was flat at 13,543 hectares from end-2018. Sugar production rose 21% to 67,000 tonnes contributed by higher harvested area and a recovery in cane yield.

In Brazil, CMAA's sugar cane planted area increased to 85,968 hectares, and the sugar cane harvest rose 8% to 6.1 million tonnes from 2018. The combined annual cane crushing capacity of CMAA and Canápolis increased from 8.3 million tonnes to 8.8 million tonnes. IndoAgri's share of CMAA and Canápolis' profit declined 42% to 16.6 billion rupiah (US$1.2 million) due to foreign exchange losses arising from weakness in the Brazilian real and higher expenses relating to the expansion of the sugar operation in Brazil.

In 2019, the Plantations division recorded a 4% decline in sales to 8.3 trillion rupiah (US$588.2 million) due to lower prices for CPO and PK products.

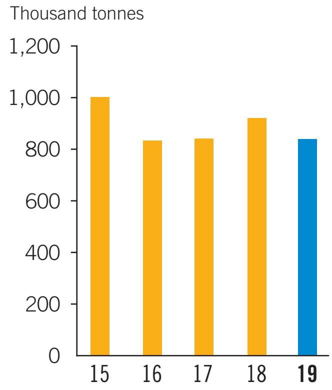
Edible Oils & Fats

This division manufactures cooking oils, margarines and shortenings. It has an annual CPO refinery capacity of 1.7 million tonnes of CPO. Approximately 75% of this division's CPO requirements are sourced from the Plantations division, compared to 77% in 2018.

In 2019, the EOF division recorded a 2% decline in sales to 10.2 trillion rupiah (US$722.3 million) due to lower average selling prices arising from lower CPO prices despite higher sales volumes.

Economic uncertainties arising from the ongoing US-China trade tensions and the current Covid-19 outbreak are bringing additional volatility to agricultural commodity prices. Both diversified and vertically integrated, the agribusiness group will prioritise its capital expenditure investments in growth areas, including replanting of old palms in Riau and North Sumatra with higher yielding seed varieties and expanding the milling facilities in East Kalimantan. The EOF division will continue to strengthen its leading market position in edible oils and fats products and increasing market penetration by competitive marketing and pricing strategies. It will also focus on cost control measures and other innovations to increase productivity.

CPO Production



Indofood

Distribution

The Distribution group is a strategic 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 25% to 4.1 trillion rupiah (US$292.7 million) mainly due to the impact of PT Nugraha Indah Citarasa Indonesia being consolidated into ICBP. The EBIT margin rose to 5.1% from 3.4%.

The Distribution group continues to strengthen its network, leveraging on over 700,000 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

Owing to a growing domestic economy, demand for fast moving consumer goods is expected to increase. However, the business landscape will remain competitive and there is also potential downside risk from consequences of the Covid-19 outbreak. Indofood is focusing on its strategy of strengthening its market position in most product categories, building up brands that are relevant to consumers, and increasing its competitiveness.

Profit Contribution

US$119.3 million

PLDT's contribution to the Group declined 1% to US$119.3 million (2018: US$120.7 million) reflecting lower consolidated core net income.

Telco core net income up 13% to 27.1 billion pesos (US$525.1 million) from 24.0 billion pesos (US$456.4 million)	■ reflecting higher EBITDA ■ excluding the impact of 1.8 billion pesos (US$34.9 million) equity losses from Voyager Innovations Holdings Pte. Ltd. ("Voyager"), 0.4 billion pesos (US$7.8 million) of accelerated depreciation and a gain of 0.2 billion pesos (US$3.9 million) from the sale of 690,000 Rocket Internet SE ("Rocket Internet") shares
Consolidated core net income down 3% to 25.1 billion pesos (US$486.9 million) from 25.9 billion pesos (US$490.7 million)	■ reflecting higher telco core income ■ lower other income primarily in relation to a gain on deconsolidation of Voyager in 2018 ■ higher financing costs ■ lower realized gain from sale of shares in Rocket Internet ■ higher provision for income tax
Reported net income up 20% to 22.5 billion pesos (US$436.7 million) from 18.9 billion pesos (US$359.0 million)	■ reflecting higher telco core net income ■ partly offset by higher manpower rightsizing program expenses
Consolidated service revenues (net of interconnection costs) up 8% to 157.7 billion pesos (US$3.1 billion) from 145.8 billion pesos (US$2.8 billion)	■ reflecting growth in the Individual, Enterprise and Home business segments, partly offset by lower revenues from the International and Carrier businesses ■ Individual, Enterprise and Home service revenues, with each growing 20%, 5% and 3%, and accounting for 46%, 25% and 23% of consolidated service revenues, respectively ■ record high full-year service revenues ■ data and broadband remain growth drivers, with combined revenues up 20% and representing 67% (2018: 60%) of consolidated service revenues
EBITDA up 25% to 79.8 billion pesos (US$1.5 billion) from 64.0 billion pesos (US$1.2 billion)	■ reflecting higher service revenues ■ lower cash operating expenses associated with the impact of International Financial Reporting Standard 16 of 5.3 billion pesos (US$102.8 million) ■ partly offset by higher subsidies and provisions, cost of services and manpower rightsizing program expenses of 3.3 billion pesos (US$64.0 million)
EBITDA margin to 49% from 42%	■ mainly due to higher EBITDA ■ wireless and fixed line EBITDA margin to 58% and 38% from 41% and 38%, respectively

Capital Expenditures

From 2011 to 2019, PLDT invested 388.2 billion pesos (US$7.7 billion) in capital expenditures for the PLDT group networks. These extensive network investments have enabled PLDT to regain network leadership in the Philippines, enhanced PLDT group's operational efficiencies, and allowed PLDT to provide improved data customer experience across all of its business segments.

PLDT's continuous network improvements were recognized by several international independent analytics firms in 2019. Ookla named PLDT and Smart Communications, Inc. ("Smart") as the Philippines' fastest fixed and wireless internet services providers, while the global internet benchmarking company umlaut (formerly P3) named Smart as the "Best in Test Award for 2019" and confirmed its 4G/LTE coverage was the best and widest with the fastest upload and download speeds, while Open Signal cited Smart offering the Philippines best mobile video and fastest data experience, as well as overtaking its competitor in 4G availability in both urban and rural areas.

In 2019, capital expenditures amounted to 72.9 billion pesos (US$1.4 billion) of which 84% was used on network and technology-related expansion and transformation programs, and the remaining 16% was employed for the installation of broadband connections. At the end of 2019, total homes passed by PLDT's fixed-line fiber optic network rose 15% to 7.2 million, port capacity increased 34% to 3.5 million, and the fiber footprint expanded by 32% to 322,400 cable kilometers. On the wireless network, the number of Smart LTE base stations increased 52% to 24,600 while the number of 3G base stations increased 20% to 13,800. PLDT's 4G and 3G network coverage expanded to reach 94% of the Philippines' population.

The capital expenditures guidance for 2020 is 83.0 billion pesos to finance further network capacity to support growing data traffic, to add new home broadband customers and roll out new 5G initiatives.

Debt Profile

As at 31 December 2019, PLDT's consolidated net debt was US$3.3 billion (2018: US$2.4 billion), and the total gross debt stood at US$3.8 billion (2018: US$3.4 billion), of which 9% (2018: 13%) 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. 78% of the total debt is due to mature after 2021. After interest rate swaps, 88% of the total debt is fixed-rate borrowings. The average pre-tax interest cost for the full year of 2019 rose to 4.8% from 4.5%.

As at the end of December 2019, PLDT's credit ratings remained at investment grade at the three leading credit rating agencies, S&P, Moody's and Fitch.

Dividends

PLDT's dividend policy is to pay 60% of its telco core net income as regular dividends. On 5 March 2020, the PLDT Board of Directors declared a final regular cash dividend of 39 pesos (US$0.77) per share payable on 3 April 2020 to shareholders on record as of 19 March 2020. Added to the interim regular dividend of 36 pesos (US$0.70) per share paid on 10 September 2019, total dividends for 2019 amounts to 75 pesos (US$1.47) per share.

Asset Divestment

In 2019, PLDT Online Investments Pte. Ltd. ("PLDT Online") sold 0.7 million of its shares in Rocket Internet for a total consideration of 1.0 billion pesos (US$119.8 million) with a total gain of 0.2 billion pesos (US$3.9 million). This reduced PLDT Online's equity interest in Rocket Internet to 1.3% from 1.7%.

Service Revenues by Business Segment

Data and broadband services continued to drive revenue growth in the year. Data and broadband service revenues rose 20% to 105.2 billion pesos (US$2.0 billion), led by a 45% increase in mobile internet revenues and higher revenues from home broadband, corporate data and data center businesses.

Individual service revenues accounted for 46% (2018: 41%) of consolidated service revenues (net of interconnection costs) and rose 20% to 72.1 billion pesos (US$1.4 billion) of which

69% was data and broadband revenues. Mobile data traffic volume rose 2 times to 1,612 Petabytes from 2018, mainly driven by the greater adoption of data by PLDT group's subscribers resulting in growth in video streaming and online gaming following extensive data promotion marketing that aimed to build a data habit among its customers.

The PLDT group's combined wireless subscriber base reached 73.1 million as at the end of December 2019, up 21% from year-end 2018. Over 70% of this segment's subscribers are smartphone owners and most of whom are using high-bandwidth LTE phones.

The continuing improvement in subscriber experience and a steady flow of new and innovative data offerings will continue to drive data consumption as the shift to digital accelerates among the customer base.

Enterprise service revenues rose 5% to 39.2 billion pesos (US$760.1 million), representing 25% (2018: 26%) of consolidated service revenues (net of interconnection costs). Data and broadband accounted for 67% of Enterprise service revenues. The increase was fueled by 14% growth in demand for information and communication technology and data center services supported by substantial investments in business solutions and network connectivity.

Demand for data services, including cloud, cyber security, *M2M* (machine-to-machine), IoT (internet of things), remains the key driver of growth.

Home service revenues rose 3% to 37.2 billion pesos (US$721.3 million), reflecting the positive impact of a combined indoor/outdoor approach for service installations and repairs. This segment's service revenues represent 23% (2018: 24%) of consolidated service revenues (net of interconnection costs). Data and broadband accounted for 77% of Home service revenues. Total broadband subscribers grew 7% from the end of 2018 to 2.2 million.

The upgraded network capacity and capability enabled Home service to increase new connections and bring customer experience to a higher level. Complementing fiber offers with wireless broadband plans are expected to sustain growth in 2020.

Outlook

PLDT is committed to minimizing the effect of the Covid-19 pandemic on its operation and continues providing quality services to its customers. Its network capacity is sufficient to serve increased data and voice demand. It also provides zero-rated access to specific government sites and emergency hotlines, increasing minimum speeds and data allocations to relevant customer categories. PLDT has introduced a Work from Home policy to allow its teams to work from their residences while ensuring business continuity. Service teams are equipped with the required attire and protective gear such as masks, gloves and the like, and they have been instructed on proper health protocols. Beyond pandemic preparations, the continued increase in data/broadband usage by customers and PLDT's ability to consistently provide good customer experience will continue to deliver earnings growth in 2020 in the Individual and Home businesses. The Enterprise business will continue to build on its superior suite of products to maintain its industry-leading market share. Capital expenditure is forecast at 83.0 billion pesos to boost network capacity and last-mile and customer premises equipment for home broadband, which together will help protect and grow market share across all businesses.

Profit Contribution

US$126.8 million

MPIC's contribution to the Group increased 5% to US$126.8 million (2018: US$120.9 million), reflecting higher contributions from the toll roads and power businesses, partly offset by higher net interest expense at MPIC head office and lower contribution from the water business.

Consolidated core net income up 4% to 15.6 billion pesos (US$302.5 million) from 15.1 billion pesos (US$285.8 million)	■ reflecting higher operating income driven by continued traffic growth and higher tariffs at the domestic toll roads business, strong growth at Meralco and higher patient numbers at MPHHI ■ partly offset by higher net interest expense at MPIC head office due to loan drawdowns for funding various investments ■ power, toll roads, water, and hospitals and others accounted for 55%, 25%, 17% and 3%, respectively, of MPIC's consolidated profit contribution from operations ■ a 7% increase in contribution from the power business to 11.6 billion pesos (US$224.4 million) largely driven by higher energy sales, lower borrowing costs and higher investment returns at Meralco ■ an 18% rise in contribution from the toll roads business to 5.2 billion pesos (US$101.5 million) reflecting strong traffic growth at all toll roads in the Philippines; higher toll rates charged by the North Luzon Expressway ("NLEX"), Subic Clark Tarlac Expressway ("SCTEX") and the Manila-Cavitex Toll Expressway ("CAVITEX") effective from March, June and October 2019, respectively; and the full-year effect of consolidation of PT Nusantara Infrastructure Tbk ("PT Nusantara") since July 2018; partly offset by lower traffic volumes on regional toll roads and higher interest costs in relation to new investments and capital expenditures ■ a 6% decline in contribution from the water business to 3.6 billion pesos (US$69.2 million) reflecting higher concession asset amortization expenses and financing costs at MetroPac Water Investments Corporation ("MPW") ■ a 12% increase in contribution from the hospitals business to 867 million pesos (US$16.8 million) reflecting higher patient revenues across all hospitals, new services and price increases in some hospitals ■ a 19% decline in contribution from the light rail business to 319 million pesos (US$6.2 million) reflecting lower daily ridership due to shortened operating hours and higher repair and maintenance costs
Consolidated reported net income up 69% to 23.9 billion pesos (US$462.6 million) from 14.1 billion pesos (US$268.2 million)	■ reflecting non-recurring income in relation to the divestment of MPHHI versus a non-recurring expense in 2018 ■ partly offset by impairment provisions for certain water investments and restructuring costs for the logistics business
Revenues up 6% to 88.2 billion pesos (US$1.7 billion) from 83.0 billion pesos (US$1.6 billion)	■ reflecting higher demand-driven revenue growth at the toll roads, water, hospitals and logistics businesses ■ partly offset by lower revenue at the power generation business

Debt Profile

As at 31 December 2019, MPIC's consolidated debt rose 16% to 249.9 pesos billion (US$4.9 billion) from 215.1 billion pesos (US$4.1 billion) as at 31 December 2018 reflecting financing for various investments. Of the total, 92% was denominated in pesos. Fixed-rate borrowings accounted for 93% of the total, the average interest cost was approximately 6.4% while the average debt maturity was 7.6 years.

Capital Management

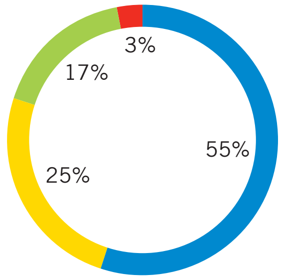
Dividend

MPIC's Board of Directors declared a final dividend of 0.076 peso (U.S. 0.15 cent) per share payable on 20 March 2020 to shareholders on record as at 12 March 2020. Together with the interim dividend of 0.0345 peso (U.S. 0.07 cent) per share paid on 30 August 2019, total dividends for 2019 amounted to 0.1105 peso (U.S. 0.22 cent) per share, unchanged from the dividends paid in 2018. It represented a dividend payout ratio of 22% of core net income per share.

Share Buyback Program

On 26 February 2020, MPIC's Board approved a share buyback program of up to 5.0 billion pesos (US$98.1 million) for a three-month period ended on 26 May 2020. The repurchase of MPIC's substantially undervalued shares should enhance shareholder value and show conviction in MPIC's prospects.

Contribution from Operations 2019



	US$ millions
Power	224.4
Toll Roads	101.5
Water	69.2
Hospitals, Rails and Others	10.0
Total	**405.1**

MPIC

Additional Investments/Divestment

On 26 February 2019, Metro Pacific Tollways Corporation ("MPTC") acquired a 100% interest in Southbend Express Services Inc. ("SESI") for a consideration of 93 million pesos (US$1.8 million). SESI is engaged in providing manpower services to public and private offices, industrial, commercial and other establishments.

On 3 September 2019, MPIC through its wholly-owned subsidiary MPW signed an 80/20 joint venture agreement with the Dumaguete City Water District ("DCWD") for the rehabilitation, operation, maintenance and expansion of DCWD's existing water distribution system and the development of wastewater facilities. The estimated cost for this 25-year joint venture project is 1.6 billion pesos (US$31.6 million) and MPW has injected 560 million pesos (US$10.9 million) as its portion of the initial equity investment in the project.

On 23 September 2019, MPTC increased its effective interest in PT Margautama Nusantara ("MUN") to 81.9% from 56.9% for a consideration of US$67.0 million. MUN is a private company in Indonesia engaged in the development and operation of toll roads, and currently manages four toll roads in Indonesia.

On 9 December 2019, MPIC completed the divestment of its 40.1% interest in MPHHI to KKR & Co. Inc. ("KKR") for a consideration of 30.1 billion pesos (US$583.6 million) of which MPIC had received 26.1 billion pesos (US$506.5 million), with the balance of 1.6 billion pesos (US$31.1 million) and 2.4 billion pesos (US$46.0 million) payable by KKR within six months and 12 months of closing, respectively. As part of the transaction, KKR also invested 5.2 billion pesos (US$100.8 million) in MPHHI for business expansion. KKR had injected half of the committed amount to MPHHI on 9 December 2019 and the remaining half is payable within three years of closing. This divestment reduced MPIC's effective interest in MPHHI to 20.0% from 60.1%.

On 11 December 2019, MPHHI acquired a 77.1% interest in Santos Clinic Incorporated for a consideration of approximately 373 million pesos (US$7.2 million).

Power

At Meralco, revenues increased 5% to 318.3 billion pesos (US$6.2 billion) reflecting higher energy sales volume due to new network connections and organic growth across all of its customer categories. The number of billed customers rose 4% to 6.9 million. The volume of electricity sold rose 6% to 46,871 gigawatt hours, driven by an increase of 8% in residential power demand, 6% in commercial, and 4% in industrial power demand. Capital expenditure rose 48% to 20.2 billion pesos (US$392.3 million) primarily for securing system reliability and enhancing critical loading capacity to accommodate further demand growth and new customer connections.

At Global Business Power Corporation ("GBPC"), revenues fell 10% to 24.2 billion pesos (US$469.7 million) reflecting the end of various short-term power supply agreements. Capital expenditure rose 38% to 708 million pesos (US$13.7 million) with continuous maintenance and upgrading of power plants.

As at 31 December 2019, GBPC and Meralco PowerGen Corporation had combined power generating capacity of 1,759 megawatts. They are currently developing power projects in the Philippines with total planned capacity of approximately 3,133 megawatts through Atimonan One Energy, Inc. ("A1E"), Redondo Peninsula Energy, Inc., St. Raphael Power Generation Corporation, and Mariveles Power Generation Corporation.

San Buenaventura Power Limited's 455-megawatt (net) supercritical coal-fired power plant, the first such plant in the Philippines, commenced commercial operations on 26 September 2019. Phase 2 of Alsons Thermal Energy Corporation's 105-megawatt expansion project began commercial operations on 10 October 2019. A1E's 1,200-megawatt (net) ultra-supercritical coal-fired power plants will participate in Meralco's Competitive Selection Process once the final terms of reference are finalized.

Energy from Waste

The Quezon City waste-to-energy project has been granted original proponent status and no comparable proposals were submitted during the Swiss Challenge process. The project cost for Phase 1 is approximately 15.3 billion pesos (US$302.1 million). This waste treatment facility is expected to generate approximately 36 megawatts (net) of energy from 3,000 metric tons of waste per day. MetroPac Clean Energy is waiting for the notice of award from the local government.

The construction of the biogas facilities for Dole Philippines, Inc. ("DPI") with project cost of approximately 1.0 billion pesos (US$19.7 million) is expected to be completed in the second half of 2020 and have a capacity of 5.7 megawatts for DPI and reduce carbon dioxide emissions from the site by 100,000 tonnes per year compared with energy sources it will replace.

Toll Roads

MPTC operates NLEX, CAVITEX, SCTEX and the Cavite-Laguna Expressway ("CALAX") in the Philippines, and is a shareholder in PT Nusantara in Indonesia, CII Bridges and Roads Investment Joint Stock Company in Vietnam and Don Muang Tollway Public Company Limited ("DMT") in Thailand.

In 2019, revenues rose 19% to 18.5 billion pesos (US$358.8 million), driven by strong traffic growth on all toll roads in the Philippines and higher toll rates charged for NLEX, SCTEX and CAVITEX effective from March, June and October 2019, respectively.

Average daily vehicle entries on MPTC's Philippine toll roads rose 13% to 535,503 while entries declined 6% to 412,205 on the regional toll roads due to construction work and road integration within concession areas.

Capital expenditure increased 122% to 26.2 billion pesos (US$507.5 million) mainly reflecting construction of new roads and expansion of existing roads. In 2019, NLEX Harbour Link Segment 10, the first section of CAVITEX C5 South Link and CALAX Sub-section 6-8 were opened for commercial operations.

MPTC plans to spend approximately 105.3 billion pesos (US$2.1 billion) on projects for NLEX Citi Link, NLEX-SLEX Connector Road, Cebu Cordova Link Expressway ("CCLEX"), CALAX, CAVITEX C5 South Link and NLEX Harbour Link, with expected completion between 2020 and 2024. For the 50.4-kiliometers Cavite-Tagaytay-Batangas Expressway project, MPTC expects the result of a Swiss Challenge by the first half of 2020 and estimates construction cost at 25.0 billion pesos (US$493.7 million).

During the year, the Philippines' Toll Regulatory Board ("TRB") approved toll rate increases for NLEX, SCTEX and CAVITEX in March, June and October, respectively. However, tariff adjustments for NLEX due in 2017 and 2019, for SCTEX due in 2013, 2014, 2016 and 2017, and for CAVITEX due in 2012, 2014, 2015 and 2018 are still pending TRB's approval.

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 2019, Maynilad's average non-revenue water measured at the District Metered Area improved further to 26.4% from 29.8% a year earlier. Revenues rose 9% to 24.0 billion pesos (US$465.2 million), reflecting a 2% increase in billed water volumes to 535.3 million cubic meters, as well as an inflationary tariff increase of 5.7% in January 2019 and a 2.7% rebasing adjustment in October 2018.

Maynilad's capital expenditure rose 4% to 12.4 billion pesos (US$240.1 million) in 2019, of which most was used for upgrading and building reservoirs and pumping stations, the laying of primary pipelines and construction of wastewater treatment facilities to improve public health. In 2019, Maynilad expanded its sewerage coverage to reach 21.2% of the current 9.7 million water served population in its concession area. Maynilad is currently building a total of five new sewage treatment facilities in Valenzuela, Cupang, Tunasan, Ayala Southvale and Las Pinas to serve approximately 1.3 million customers and upgrading one sewage treatment plant for approximately another 1.2 million customers.

Despite Maynilad's excellent record of service delivery, the matter of Maynilad's two related arbitration awards in its favor, has been set aside as the Philippine government conducts a review of the concession agreement.

On 11 December 2019, Maynilad received a letter from the Metropolitan Waterworks and Sewerage System ("MWSS") informing it of the revocation of the extension of Maynilad's concession period to 2037 from its original expiry in 2022. The MWSS Regulatory Office subsequently confirmed that the 25-year Concession Agreement that covers the years 1997 to 2022 and the Memorandum of Agreement that provides for the 15-year extension of the concession period from year 2022 to 2037 have not yet been cancelled. Nonetheless, the Philippine government ordered a review and amendment of Maynilad's Concession Agreement. Maynilad decided not to implement the rate adjustment of Pesos 1.95/cubic meter originally effective on 1 January 2020. Maynilad also executed the Release From and Waiver of Claim on Arbitral Award ("Waiver") in favor of the Philippine government. In this Waiver, Maynilad waived its claim against the Philippine government for its accumulated revenues losses for the period from 11 March 2015 to 31 December 2017.

MPW is MPIC's investment vehicle for expanding water investments outside the Maynilad concession area. MPW has investments in Metro Pacific Iloilo Water Inc. ("MPIWI") and Metro Pacific Dumaguete Water Services Inc. ("MPDWSI") in the Philippines, and in BOO Phu Ninh Water Treatment Plant Joint Stock Company ("PNW") in Vietnam. Its combined installed capacity reached 647 million liter per day ("MLD") while billed volume is 325 MLD. MPIWI and PNW commenced commercial operations in July 2019, while MPDWSI is expected to offer services within 2020. MPW is expected to begin delivering meaningful profit contribution to MPIC with the completion of the new water projects.

Hospitals

MPIC has the largest network of private hospitals in the Philippines with 3,235 beds as at 31 December 2019. The Hospitals business of MPHHI comprises 15 full-service hospitals across the Philippines, five primary care clinics, and three cancer centers, as well as indirect ownership of two healthcare colleges.

Aggregate revenues rose 12% to 28.8 billion pesos (US$558.5 million) in 2019, reflecting higher patient revenues across all hospitals, new services and price increases in some hospitals. The number of out-patients rose 11% to 3.7 million and in-patients rose 4% to 201,131.

MPHHI continues programs to enhance and expand healthcare services across all hospitals in its network while improving patient access to quality medical care by establishing new service centers.

Rail

Light Rail Manila Corporation's ("LRMC") revenues declined 1% to 3.3 billion pesos (US$63.7 million) reflecting slightly lower average daily ridership of 446,943 caused by shortened operating hours. The total number of available light rail vehicles increased to 116 from 112 a year earlier.

The majority of LRMC's capital expenditure of 8.4 billion pesos (US$163.5 million) was used for the rehabilitation of the train system, structural repairments and improvements, and the construction of the Light Rail Transit 1's ("LRT1") Cavite Extension. Most of its Station Improvement Project for 20 stations has been completed ahead of the mid-2020 schedule. The expansion work on the LRT1 Cavite Extension covering five stations is ongoing. However, long-overdue tariff increases remain a financial obstacle to development of the LRT1 Cavite Extension.

Logistics

MMI recorded a loss of 670 million pesos (US$13.0 million) due to lower utilization of trucks and higher depreciation and financing charges.

Following the extensive restructuring in 2019, MMI is evaluating the location for its distribution centers and enhancing its service platform and overall quality in order to catch the growth in the e-commerce industry in the Philippines.

Outlook

The Covid-19 outbreak has begun to adversely impact toll road and rail traffic, while a rise in residential electricity demand remains insufficient to outweigh the reduction in electricity demand from commercial and industrial sectors due to less business activity. When economic growth resumes, demand at all businesses is expected to increase. The uncertainty over contracted tariff increases in various businesses also makes the outlook difficult to quantify.

PHILEX MINING
CORPORATION

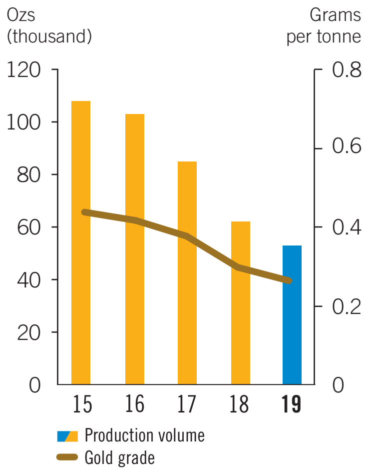
Profit
Contribution
US$1.0
million

Philex's contribution to the Group declined 64% to US$1.0 million (2018: US$2.9 million), reflecting lower volumes of metal sold resulting from lower production caused by lower tonnage and ore grades, and lower average realized copper prices, partly offset by higher average realized gold prices.

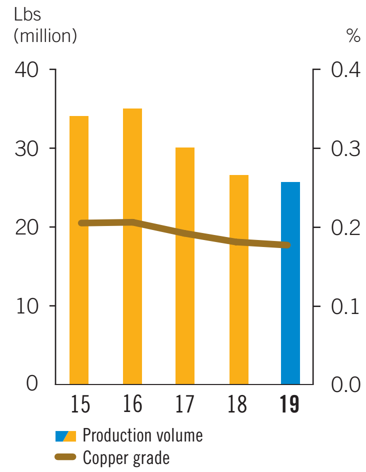
In 2019, the average realized price of gold rose 7% to US$1,388 per ounce while the price of copper declined 7% to US$2.72 per pound.

Total ore milled fell 5% to 8.1 million tonnes. The average gold grade decreased 11% to 0.264 grams per tonne (2018: 0.298 grams per tonne) and the average copper grade decreased 2% to 0.177% (2018: 0.181%). As a result, gold production fell 14% to 53,064 ounces and copper production declined 3% to 25.7 million pounds, resulting in lower volumes of metal sold.

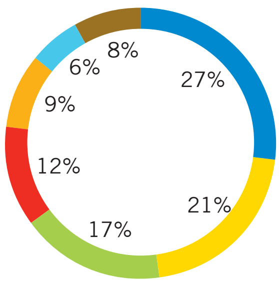
Gold Production and Grade



Copper Production and Grade

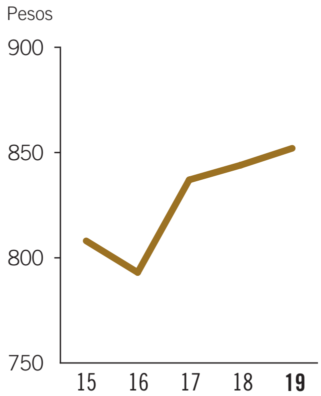


Operating Cost Per Tonne of Ore Milled 2019



	Pesos
Materials & supplies	232
Depreciation & amortization	183
Power	141
Labor	106
Smelting charges	75
Excise tax and royalties	53
Others	62
Total	**852**

Operating Cost Per Tonne of Ore Milled



Core net income down 74% to 156 million pesos (US$3.0 million) from 600 million pesos (US$11.4 million)	■ reflecting lower revenue due to lower production output, ore grades and average realized copper prices ■ partly offset by higher average realized gold prices
Net loss of 648 million pesos (US$12.6 million) versus net income of 608 million pesos (US$11.5 million)	■ reflecting a significant decline in core net income ■ non-cash impairment provisions for Padcal mine and mining assets ■ partly offset by a foreign exchange gain versus a loss a year earlier and a gain on reversal of receivables previously written off
Revenue down 11% to 6.8 billion pesos (US$131.7 million) from 7.6 billion pesos (US$145.0 million)	■ reflecting lower metal output due to reduction in tonnage caused by unscheduled maintenance of aging mine equipment and inconsistent availability of equipment, and forest fire incidents in the first quarter, uncontrollable power outages and lower ore grades ■ lower realized copper prices ■ partly offset by higher realized gold prices ■ revenues from gold, copper and silver contributed 51%, 48% and 1% of the total, respectively
EBITDA down 33% to 1.7 billion pesos (US$32.3 million) from 2.5 billion pesos (US$47.3 million)	■ reflecting lower revenue due to lower production output, ore grades and average realized copper prices
Operating cost per tonne of ore milled up 1% to 852 pesos (US$16.5) from 844 pesos (US$16.0)	■ due to lower tonnage ■ partly offset by lower costs for power and labor due to implementation of manpower rationalization program
Capital expenditure (including exploration costs) down 33% to 1.7 billion pesos (US$33.0 million) from 2.5 billion pesos (US$47.5 million)	■ reflecting lower costs of mine development and raising of the tailings storage facility ■ partly offset by higher capital expenditures for the Silangan Project, mainly for the definitive feasibility study for phase 1 of the Silangan Project, completed in July 2019, and its predevelopment costs

The mine life of Philex's major operating mining asset, Padcal mine, is projected to end in 2022. Philex is, however, continuously exploring opportunities to sustain and maximize the potential of Padcal mine operations, and relentlessly pursuing the search for additional mine assets that can be developed within or in the vicinity of the Padcal mine area.

Debt Profile

As at 31 December 2019, Philex had 10.3 billion pesos (US$202.9 million) of borrowings, comprising bonds and short-term bank loans. Short-term bank debt rose 17% to 2.5 billion pesos (US$50.0 million) from year-end 2018.

Dividend
Philex's Board of Directors declared a final dividend of 0.01 peso (U.S. 0.02 cent) per share payable on 27 March 2020 to shareholders on record as at 13 March 2020.

Additional Investment/Dilution
In 2018, Philex entered into a subscription agreement with upstream oil and gas affiliate PXP Energy Corporation ("PXP"), involving the subscription of 260 million new shares of PXP at 11.85 pesos (US$0.22) per share, for a total consideration of 3.1 billion pesos (US$58.5 million). The transaction raised Philex's interest in PXP to 30.4% from 19.8%. As at 23 March 2020, Philex has settled 94% of its subscribed portion equivalent to 2.9 billion pesos (US$56.2 million).

In 2018, PXP entered an agreement with Dennison Holdings Corporation ("Dennison") under which PXP would issue 340 million new PXP shares at 11.85 pesos (US$0.22) per share to Dennison. Dennison was unable to settle the subscription amount by 31 March 2019 and the subscription agreement was canceled by mutual agreement. As a result, the down payment made in January 2019 of 40.3 million pesos (US$0.8 million), or 1% of Dennison's subscription amount, was forfeited in favor of PXP.

Silangan Project
The Silangan Project is a large-scale gold and copper mining project located in Surigao del Norte, at the north-eastern tip of Mindanao in the Philippines.

The project contains a total of 571 million tonnes of mineral resources comprising the Boyongan, Bayugo-Silangan and Bayugo-Kalayaan ore deposits. The definitive feasibility study for Boyongan, the first phase of the Silangan Project, was completed in July 2019.This phase anticipates mineable reserves of 81 million tonnes with expected high ore grades of 0.63% copper and 1.20 grams of gold per tonne from mineral resources of 279 million tonnes.

Artist's impression

Commercial operations from underground sub-level cave mining at Boyongan is expected to begin after two and a half years of development, with an estimated mine life of 22 years at an annual average production of 4 million tonnes of ore. The estimated capital expenditure of approximately US$750 million for the development of Boyongan is expected to be funded by project finance and the entry of a strategic partner.

The preliminary feasibility study for the Bayugo-Silangan and Bayugo-Kalayaan deposits, the phase two of the Silangan Project, is being completed by Ausenco from Australia, the lead technical consultant.

The project is fully compliant with all existing regulations and its early work program commenced in September 2019 after obtaining all the permits and licenses.

PXP
In 2019, petroleum revenue declined 33% to 72 million pesos (US$1.4 million) as a result of the slowdown in production of SC 14C-1 Galoc. Costs and expenses fell 14% to 191 million pesos (US$3.7 million), reflecting the reduction in production costs following the plug and abandonment of SC 14 Nido and Matinloc production wells.

PXP's reported net loss rose more than double to 297 million pesos (US$5.8 million) reflecting a provision for impairment of Galoc oil field, and lower petroleum revenues, partly offset by the forfeited down payment from Dennison.

On 18 December 2019, PXP 54.99%-owned Canadian subsidiary FEC Resources Inc. ("FEC Resources") announced it would raise up to approximately US$1,841,147 through an offering to its existing shareholders (the "Rights Offering") at a subscription price of US$0.002255 per common share. FEC Resources is expected to use the proceeds for general working capital purposes and for funding investment opportunities including participation in any fund raising of its investee company Forum Energy Limited ("Forum").

SC 72

SC 72 is located in the Recto Bank which lies within the Philippines' Exclusive Economic Zone. Its second Sub-Phase of exploration activities is currently suspended due to a Force Majeure imposed from 15 December 2014.

Upon the lifting of the moratorium by the Philippine government, Forum will have 20 months to drill two wells as part of its work commitment under SC 72.

On 20 November 2018, the Philippines and China signed a Memorandum of Understanding on Oil and Gas Development for the two governments to create an Intergovernmental Steering Committee. The Committee will endeavour to agree on a program of cooperation that could lead to joint exploration projects in the West Philippine Sea, as well as the creation of one or more Inter-Entrepreneurial Working Groups.

In October 2019, the Steering Committee on Joint Exploration was created, which will be co-chaired by Philippine Foreign Affairs Undersecretary for Policy and Chinese Vice Foreign Minister. However, the Steering Committee has yet to create the Working Groups. In case of the SC 72 area, the block's operator, Forum (GSEC 101) Limited will be the main representative to the SC 72 Working Group.

Forum had completed the broadband Pre-Stack Depth Migration ("PSDM") reprocessing of 565 square kilometres of Sampaguita 3D seismic data. The Sampaguita Field re-evaluation using the newly reprocessed PSDM data is ongoing.

SC 75

The area 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 kilometres of 3D seismic data for Sub-Phase 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.

SC 74

At SC 74 Linapacan Block, the gravity modelling and seismic interpretation of 2D data were completed in the second quarter of 2019.

All biostratigraphic and geochemical tests of the 12 samples collected during the Calamian Islands 2018 fieldwork were completed. Additional samples will be sent to Core Laboratories in early 2020 for further analysis.

A joint Well Feasibility and Rock Physics project with the SC 14C2 consortium over the Linapacan and West Linapacan areas was completed in October 2019. In early 2020, PXP proceeded with a Quantitative Interpretation study over a 400 square kilometres 3D area that includes a number of old wells.

Peru Block Z-38

Peru Block Z-38 is a joint venture project between Pitkin Petroleum Limited ("Pitkin"), Karoon Gas Australia Ltd. ("Karoon") and Tullow Oil Plc. (UK) ("Tullow"). The economic interests of Pitkin, Tullow, and Karoon in Peru Block Z-38 are 25%, 35% and 40%, respectively. Pitkin is not required to share the costs of two wells under a farm-in agreement signed with Karoon in 2009. The block is under the Third Exploration Period ("EP"), which will expire on 30 June 2020. The remaining work obligation under the Third EP is the drilling of an exploratory well, Marina-1X.

Karoon and Stena Drilling Ltd., owner of the drillship Stena Forth, entered an agreement for the preparation of drilling Marina-1X in the first quarter of 2020. The agreement provides the Z-38 Consortium with a single well slot from the existing rig contract between Tullow and Stena. The drillship arrived in Marina-1X well location in Peru on 23 January 2020.

The Marina-1X well reached a total depth of 3,021 meters on 15 February 2020. Mudlogging and logging while drilling results from the primary targets in the Tumbes Formation indicated that the well encountered thin water-bearing sands with no oil and only minor gas shows.

Marina-1X well drilling provided valuable data on the geological setting for this region of the Tumbes Basin. However, the initial data indicated that there is no perspectivity at this location, thereby no further drilling is planned in Block Z-38 in 2020. The available data are being thoroughly analysed and the results is expected by the end of May 2020.

Others

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. A follow up survey will be carried out in the first quarter of 2020 focusing on the Maya and Dalingding prospect areas.

SC 14C1 Galoc oil field produced a total of 993,761 barrels of oil through three liftings in 2019 and plans to have two liftings in 2020 with up to 300,000 barrels per cargo.

Outlook

Philex is expected to continue benefiting from higher gold prices as the Padcal mine enters its last three years of operation. In the meantime exploration continues in the environs of Padcal for further mineable reserves. The preparation work continues for the introduction of an equity investor in the Silangan Project in Mindanao, while pursuing upside opportunities. However, the Covid-19 pandemic may have unexpected impacts on the operation of the Padcal mine, including shipment of copper concentrates and supplies of materials and spare parts for production equipment.

FPM Power / PacificLight

Share
of Loss
US$10.5
million

First Pacific's share of PLP's loss widened to US$10.5 million (2018: US$6.2 million) in 2019, reflecting a higher core loss at PLP.

In 2019, the plant's system availability remained high at 97.8% and the heat rate was broadly the same as the target level, continuing to demonstrate that PLP is one of the most efficient power plants in Singapore. The plant remains highly reliable: Unit 10 has operated without a single incident of forced outage since May 2016, and Unit 20 since March 2017.

In 2019, the volume of electricity sold rose 2% to 5,102 gigawatt hours, of which 92% was for contracted sales and vesting contract, and the remaining 8% was for pool market sales. PLP's generation market share for the year was approximately 9%.

Core net loss up 38% to S$60.5 million (US$44.4 million) from S$43.7 million (US$32.4 million)	■ reflecting lower non-fuel margins for vesting, retail and pool market sales ■ higher marketing and interest expenses ■ partly offset by a higher reversal of provision for onerous contracts and lower maintenance expenses
Net loss down 2% to S$81.6 million (US$59.9 million) from S$83.5 million (US$61.9 million)	■ reflecting a foreign exchange gain on US dollar-denominated shareholders' loans versus a foreign exchange loss in 2018, and lower provision for onerous contracts ■ largely offset by a higher core net loss
Revenues down 1% to S$972.4 million (US$713.4 million) from S$983.5 million (US$728.6 million)	■ reflecting lower average selling price per unit of electricity, despite higher sales volume
Operating expenses up 5% to S$24.4 million (US$17.9 million) from S$23.3 million (US$17.3 million)	■ reflecting higher marketing expenses
EBITDA down 17% to S$7.9 million (US$5.8 million) from S$9.5 million (US$7.0 million)	■ reflecting lower non-fuel margins

Debt Profile

As at 31 December 2019, FPM Power's net debt stood at US$448.5 million while gross debt stood at US$501.2 million. All of the borrowings were floating-rate bank loans.

Outlook

Electricity demand increased by 2.5% in 2019, however, the Covid-19 pandemic may add uncertainties to the trend. Competition will remain strong due to oversupply of electricity. PLP will continue to rely on its efficiency advantage and marketing to customers to defend market share and earnings.

FP Natural Resources / RHi ROXAS HOLDINGS, INC.

Share
of Loss

US$7.2
million

In 2019, FP Natural Resources recorded a loss of US$7.2 million (2018: US$0.3 million), reflecting a higher core loss at RHI.

RHI is one of the largest integrated sugar producers in the Philippines, accounting for 12% of the country's domestic sugar production. Its two sugar mills in Batangas and Negros Occidental have combined milling capacity of 28,000 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 250,000 liters in total.

In 2019, RHI's sugar business milled 2.3 million tonnes of cane, down 23% from a year earlier due to lower cane supply caused by stiff competition for cane and lower farm productivity. It sold 1.4 million LKg (2018: 2.9 million LKg) of refined sugar; 1.5 million LKg (2018: 1.9 million LKg) of raw sugar and 213,000 LKg (2018: 80,000 LKg) of premium raw sugar. Ethanol sales volume declined 8% to 65.0 million liters (2018: 70.9 million liters).

Core net loss of 814 million pesos (US$15.8 million) from 47 million pesos (US$0.9 million)	■ reflecting lower margins due to higher sugar manufacturing costs owing to lower sugar cane supply and higher incentives to planters due to intense competition for cane ■ lower milling volume of sugar cane due to lower farm productivity ■ lower refined sugar production ■ higher alcohol manufacturing costs from higher cost of molasses ■ higher finance cost
Reported net loss of 1.7 billion pesos (US$32.7 million) from 47 million pesos (US$0.9 million)	■ reflecting core net loss ■ write-off of deferred tax assets
Revenues down 30% to 11.2 billion pesos (US$217.4 million) from 15.9 billion pesos (US$301.9 million)	■ reflecting lower sales volumes of alcohol, refined and raw sugar ■ lower average selling prices of refined and premium raw sugar ■ partly offset by higher sales volume of premium raw sugar and higher average selling prices of molasses, alcohol and raw sugar
Operating expenses down 5% to 994 million pesos (US$19.3 million) from 1,045 million pesos (US$19.8 million)	■ reflecting lower staff costs
EBITDA down 98% to 26 million pesos (US$0.5 million) from 1.0 billion pesos (US$19.6 million)	■ reflecting higher production cost, lower milling volume of sugar cane and refined sugar production
EBITDA margin to 0.2% from 6%	■ reflecting decline in EBITDA

Asset Disposal

On 5 November 2019, RHI sold its entire interest of 45.1% in its associated company Hawaiian-Philippine Company, Inc. ("HPC") for a consideration of 1.0 billion pesos (US$19.4 million).

Debt Profile

As at 31 December 2019, long-term debt of RHI stood at 2.5 billion pesos (US$49.2 million) with maturities up until August 2024 at an annual interest rate of approximately 6.5%. Short-term debt stood at 6.9 billion pesos (US$136.8 million) with an average interest rate of approximately 6.9%.

Outlook

Continuing strong competition regionally will press down on the supply of sugar cane even as prices remain low. RHI will endeavor to control costs to maintain profitability. As part of its debt management plan, RHI will continue to look for opportunities to reduce its debt levels. Because the Covid-19 pandemic may disrupt normal business operations, RHI is conducting a thorough risk assessment to ascertain possible impacts to its overall business.

Chairman's Letter

Dear Shareholders

First Pacific's headline numbers for 2019 are a disappointment but developments taking place right now offer the promise of stronger and more stable returns for shareholders going forward.

However, we have a struggle on our hands now with the Covid-19 pandemic sweeping across our world. Defeating this illness and getting us all back on our feet again – from individuals to societies – is job one right now, and earnings will be affected. This fight is more important than a few financial quarters, and it is a fight we will win.

Once we can put this pandemic behind us, we will see that our full-year results for 2019 show us like never before that First Pacific has three core investments, each of which is bright with promise.

Let us begin with Indofood, our Company's biggest single investment. Indofood has reported its highest-ever profit in 2019, building on 10 straight years of revenue growth. The outlook for Indofood looking ahead is one of continuing growth year after year as it continues to deliver the healthy and safe foods that our buyers choose above all others.

Our second-biggest holding is itself a giant in its market and growing stronger every month. I speak of course about PLDT, the biggest telecommunications provider in the Philippines, which is seeing surging take-up of its best-in-class mobile and fixed-line service offerings and is described by independent research firm Ookla as "the operator to beat".

Also in the Philippines, MPIC continues to benefit from growing demand and years of investment in its own core businesses, particularly electricity distribution, toll roads and water. This year MPIC has delivered a smashing success with its Hospitals unit, selling down its investment for far more money than it put into the business. Continuing strong economic growth in its home market promises to ensure steady rising demand for its services even as it builds new businesses aimed at improving people's lives in the Philippines' rapidly growing economy.

I am fully confident in expecting steady and strong earnings growth at these companies in the years ahead.

Turning now to administrative matters, I am certain that the changes we have made in our board governance will revitalize our leadership and make us stronger for the challenges in front of us. I have a famously long-term outlook for my investments, but I cannot help but expect strong prospects in the near and medium term for First Pacific.

Yours sincerely

Anthoni Salim
Chairman

24 March 2020

Notwithstanding the potential impact of external factors, even ones as threatening as this, we are confident that your Company has been firmly placed on a path towards a strong rebound once the world economy and society begin to recover.

To My Fellow Shareholders

As I write this, our expectation that First Pacific's 2019 results would mark a turnaround in our financial and market performance stands only half-redeemed, owing to the continuing impact of the Covid-19 pandemic on financial markets. This terrible disease seems likely to continue reverberating around the world for much of this year even as it begins affecting the performance of our investee companies with the move globally towards social distancing and reduced consumption. Notwithstanding the potential impact of external factors, even ones as threatening as this, we are confident that your Company has been firmly placed on a path towards a strong rebound once the world economy and society begin to recover.

Your Company's full-year net loss of US$253.9 million is only our second one in the entire history of First Pacific. Recurring profit was flat in 2019, with strong growth in contribution at Indofood and MPIC offset by poor results at non-core group companies. As a review of our P&L shows, it is investments in Goodman Fielder in Australia and PacificLight Power in Singapore that pulled our results into negative territory.

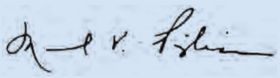
Now that we have written off most of the funds invested in those two companies, I can report that we have moved decisively to insure against any repeat. Following our commitment made in 2017 and reiterated with our 2018 results to allocate spare capital only to debt reduction and/or share repurchases, we have formed a Finance Committee at Board level made up of four Independent Non-executive Directors ("INED") and the Chief Executive Officer; it is chaired by an INED and its terms of reference can be found on our website.

In 2019 we established an Ad Hoc Selection Committee made up of four INEDs and our Chairman Anthoni Salim to seek a new INED. With the approval for publication of our 2019 results at our Board meeting today, we have added a fifth INED to our board of directors, bringing the total to five, and a fourth Non-executive Director, Axton Salim. New Independent Non-executive Director Blair Pickerell brings decades of conglomerate and investment management experience to our Board and Axton Salim brings 16 years of experience at Indofood – our single greatest asset – and I am confident they will bring great value to the First Pacific Board in the years ahead.

The 2019 bottom line belies the performance of First Pacific's core investments last year. Indofood continues to go from strength to strength and the outlooks suggests this growth will carry on for years to come. PLDT is only just beginning to leverage its competition-beating cellular network into earnings growth – we expect stronger earnings this year and next. MPIC continues to benefit from strong demand growth in its core businesses and forecasts of continuing strong economic growth in the Philippines suggest the outlook here remains positive, even as MPIC works to mitigate uncertainty over regulatory issues going forward.

At First Pacific Head Office our cash flow is improving, and the expected performance gains of our key operating companies suggest the outlook is positive. Continuing strengthening of our cash flow towards the point where we may contemplate a meaningful medium-term share repurchase program heralds the prospect of a rebound for a share price at a decade-and-half low and near-record high discount to net asset value.

Yours cordially



M V Pangilinan
Managing Director and Chief Executive Officer

24 March 2020

Board of Directors and Senior Executives

Board of Directors

Anthoni Salim
Chairman

Age 70, 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 the International Advisory Board of Allianz SE. Mr. Salim is a member of the Food & Agribusiness Advisory Board of Rabobank Asia and, since 2004 the Asia Business Council.

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

Manuel V. Pangilinan
Managing Director and Chief Executive Officer

Age 73, 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, 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 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 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

Executive Director and Chief Financial Officer

Age 62, 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, 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.

Professor Edward K.Y. Chen

GBS, CBE, JP

Independent Non-executive Director

Age 74, 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 70, 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 57, 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 spent 35 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 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 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 67, 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 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, China Construction Bank Limited and Hong Kong Exchanges and Clearing 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, the Advisory Committee on Arts Development and the Advisory Committee on Post-office Employment for Former Chief Executives and Politically Appointed Officials. She is an Independent Non-executive Director of Sun Hung Kai Properties Limited, Li & Fung Limited and Agricultural Bank of China Limited. Mrs. Leung joined First Pacific's Board in December 2012.

Tedy Djuhar
Non-executive Director

Age 68, 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 61, 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

Marilyn A. Victorio-Aquino
Associate Director

Age 64, 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 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. She was appointed Chief Legal Counsel of PLDT in December 2018.

Ms. Aquino joined First Pacific in 2012.

Ray C. Espinosa
Associate Director

Age 63, 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 the President and Chief Executive Officer of Manila Electric Company (Meralco), a Director of PLDT Inc. (PLDT), Smart Communications, Inc., Roxas Holdings, Inc., Metro Pacific Investments Corporation and Meralco PowerGen Corporation. 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 Audit Committee and Nomination Committee of Lepanto and the Risk Management Committee of Maybank Philippines, and a member of the Technology Strategy Committee of PLDT.

Mr. Espinosa also acts as Senior Advisor to the President and Chief Executive Officer of PLDT. 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 57, 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 54, 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. He is currently a Commissioner of PT Indofood Sukses Makmur Tbk.

Victorico P. Vargas
Associate Director

Age 67, Mr. Vargas was educated at Ateneo de Manila and University of Santo Tomas.

Prior to his appointment as Associate Director of First Pacific, Mr. Vargas was the President and Chief Executive Officer at Maynilad Water Services, Inc. He joined PLDT Inc. ("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 Meralco, Smart Communications, Inc., 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, PLDT-Smart Foundation, Inc. and IdeaSpace Foundation and President of the PhilPop Music Fest Foundation.

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 50, 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 65, 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 50, 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 43, 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 PacificLight Power Pte. Ltd.

Sara S.K. Cheung

Vice President
Group Corporate Communications

Age 56, 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 62, 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 Chartered 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.

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 (including associated 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

The MVP Sports Foundation is the driving force in the development of world class Filipino sports champions, as well as promoting the culture of sports at all levels. The Foundation's activities include:

- Aiding the development of National Team Programs and National Athletes, supporting nine sports: badminton, basketball, golf, rugby, boxing, taekwondo, football, weightlifting and cycling
- Enhancing grassroots youth sports development programs of the allied groups of National Sports Associations, to identify, develop and monitor potential athletes
- Creating the Community Sports and Youth Development Program, partnering with schools, communities and local government units to integrate and enhance their youth sports programs and to sustain national sports programs
- Participation in and providing support to athletes of world class sporting events, such as the 2019 Southeast Asia Games where MVP Sports Foundation-supported athletes won a total of 78 medals (35 golds, 29 silvers and 14 bronzes)

ideaspace

Promotes technology and science-based entrepreneurship in the Philippines:

- Conducts an annual national startup competition
- Offers financial support and training to technology and technology-enabled start-ups
- Established and manages the first innovation hub for the Philippines, QBO Innovation Hub ("QBO"), a public-private partnership spearheaded by IdeaSpace in partnership with JP Morgan, the Department of Science and Technology ("DOST") and the Department of Trade and Industry ("DTI")
- Supports corporate innovation programs through innovation workshops

Indofood THE SYMBOL OF QUALITY FOODS

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 *Reaching Out to Change Lives*

- Offers quality education through Mano Amiga (*Friendly Hands*)
- Promotes sustainability, employee teamwork, creativity and camaraderie by upcycling office trash
- Promotes environmental awareness and livelihood for coastal communities through Shore It Up! ("SIU")

PHILEX GROUP FOUNDATION, INC.

Provides funding and practical support for:

- Highland agriculture
- Social enterprise development
- Market establishment for the community goods, through Px Community Foods and Marketing, Inc. ("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 ROXAS HOLDINGS, INC.

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/local government unit 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.

It funds and provides:

- Disaster Response, Recovery and Rehabilitation program delivering food and other basic essentials, education tools and stress relief support to calamity victims in partnership with the First Pacific Group companies' CSR teams and other organizations
- Hot meals through AKfeed's (Alagang Kapatid Feeding) First Responder Truck and Mobile Soup Kitchen
- Medical and Social Services, provides medical assistance to indigent patients

A Culture of Responsibility and Sustainable Advancement

First Pacific

The First Pacific Group, including subsidiaries, affiliate companies and associates, employs over 122,000 people, and is located in the fast-growing economies of Southeast Asia. Our businesses are built upon vital services that support and connect people at all levels of society. We provide food, raw materials, telecommunications, power, toll roads, water, medical care, rail and logistics.

First Pacific Group leads its CSR initiatives from the top management level at Head Office and within our operating companies. Our executives leverage their leadership, industry expertise and stakeholder networks to provide timely and continuing support to our communities. Each company tailors its own plan to best support and serve its community. In this way, they tailor their strategies to the local circumstances of economic, social and technological development.

The following eight policies in *The Code of Business Practice* are designed to provide the requirements and guidance for First Pacific people to conduct their business with integrity. The document is available on the Company's website at www.firstpacific.com/sustainability/policies.

- 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

First Pacific Head Office

In 2019, our efforts have been recognized by:

- Caring Company awarded by The Hong Kong Council of Social Service
- Good MPF Employer awarded by Mandatory Provident Fund Schemes Authority
- Green Office awarded by World Green Organisation
- Eco-Healthy Workplace awarded by World Green Organisation

Environmental care

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
- Monitoring lux level of lighting facilities and temperature range
- Using only domestic detergents, no hazardous waste is generated
- Implementing applicable Green Office Best Practice Criteria recommended by World Green Organisation

Employee welfare

First Pacific Group companies offer equal career opportunities to all, with bias toward none. We are committed to creating an inclusive workplace culture and a pleasant and safe working environment. We offer comprehensive benefits and incentive programs.

At First Pacific, our key employee welfare benefits include:

- Medical coverage for employees, their spouses and children
- Pension contributions

- Medical health checks, and life and accident insurance
- A Staff Recreation Club offering leisure activities for employees and their families
- Continuing education
- Workplace flexibility when required by personal circumstances
- Special leave entitlements including marriage leave and scholastic examinations

At the Head Office, First Pacific's Staff Recreation Club organizes subsidized activities for staff and their family members, including short excursions, Spring and Christmas gatherings, sport and movie tickets, and the purchase of festival foods.

Staff information session

During the year, with the support of relevant specialist/service providers, we conducted four information sessions for all staff:

- Health talk about eczema
- Medical Scheme briefing and updates
- Pension schemes briefing and updates
- Tax Deductible Voluntary Contributions ("TVC")

Donating usable items to charitable organizations

Following our upgrade of computer facilities in July, 13 usable computers were donated to The Hong Kong Bayanihan Trust Hong Kong, a registered charitable organization.

A total of seven large bags of clothes, shoes, handbags and toys – all in good condition – donated by First Pacific employees in December were delivered to the Crossroads Foundation in Hong Kong.

Community support and investment

Our Volunteering Policy, and Community Investment and Donations Policy are actively realized in support of the communities we operate in. They include volunteering by staff, contributions to charities and non-governmental organizations, funds to support community infrastructure, and investments made in social programs. We continue to support quality education, environmental stewardship, fostering entrepreneurship, disaster response and recovery, well-being development and more, both at the Hong Kong Head Office and throughout our operating companies.

In Hong Kong, we supported:

- Hong Kong Green Day 2019 hosted by Green Council
- Step Out for Children
- The Society for the Relief of Disabled Children
- The Hong Kong Red Cross
- Causeway Bay Rugby Football Club
- Philippine Independence Day Charity event hosted by the Philippine Association of Hong Kong
- Centre for Asian Philanthropy and Society Limited
- Hong Kong-Asia Youth Oceans Conversation Summit
- Scholarships at Lingnan University
- Hong Kong Management Association Talent Development Fund
- Redress Limited
- The Society for the Prevention of Cruelty to Animals (Hong Kong)

With the courtesy of Lingnan University

First Pacific also supported:

- First Pacific Leadership Academy (Philippines)
- U.S. Philippines Society, Inc.
- Arete at the Ateneo de Manila University

First Pacific Group employee engagement

We encourage First Pacific Group companies' management and employees to participate in activities that foster team spirit and bonding, to communicate through formal and informal channels, staff birthday celebrations, CSR outreach, the bi-annual in-house magazine *The View* and an annual photo competition.

The View magazine

This magazine shares how First Pacific enhances lives and brings value to our communities. It covers key developments and news about business projects, corporate activities, awards, management profiles, and environmental, social and governance initiatives.

In 2019, the digital version of *The View* was launched on the First Pacific website, with the aim to reach a wider audience of Group employees and other stakeholders. Audiences appreciate the inclusion of videos for some projects which provides a new medium of communication.

Photo competition

The 5th First Pacific Group photo competition received a total of 268 quality photos from the Group's talented photographers at 16 operating units. Participants submitted a wide range of photos with themes ranging from environmental and sustainability initiatives to our companies' unique products and services, landscapes and festivals.

After four rounds of review, five winning photos were chosen:

- Champion: *The Fear* by Princess Diane Basal from Meralco
- 1st Runner-up winner: *Traditional Village – Praijing* by Nanda Rachherlambang from Indofood
- Joint 2nd Runners-up winner:
    - *A Moment of Bliss* by Katrina Dominique A Mallari from PLDT
    - *The Harvest* by Heinz Reimann D Orais from MPT South Corporation
    - *Pamana* by Dennis S Pasag from Philex

Further details of key CSR outreach activities are presented in each operating company section.

A more sustainable future

At First Pacific, we conduct business with the highest standards of principled responsibility while protecting and enhancing the interests of stakeholders. We are closely connected and dedicated to the economic, environmental and social landscape around us. We believe, as a responsible corporate citizen, that we can support long-term value creation and achieve sustainable investment returns for our investors and other stakeholders.

IdeaSpace

Paving the way for scalable, sustainable businesses

Since IdeaSpace's inception in 2012, it has incubated 91 start-ups and supported over 300 founders. In 2019, IdeaSpace focused on improving its program, building new partnerships and strengthening networks to help start-ups grow into stable, scalable and sustainable businesses. With the portfolio growing and maturing, IdeaSpace is advancing to make a bigger impact on the start-ups.

IdeaSpace's biggest cohort yet

In 2019, IdeaSpace increased the number of start-ups entering its acceleration program. In July, 17 start-ups were selected into the program, engaged in agriculture, logistics, transportation, real estate, law, construction, education, finance, e-commerce, and travel and tourism.

Securing key partnerships

IdeaSpace has worked to secure partnerships to deliver much-needed resources to Filipino start-ups. One key partnership is with Google's Powered by Developers Launchpad, a global network of accelerators from 40 countries, supporting incubators and accelerators, providing them with credits, training, marketing and leadership resources to support their work and growth.

In November, IdeaSpace organized a Founders' Lab, a one-day leadership workshop, with its portfolio of start-ups, where founders shared their successes and failures, found potential opportunities for collaboration and strengthened their bond as a community – a critical step in building a healthy, sustainable start-up ecosystem in the Philippines.

Another partnership is with the Google Developers Group Cloud Manila ("GDG Cloud Manila") team. In 2019, IdeaSpace co-organized its first event with them, a learning session on the basics of using the Google Cloud Platform. IdeaSpace plans to host more events with GDG Cloud Manila and to introduce more developers and technology experts to the Philippines community to address a crucial block for idea-stage or early-stage founders.

Investments in logistics, tourism start-ups

In November, IdeaSpace announced the top three teams that will receive an investment in exchange for equity:

Airship Logistics – a ready-to-use, low-cost end-to-end solution targeted to courier companies looking to improve their operations management;
Cocotel – a tech-based aggregator offering property management, construction and design support, and marketing services to value-for-money resorts and hotels; and
Experience Philippines – a community travel platform offering themed, gamified travel experiences to domestic and foreign tourists.

Each start-up will also receive support from IdeaSpace in the form of exclusive learning sessions, free use of office space, and connection to corporate partners, strategic partner resources and investors.

IdeaSpace and QBO support 1st Philippine Start-Up Week

IdeaSpace and QBO, a public-private partnership spearheaded by IdeaSpace in partnership with JP Morgan, DOST and DTI supported Philippine Startup Week 2019 ("PHSW19"), the country's first nationwide conference showcasing the Filipino start-up community. The five-day event was organized and spearheaded by QBO, together with DOST, DTI, and the Department of Information and Communications Technology ("DICT").

The highly successful PHSW19 took place in 10 cities, and featured a three-day Main Summit, 49 community events and eight Night Fests. The events were organized by community enablers and organizations such as Facebook, Google, IdeaSpace and PLDT Innolab, to highlight the innovative spirit of the Filipino start-up community. IdeaSpace co-organized an event with Google Philippines on corporate start-up engagement, featuring a roundtable with IdeaSpace alumni.

PHSW19 cemented QBO's role as a major ecosystem enabler with two significant milestones in the Philippine start-up landscape. The Technology Business Incubator ("TBI") 4.0 Program was officially launched on the first day of the Main Summit through the signing of the Memorandum of Agreement between the officials of the 12 TBIs and DOST. QBO also received a substantial grant from DOST to upgrade the 12 incubators.

The week was capped off with the signing of the Implementing Rules and Regulations for the Republic Act No. 11337, the Innovative Startup Act. Senior officials of DOST, DICT and DTI were present at the signing.

New programs to support portfolio and ensure sustainability

In 2019, IdeaSpace launched its alumni, corporate engagement and investment programs. The alumni program aims to provide the graduates of its incubation and acceleration program with additional training, benefits, networking and investment opportunities. One example is its partnership with PriceWaterhouseCoopers to educate its alumni founders on finance and valuation fundamentals, covering areas such as taxation, valuation and accounting.

IdeaSpace's Opportunity Fund is a vehicle to secure financial sustainability through strategic investments in start-ups within and outside of the IdeaSpace portfolio. With IdeaSpace receiving a 6 times return from its earlier investment in Coins.ph, the Fund enables sustainability while providing start-ups with additional funding opportunities.

With corporate venture capital groups highlighted as active players in the Philippine and Southeast Asian ecosystems, IdeaSpace is deepening its relationship with companies within the MPIC and PLDT group. At present, Meralco, Makati Medical Center, Smart, PLDT, and PLDT-Smart Foundation have ongoing commercial agreements or activities with IdeaSpace start-ups.

The IdeaSpace team also supports the First Pacific Group companies' innovation programs, organizing workshops for Meralco and Cardinal Santos Medical Center, on topics such as design thinking, validation and prototyping, and judging for the MPTC's Innovation Olympics, an annual internal innovation competition for MPTC employees.

In 2020, IdeaSpace will be incubating its 100th start-up. With this important milestone ahead, it continuously strengthening its existing programs, building crucial partnerships to give its start-ups the tools, resources and expertise they need to succeed.

Indofood

As a Total Food Solutions Company, Indofood strives to operate sustainably and responsibly. It continues to leverage its resources, expertise and innovation to mitigate the impact of global challenges such as food security, global warming and the depletion of natural resources, and to provide benefits to the community along its value chain.

Environmental stewardship

Indofood's Environmental Policy is in accordance with government regulations and relevant environmental management systems.

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

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

Indofood recognizes the environmental impact of climate change. It manages its carbon footprint through energy efficiency initiatives, renewable energy utilization, better land management and carbon sequestration.

Energy conservation and renewable energy

In 2019, over half of Indofood total energy consumption was derived from renewable energy sources, mainly contributed by the Agribusiness and Consumer Branded Products groups from the use of palm kernel shells and fiber. At the Agribusiness group, 99% of its palm oil mills fuel sources are renewable.

Managing water, waste, and post-consumer waste

Indofood is committed to responsible water and waste management. It conducts several water efficiency initiatives at its operating units. Each unit is equipped with wastewater treatment plants ("WWTP") in accordance with the government standard. Reduce, Reuse and Recycle ("3R") practices are applied for non-hazardous solid waste, including the reuse of all Agribusiness group mills' by-products. Disposal of hazardous waste is handled responsibly through authorized third parties, based on regulations.

Indofood has taken initiatives to minimize the environmental burden caused by post-consumer packaging waste, reducing product packaging size, weight and volume; using environmentally-friendly raw materials for packaging and adopting aseptic filling technologies that require lighter packaging material at bottle facilities.

Indofood is part of the Packaging and Recycling Alliance for Indonesia Sustainable Environment ("PRAISE") to establish the Packaging Recovery Organization ("PRO"), which encourages circular economies through the recycle of waste. Indofood also supported local communities in waste bank programs.

Sustainable plantation

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

Global warming and climate change adaptation

Global warming has resulted in unpredictable weather patterns that have disrupted the seasons and increased natural disasters. These events may cause a direct impact on the company's facilities and assets, the availability of raw materials, and disruption of its product distribution.

To mitigate this risk, Indofood maintains sufficient stock of raw materials and builds strong relationships with multiple suppliers. Disaster-prone areas are closely monitored, while contingency plans and adequate insurance coverage are in place to protect against financial losses should disasters strike.

Occupational safety and health practices and labor 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 health and safety practices in its operating units.

Indofood 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. Employees are provided with healthcare benefits, maternity and religious pilgrimage leave, and their children are eligible to apply for scholarships from elementary school to university level. Indofood provides employee development programs: training courses, on-the-job training, opportunities for job assignment and enlargement in accordance to employee and business needs.

Social and community development

Social and community development is based on five pillars: Capital, Nutrition for All, Strengthening Economic Value, Protecting the Environment, and Solidarity and Humanity.

Building human capital

Indofood's programs include the Indofood Riset Nugraha research grant ("IRN") and Indofood Rumah Pintar ("RUMPIN") educational community centers, which support students and communities to enhance their knowledge and skills.

Nutrition for all

Indofood is accountable for the nutritional value of its products for consumers of all ages. It participates actively in initiatives to raise public awareness of the importance of balanced diets and healthy lifestyles. These include: The Scaling-Up Nutrition Movement; Integrated Health Post revitalization; involvement in a youth-targeted healthy lifestyle mobile application *"Hidup Sehat Yuk!"*; Nutrition for Workforce and Lactation Rooms for working mothers.

Strengthening economic value

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

Protecting the environment

Indofood encourages community participation in conserving the environment through a community-based waste bank, the Green *Warmindo* program, to collect and recycle post-consumer packaging waste 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 2019, it provided food supplies to victims of floods in Pekalongan, Sentani Island, Bengkulu and Halmahera. Indofood also collaborated with other organizations to build permanent houses for earthquake victims in Palu. The Agribusiness group supports cleft lip surgeries for underprivileged children to enable them to live confident lives, alleviating the emotional and financial burden of their families.

Delivering responsible products

Ensuring food safety

Food safety remains Indofood's top priority, guided by the Indofood Quality Pledge to deliver safe and high-quality products to its customers. 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 Indofood's value chain.

Indofood's 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, and 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's operating systems are certified in accordance to the Halal Assurance System ("SJH"), which establishes the halal requirements across the total supply chain.

Product labelling

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

Consumer facilities

Indofood regards consumer feedback as a way of improving its offerings. Indofood Customer Service provides a centralized platform for 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 Indonesia and support its Sustainable Development Goals.

PLDT (PLDT-Smart Foundation)

For PLDT-Smart Foundation ("PSF"), 2019 has been an incredibly rewarding experience as the PSF celebrates its 25th anniversary. The pursuit to enable a connected, empowered and progressive Philippines has made meaningful headway in 2019. With sustainable development embedded in the company culture, PSF provides assistance in education, economic and social entrepreneurship, disaster response, youth, arts and sports development.

Providing hope for a better future

In 2019, helping Filipinos through the power of education continued, with PSF nurturing the Gabay Guro ("2G") Program in partnership with the PLDT Manager's Club. One of its major components is the scholarship program for students who are taking up education courses. Now on its 12th year, PSF 2G has produced 1,770 scholars, with the majority of them graduating at the top of their class. Since 2007, PSF graduates include a total of 52 magna cum laudes, 271 cum laudes and 20 with academic distinction. Aside from scholarships, 2G's other pillars include training, housing and educational facilities, livelihood programs, broadbanding and computerization, teacher's tributes and innovation.

As part of the celebration of the 90th anniversary of PLDT in November 2018, the distribution of Sack of Joy ("SOJ") bags continued in 2019. PSF gave away a total of 9,082 SOJ bags, containing various school supplies to help students to improve their performance in school. Since 2018-2019, PSF -assisted 94 schools and communities in the Philippines, including Itbayat Central School, Rael Integrated School, Yawran Barrio School and Mayan Elementary School of Batanes which were affected by the 5.9 magnitude earthquake in July 2019. Children affected by the Cotabato earthquake in October 2019 also received their new SOJ bags through a partnership with MPIC's Makati Medical Center Foundation.

In support of Filipino youth, PSF donated school buildings to the Department of Education. In 2019, four classrooms were built in two schools: Santa Cruz Elementary School in Bohol and Dapdap Elementary School in Cebu, aiming to provide conducive learning to help children develop their full potential. Each classroom is complete with toilet facilities, tables, chairs and ceiling fans. Both schools were affected by natural calamities, an earthquake in Bohol and Typhoon Yolanda in Cebu.

The MVP Academic Excellence Awards encourages academic excellence among dependents of PLDT, Smart and Sun employees by giving grants to support their educational needs. A total of 205 deserving grantees were selected for 2019, of which 103 were from Smart and 102 were from PLDT. The grantees are deserving elementary, high school, college and special education students. For the past 15 years, PSF has granted scholarships to a total of 3,283 dependents.

Meals on wheels for disaster-stricken areas

Philippine is often hit by natural disasters – typhoons, earthquakes, volcanic eruptions, PSF makes sure to be at the forefront, providing immediate relief to fellow Filipinos. In 2019, PSF served a total of 5,512 families, who were victims of various calamities, including Typhoon Usman in Camarines Sur and Albay, fire in Quezon City and Navotas, earthquakes in Pampanga, Batanes and Cotabato. PSF's relief items include food packs, hygiene/first aid kits, malong wraps, mats, blankets, tents, water filters and cash donations.

PSF, in partnership with Alagang Kapatid Foundation ("AKFI") of TV5, has served 4,050 individuals through its food truck, roaming across the country on feeding missions to communities who need it most. The Dumagat tribe in Marikina watershed, communities from Albay, Camarines Sur, Pampanga, and Cotabato and the heroes of the MVP Superhero Run are some of those who benefited from the feeding missions of PSF and AKFI. The food truck has been well-received in evacuation centers where ready-to-eat meals are needed.

Celebrating 25 Years

2019 was an important milestone for PSF as the foundation celebrated its 25th year of changing lives and empowering dreams and hopes of each Filipino. As part of the celebration, PSF partnered with Smart Public Affairs #PlanetSmart initiative by planting 1,875 native fruit trees in the Marikina Watershed Forest Reserve. This also celebrated World Health Day and marked 10 years since Typhoon Ondoy. The Marikina Watershed Forest Reserve is the source of water supply for Metro Manila and surrounding cities, and it is currently at a low water holding capacity due to the significant reduction in forest cover over the years. Studies also showed that the main source of water that inundated Metro Manila and other downstream cities during Typhoon Ondoy came from the watershed.

PSF also partnered with PLDT and Smart's talks series called #VoxNow, an award-winning employee engagement initiative that aims to bridge the gap among different generations of PLDT and Smart employees through an 'open mic' storytelling style, encouraging positive conversations among employees on important social issues. On 25 October 2019, in time for the celebration of Mental Health Awareness month, it arranged for experts to share their experiences and expertise with regard to mental health issues. Mark "Macoy Dubs" Arevilla, social media influencer and content maker, Miguel Dypiangco, sports broadcaster and advocate for mental health, and Dra. Marissa De Guzman, psychiatrist from Philippine General Hospital, participated in the talk.

Strong support for Tulong Kapatid

As the corporate social responsibility consortium of First Pacific Group companies, foundations, and affiliates in the Philippines, Tulong Kapatid ("TK") remains ready to serve people in times of distress and calamities – the crucial time when people are in need of help. In 2019, various relief missions and activities were conducted through the help of companies via TK. As part of Cotabato in Mindanao were struck by an earthquake in October 2019, TK's efforts were teamed with Makati Medical Center Foundation's Mercy Mission in conducting medical missions and psychosocial activities for children who had been traumatized by the earthquake.

An annual Christmas collaboration of TK called *Paskong Kapatid* arranges celebrations with children from various charities and communities. It aims to share the joy and blessings of the season, through entertainment, presents, tons of laughter and the gift of love. On 20 December 2019, headed by MPTC, NLEX and SCTEX, PSF and One Meralco Foundation, TK went to Sitio Villa Maria, Porac Pampanga distributing PSF Loot Bags, Noche Buena packs and solar lamps for the Aeta community in the province.

Celebrating MVP's birthday with TK

Every year, the highlight of PLDT Chairman Mr Manuel V Pangilinan's birthday celebration is marked by CSR activities such as outreach, medical missions, basketball tournaments and fun runs. In 2019, over 2,800 heroes from First Pacific Group companies in the Philippines raised funds for TK programs at the MVP Superhero Run, a brilliant run-for-a-cause birthday celebration themed with 'Be Super, Be a Hero'. The event also honored the everyday heroes: First Pacific Group companies' employees and the country's uniformed personnel. A 500-strong contingent from the Armed Forces of the Philippines, Philippine Marine Corps, Philippine Coast Guard, traffic enforcers from the Makati Public Safety Department, janitorial and messengerial personnel from PLDT and Smart offices and other Group companies made a special day for all participants.

Hopes of a brighter future ahead

PSF, together with the First Pacific Group companies, continue to improve in delivering programs and services relevant to Filipinos, reaching out to support those with less access to development opportunities.

MPIC

As a holding company with its primary investments in infrastructure, MPIC has greatly contributed to the Philippines' economic growth through its services in the distribution of electricity and water, and its operation of toll roads, light rail and hospitals.

MPIC, through Metro Pacific Investments Foundation, Inc. ('MPIF" or "the Foundation"), continues its CSR efforts as a means of giving back to its partner communities. These programs, built upon the Foundation's pillars of environment, education and economic empowerment/entrepreneurship, bring about significant and sustainable changes in the lives of its partner sites/organizations. MPIF's initiatives provide access to better education and more livelihood opportunities, while also ensuring the protection of the environment and the conservation of resources.

Shore It Up!

SIU Weekend

During the SIU Weekend 2019 in Puerto Galera, the Foundation conducted an underwater and coastal clean-up with 145 volunteer divers from the SIU community, the First Pacific Group companies and the local community. The SIU Weekend also engaged 2,019 non-diving volunteers from the 13 barangays of Puerto Galera.

Marine Protection, Inspection and Conservation Guardians

The Foundation signed a memorandum of agreement with the Puerto Galera local government unit to adopt the Marine Protection, Inspection and Conservation Guardians Program.

Nine local fisherfolk were given appropriate training, including their open water diving certification, as well as uniforms, equipment and tools to carry out their responsibilities as stewards of marine conservation in their community. They are given monthly financial compensation to serve as an additional means of income.

Health It Up! medical mission in Puerto Galera

In partnership with Makati Medical Center Foundation, MPIC brought in 22 volunteer doctors to conduct medical, otolaryngology and dental consultations, vision screening and random blood sugar testing. The doctors treated 422 patients including the nine MPIC guardians and their families. MPIF also donated an Automated External Defibrillator ("AED") and conducted an AED training course with the MPIC guardians and local disaster and risk management officers.

Marine Protection, Inspection and Conservation Guardians' equipment turnover and training

In Medina, 27 marine guardians were the recipients of donated diving equipment and were given basic life support trainings to further broaden their responsibilities as stewards of marine conservation.

Mangrove eco-guides in Surigao del Norte

Six mangrove eco-guides (two in Alaminos and four in Del Carmen) continued to receive their monthly financial compensation. They run the Mangrove Propagation and Information Centers, conducting daily monitoring and coordinating with tourists.

Mangrove workshop with the Philippine Business for the Environment ("PBE")

The Foundation enlisted the help of the PBE to assess the socio-economic impact of SIU programs in Alaminos, as well as assess the carbon stock of their mangroves. A mangrove assessment workshop was conducted by PBE and attended by two mangrove eco-guides, six mangrove caretakers, and faculty members from Bued Elementary School and Panganisan State University. This workshop increased their knowledge of mangroves and benefits, and trained them to perform the carbon measurement on their own.

Mangrove planting with the Rotary Club of Makati-Lumina

In collaboration with the members of the Rotary Club of Makati-Lumina, Murphy, Hundred Islands and Makati-Uptown; and the local government of Alaminos, MPIF participated in the planting of the first 1,000 seedlings of the 10,000 Mangroves project.

Seven new SIU dive scholars

To continuously grow the SIU community, SIU certified seven new dive scholars from MPIC, One Meralco Foundation and the Rotary Club of Makati-Lumina. These individuals are required to take part in at least two SIU initiatives per year in order to fulfill their responsibilities as SIU dive scholars.

Calamity and other social development

Outreach to fire victims

MPIF, through Alagang Kapatid Foundation, Inc., provided relief support to the fire victims in Barangay San Antonio, Quezon City.

From Makati to Marawi

MPIF contributed to the development of a rural health center by creating a play and learning corner for the children in the local community. The Foundation donated playmats, educational posters, toys and books.

Relief operations in Itbayat, Batanes

MPIF, in partnership with other Tulong Kapatid Foundations, contributed to the relief operations for the victims of the July 2019 earthquake. The Foundation donated 30 Tulip tabletop water filters, as well as an AED unit to the local government.

Mano Amiga

Scholarship

MPIF continues to provide scholarship for 23 scholars and teacher's professional development at the Mano Amiga Academy, Parañaque City. The educational scholarship started when they were in kindergarten and they are now in Grade 9. The Foundation will see them through until they graduate high school. Mano Amiga also provides the Foundation with yearly reports on the scholars' academic progress.

Co-teach program

As part of the program's outreach activities, MPIC employee volunteers spent some time with the Mano Amiga scholars to teach them how to make mandalas out of recycled CDs, as well as collages out of recycled newspapers and magazines.

Puno ng Pag-Ibig (Tree of Love)

Tree upcycling competition

Four operating companies from MPIC group including MPHHI, MetPower and Southbend, participated in the Tree Upcycling Competition at MPIC's Makati office. They were tasked to create trees from recycled office materials such as plastics, scrap papers, newspapers and magazines, and beverage cans.

The groups were ranked from 1st to 4th and were awarded cash prizes. They used the prizes to purchase gifts for their Christmas outreach beneficiaries.

Upcycling outreach program

Volunteers from the four tree upcycling groups celebrated an early Christmas with their beneficiaries through an outreach program. The participating venues were St Rita Orphanage, a Department of Health Treatment and Rehabilitation Center, Philippine Children's Medical Center and the Virlanie Foundation. The volunteers donated their upcycled trees to the organizations, provided snacks, gave simple gifts, and spent half a day playing games and entertaining their beneficiaries.

Philex

As a principled mining advocate, Philex commits to the environmental, social and economic progress of its host and neighboring communities.

Environmental compliance

Padcal mine

Environmental policy

Philex, as a socially and environmentally responsible Filipino company striving for excellence in mineral resource development, is committed to the continual improvement of its operations, to minimize adverse environmental impacts, to comply with applicable legislations and other requirements, and to promote environmental awareness and commitment among its workers at all levels.

Environmental management

Philex exemplifies environmental stewardship through its Environmental Protection and Enhancement Programs ("EPEPs"). These are strategic long-term programs that safeguard the environment and well-being of future generations. They ensure that the impacts of mining activities are mitigated and appropriate measures are in place to certify compliance with existing laws.

Philex invested sizeable amounts in land and water resource management, hazardous and toxic waste management, air quality management and government-mandated monitoring parties such as Multi-Partite Monitoring Team ("MMT") and Mine Rehabilitation Fund Committee.

Reforestation

Vegetative and engineering measures were taken to stabilize slopes and control erosion. Philex initiated a Fruit Seed Bank collection project, propagated at the forest nursery to be used for next year's reforestation activities. Padcal mine was a logged-over area before it started operation in 1958. Today, 2,950 hectares have been reforested with some eight million trees with a survival rate of 90%.

Water resource management

Water quality management and monitoring is conducted regularly by Tailing Storage Facility ("TSF") team, Environmental Quality and Management Enhancement Department and government-led MMT. Regular effluent monitoring is carried out at strategic sampling points in and outside of the mine camp. All the results indicate that it meets government water quality standards.

Ongoing civil works included offset dike maintenance, land bridge raising and beaching, sanitary landfill operations, concreting the diversion tunnel invert and canals, overland channel construction and grass management.

Air quality monitoring

Philex conducts its air quality monitoring quarterly at the mill area and outside the mill plant. The scrubber system at the Assay Laboratory and the Dust Collector System at the Petro Laboratory were maintained. Results of the air quality monitoring is good to fair and compliant with the provisions of the Clean Air Act.

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 through a sanitary land fill, while recyclables are generally repurposed. Toxic and hazardous waste is properly stored before transport and treatment by Department of Environment and Natural Resources ("DENR") accredited hazardous waste treatment facilities.

Silangan Project

During the pre-development care and maintenance phase, Silangan Mindanao Mining Company, Inc. ("SMMCI" or "Silangan") implemented an Annual Environmental Protection and Enhancement Program wherein a total of 399,651 seedlings of various endemic tree species were planted in 180 hectares of company-owned and controlled properties. New plantation areas were established with the participation of local residents as part of SMMCI's stakeholder engagement program.

In support of the DENR's rehabilitation of rivers and creeks through its Adopt-an Estero Water Body Program, Silangan continues to adopt two rivers in the Province of Surigao del Norte: the Cagaasan-Paragayo-Timamana River in Tubod and the Belwang-Hilaw-An-Creek-Payao River in Placer. Silangan conducted regular water and air monitoring, hazardous and solid waste collection, clean-up activities and river bank stabilization.

SMMCI's ISO 14001:2015 Environmental Management System was recertified on 1 June 2019 thereby extending its validity until 31 May 2022. SMMCI remains steadfast in its commitment towards a cleaner and greener environment as a partner of the government.

Social responsibility

Padcal mine

Philex's 2019 Social Development Management Program has helped its host and neighboring communities through its Health, Education, Livelihood, Public Infrastructure and Socio-cultural program ("HELPS"). Its interventions brought quality health services closer and livelihood projects and assistance led to better crops and added income. Equipment and infrastructure such as farm to market roads, lowered farm inputs – resulting in increased household savings. Former Philex scholars became role models in their own communities. Public infrastructures projects, including water systems, ensured them of water for their household and farm needs.

Health and sanitation

1,276 patients and 232 individuals with chronic illnesses were treated at Sto. Niño Hospital at Padcal mine. 217 indigent residents accessed the government's insurance for national health programs or PhilHealth. Its host communities, Ampucao and Camp 3, purchased emergency vehicles for quicker health and safety responses.

Education

A total of 23 scholars completed their college education, with the potential to increase their families' incomes. There are 247 college, 11 technical vocational, 294 senior and 245 junior high school scholars who received financial assistance from Philex. Education for 178 pupils from Philex Mines Elementary School and St. Louis High School – Philex is subsidized. Philex shares the firm belief of its host and neighboring communities that education can help them transform their lives.

Livelihood and skills development

Seed capital, capability building and mentoring were provided and extended to 16 associations and cooperatives, providing more than 200 beneficiaries with crop-based and animal production and marketing projects. Indigenous methods in soil management such as organic farming and crop rotation are encouraged and supported. Its livelihood interventions enabled beneficiaries to hone their entrepreneurial skills, access cheap farm inputs and generate income.

Public infrastructure support

It provided 861 meters of safe concrete roads to more than 4,500 residents, enabling approximately 2,000 farmers access to faster and cheaper transportation of products. Power lines were connected to 28 households. Ten water system units were constructed for domestic and agricultural use of 170 farmers and 112 households. It also built four multipurpose buildings and made barangay hall improvements for social and cultural gatherings.

Silangan Project

In 2019, SMMCI implemented an Annual Corporate Social Responsibility Plan that focused on Education, Livelihood, Promotion of Socio-Cultural Activities and Information Education Communication Program within its host communities of 11 barangays and four municipalities in the province of Surigao del Norte.

Information, education, communication

SMMCI conducted an extensive and comprehensive information, education and communication program within its host and neighboring communities and other stakeholders on a regular basis as part of the Environmental Impact Assessment process. DENR issued an Environmental Compliance Certificate for the Silangan Project on 23 July 2019.

The information education communication provided a conduit to promote awareness and transparency of the plans, programs and activities that were implemented by SMMCI including the direction and latest site developments of the project.

Education

More than 50% of the CSR budget was invested in the Silangan ng Karunungan Program where school supply packages were distributed to over 5,200 students in the 11 elementary and three secondary level school institutions within its communities.

Livelihood

SMMCI continues to engage Bansiwag Corporation (“Bansiwag”), a community-based organization, to provide catering, laundry and housekeeping services at site and to implement the Coconut Demo Farm Project in Sison, a 13-hectare coconut plantation that was cross planted with over 6,000 cacao seedlings and 3,000 kilograms of turmeric. It serves as a pilot farm for future agricultural livelihood projects. The proceeds generated from these engagements are shared as dividends amongst Bansiwag’s 972 resident members.

Promotion of socio-cultural awareness

SMMCI continues to participate in socio-cultural activities and festivities within its host communities. Silangan’s participation in these occasions is a sincere manifestation of its social and moral responsibility for these communities.

PLP

PLP continues to rally its community engagement efforts around sustainable development. Staff volunteered their time with hands-on projects for the community, providing social support as well as educational-related initiatives.

Launch of Renewable Sunny Side-up Plan

In partnership with Renewable Energy Certificate (“REC”) platform T-RECs.ai, PLP offers eco-conscious customers the opportunity to become 100% renewable and carbon-neutral in their household electricity consumption through the provision of RECs. PLP offered each of its approximately 8,500 electronic-billed customers three RECs at no charge. The free RECs offset approximately six months of carbon emissions generated from an average household’s electricity consumption.

United Nations Clean Development Mechanism

PLP’s technologically advanced facility is one of the most efficient power plants currently operating in Singapore and the city’s only power plant to be certified as a Clean Development Mechanism project under the United National Framework for Climate Change.

Crea8 Sustainability annual competition

PLP is proud to demonstrate its commitment to environmental sustainability and social responsibility through the annual Crea8 Sustainability competition. Over 250 students from 32 schools took part in poster, animation and videography competitions to present their ideas on the themes of enhancing resource preservation and reducing excessive consumption.

Project Is-Land-A-Hand

PLP volunteers spent a day at Pulau Ubin as part of Project Is-Land-A-Hand ("PIAH") 2019, organized by Outward Bound Singapore. With the combined efforts of volunteers from all walks of life, a total of 1,016 kilograms of trash was removed from the coastline. PLP is glad to have been a part of the collective effort towards making the environment safer for its local wildlife.

Run for Hope

For the fifth year running, 29 PLP staff and their family members supported the annual Run for Hope. Jointly organized by the Four Seasons Hotel Singapore and the National Cancer Centre Singapore, Run for Hope aims to generate awareness and contribute to the advancement of cancer research, making a positive difference to the lives of those affected by cancer.

Creating a clean environment for pre-schoolers

A group of 16 staff spent their weekend at Beyond Social Services' Healthy Start Child Development Centre. Volunteers cleaned and tidied up the premises to ensure a clean, conducive environment for children from under-privileged backgrounds to learn and play.

Willing Hearts food preparation

In an initiative of food from the heart, PLP staff joined Willing Hearts soup kitchen in helping with food preparation for an estimated 5,000 needy beneficiaries, including the elderly, low-income families, and migrant workers.

International Coastal Cleanup

As part of the International Coastal Cleanup project, staff members and their family members participated in a beach clean-up at Tanah Merah Beach and the surrounding coastline areas, creating a more conducive environment for marine life to flourish. In total, almost 30 kilograms of rubbish were collected.

Educational site visits

Staff at PLP's Jurong Island power plant engaged in educational outreach via numerous site visits. In 2019, PLP hosted over 730 visitors from educational institutions and various community organizations.

RHI

RHI's CSR initiatives are focused on poverty alleviation through health care, education, livelihood assistance and environmental stewardship, tapping into volunteerism and local partnerships. While the industry is faced with various challenges, RHI remains committed to deliver sustainable value to its key stakeholders, and continues to invest in social and environmental sustainability.

Collaborative livelihood projects with community partners

Three community projects were launched in 2019: Bamboo Plantation Establishment and Management, sustainable livelihood through Partnership in Agriculture ("SIPAG") and *Tahian sa Banilad Landas Tungo sa Kaunlaran Project* (TAILOR). RHI conducted training to build and enhance the capacity of community partners, tapping the expertise of various government and private agencies.

Led by the Ecosystems Research and Development Bureau, 29 participants from Central Azucarera de la Carlota Inc. ("CACI"), Roxol Bioenergy Corporation ("RBC"), and San Carlos Bioenergy, Inc. ("SCBI"), partnered with local government units, school teachers and leaders of community associations in Bamboo Plantation Establishment and Management training. These groups will set up community-based bamboo nurseries that will produce and sell propagules for RHI's bamboo plantation to be established at areas surrounding the production plant's facilities. These serve as natural erosion and odor emission control.

Central Azucarera Don Pedro, Inc. ("CADPI") partnered with a local association of small planters, Banilad on the GO Association ("BAGO"). Through SIPAG, a communal vegetable garden project, families of planters are now generating income from their harvests.

Project TAILOR offered a nine-day training course in basic tailoring and dressmaking. 14 members of BAGO in Nasugbu are now able to produce linens for sale at the local market. CADPI donated sewing materials and repaired 12 sewing machines.

Medical and dental missions

RHI and its subsidiaries conduct regular dental and medical missions in partnership with the municipal or city health office of the communities. CADPI's medical mission provided free medical consultations and medicines for 143 recipients and minor surgery for three beneficiaries. SCBI conducted three medical and dental missions, for 517 patients. Meanwhile, 300 volunteers helped 1,440 patients in the five medical missions conducted by RBC and CACI.

Provision of water for the community

Water scarcity is a reality for residents of La Carlota City. RBC and CACI partnered with the Barangay Council of Nagasi and the city government of La Carlota, in a *Community Water System Project*. The project was completed in September 2019, providing 74 families with access to water with the city government of La Carlota providing residents with Tulip Water Filters.

Responsible consumption and production

Protection of the natural environment is a core value of RHI. Thus, the operations of its subsidiaries aim to mitigate adverse environmental impacts, conform to compliance obligations and enhance environmental performance.

Gains from reduction in wastewater generation

RHI continues *The Sense and Cents of Water: A Water Sustainability Program* with the objective to reduce its water footprint by recovering or recycling wastewater across all departments. CACI has achieved a 40% reduction in wastewater generation in 2019, with a daily average of 3,015 cubic meters. The implementation of the same program in SCBI and RBC resulted in reduction of wastewater generation.

Factory wastes as farm inputs and biomass energy resource

Spent wash is by-product of manufacturing bioethanol. It is characterized by very high organic matter load indicative of its potential as resource for energy generation and crop fertilizer. By investing in waste-to-energy infrastructures like anaerobic digestion ("AD") technologies, the organic matter in spent wash is converted to biogas, a valuable fuel for generation of heat and power. Both SCBI and RBC are supported by ADs. In 2019, RBC generated a total of 13.9 million cubic meters of biogas – about 39.3 % of its fuel needs. The two AD units at SCBI were completely commissioned in April 2019 and have already generated 8.5 million cubic meters of biogas, fulfilling 27.2% of its fuel requirement for its integrated milling and distillery operations.

All four subsidiaries operate cogeneration plants fed by biomass. CADPI uses bagasse, woodchips and other biomass. CACI is self-sustaining with its own generated bagasse with the excess sent to RBC. RBC's fuel from CACI is augmented with woodchips. However, biogas from its own digesters has been a significant portion of its fuel requirement starting last crop year. SCBI continues to use self-generated bagasse and biogas. With the secured biomass and biogas fuel, CADPI and SCBI can sustainably generate electricity exported to the grid under the feed-in tariff policy of the government.

Governance Framework

First Pacific is committed to building and maintaining high standards of corporate governance. The Company's Corporate Governance Committee, comprising of all Independent Non-executive Directors (INEDs), was delegated with the responsibility to supervise the Company's corporate governance functions.

On 21 June 2019, the Company announced changes to the composition of its two Board committees. Ms. Madeleine Lee Suh Shin, an INED, was appointed as a member of the Corporate Governance Committee replacing Mr. Christopher H. Young, an Executive Director and Chief Financial Officer of the Company. Mr. Anthoni Salim, the Company's Non-executive Chairman, was appointed as a member of the Remuneration Committee replacing Mr. Manuel V. Pangilinan, Managing Director and Chief Executive Officer of the Company. In addition, the Company formed a new Finance Committee comprising of all INEDs and Mr. Pangilinan, principally to review the implementation of the Company's investment strategies and investment performance as well as capital allocation. The Company also formed an Ad Hoc Selection Committee (AHSC) comprising of all INEDs and Mr. Salim, principally to identify candidates for the appointment as additional INEDs of the Company, through a formal process to be conducted in conjunction with an international talent search firm. The AHSC identified Mr. Blair Chilton Pickerell (whose biography is uploaded to the Company's website) as a suitable candidate to serve as an INED and upon approval by the Nomination Committee and the Board on 24 March 2020, Mr. Pickerell will be appointed as a new INED of the Company with effect from 25 March 2020.

On 1 July 2019, Ambassador Albert F. del Rosario resigned as a Non-executive Director (NED) of the Company due to poor health and other constraints, such as his increased involvement in a number of personal advocacies which made it difficult for him to continue to serve as a Director of the Company. The Nomination Committee has identified Mr. Axton Salim (whose biography is uploaded to the Company's website) as a suitable candidate to serve as a NED and upon approval by the Board on 24 March 2020, Mr. Axton Salim will be appointed as a new NED of the Company with effect from 25 March 2020.

The Corporate Governance Committee reviewed the Company's corporate governance practices in the year ended 31 December 2019 to ensure its compliance with Listing Rules. This Committee is also tasked with the responsibility of overseeing Environmental, Social and Governance (ESG) reporting in compliance with Listing Rule requirements. As recommended by the Corporate Governance Committee, the Board approved the Company's 2018 ESG report for publication on the websites of the SEHK and the Company on 12 July 2019.

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 was updated and approved on 26 March 2019 following relevant amendments to the Listing Rules to strengthen the transparency and accountability of the Board and the respective Board committees to ensure that the Company is in line with international and local corporate governance best practices.

Throughout the current financial year, First Pacific has applied the principles and complied with most provisions of the CG Code 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 would create inequality across the Group if only the remuneration of the senior executives at the head office were 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 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 Philippines, Indonesia and Singapore, each of which has its own internal audit and/or risk management functions to monitor the internal control system for operational, financial and compliance and risk management functions. Accordingly, the Company can rely on group resources to carry out 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 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 2019.

Directors' interest in securities of the Company and its associated corporations as at 31 December 2019 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 2019, the Company did not receive any disclosure under the Whistleblowing Policy.

Board of Directors

As at the date of this Annual Report, the Board is comprised of nine Directors, of whom two are Executive Directors, seven are NEDs, of whom four are INEDs. Since four out of our current nine-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: 21 June 2019 (re-elected) to 2022 AGM	**Manuel V. Pangilinan** Term of Re-appointment: 21 June 2019 (re-elected) to 2022 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: 21 June 2019 (re-elected) to 2022 AGM	**Christopher H. Young** Term of Re-appointment: 5 June 2018 (re-elected) to 2021 AGM
Tedy Djuhar Term of Re-appointment: 21 June 2019 (re-elected) to 2020 AGM	**Philip Fan Yan Hok** Term of Re-appointment: 5 June 2018 (re-elected) to 2021 AGM	
	Madeleine Lee Suh Shin Term of Re-appointment: 21 June 2019 (re-elected) to 2021 AGM	

Note:
1. Ambassador Albert F. del Rosario resigned as a Non-Executive Director of the Company on 1 July 2019.
2. Mr. Blair Chilton Pickerell and Mr. Axton Salim will be appointed on 25 March 2020.

Board Process

The Board meets formally at least five times a year to review operational performance and financial plans, monitor the implementation of strategy and any other significant matters that affect the operations of the Group, and approve matters specifically reserved to the Board for decision.

The schedule for regular Board and 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 enable Directors to attend. 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 and 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 and all applicable rules and regulations are followed. Adequate and appropriate information in the form of agendas, Board papers and related materials, are prepared and provided to the Directors prior to the scheduled date for these meetings.

Since March 2014 the Company has distributed Board and Committee papers through an electronic platform to those Directors who choose to access Board/Board Committee papers through this means. The electronic platform ensures timely and secure provision of information to Directors while reducing paper usage.

Minutes of Board and Committee meetings are kept by the Company Secretary. Minutes are open for inspection by any Director.

Minutes of the Board and Committee meetings are recorded and include matters considered in such meetings, decisions reached, any concerns raised and any dissenting views expressed. Draft and final versions of the minutes of these meetings are sent to all Directors and Committee members for their review and their records after each meeting. Chairs of Board Committees report on 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 therefore possess an up-to-date assessment of the Company's performance, position and prospects throughout the year.

The Board reviews and evaluates its work effectiveness annually with a view to identifying areas for improvement and further enhancement. During the year, the INEDs initiated a meeting with the Chairman and CEO in Singapore to discuss concerns raised by institutional shareholders with regard to suggestions of appointing additional INEDs, change of board composition, more transparency and accountability for shareholders, a clearer framework for capital allocation offering transparent rationale for investment decisions, implementation of share buybacks, and other matters. Following the meeting, the Company formed a Finance Committee and an Ad Hoc Selection Committee to address the concerns raised. INEDs formed the majority of both committees.

Under the byelaws 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.

In the latest internally administered Board Evaluation exercise covering the full year 2019, top ranked areas include satisfaction with the integrity of financial statements; 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, but expertise in new areas would benefit the Board.

For the purpose of devoting more time for strategic discussions at Board meetings, corresponding refinements in Board processes have been implemented, including more timely release of Board materials and minutes, meeting arrangements, information provision and training. The Directors will continue discussion on group strategy in Board Meetings on a regular basis. The Board will further discuss other suggestions arising from the Board Evaluation exercise, such as devoting more time to investment strategy and company strategic directions, focusing on return on investment and capital applications, reviewing overall group operations, diversification of current distribution of risk and convening regular sessions on succession planning.

Attendance Records

The Board held six meetings in 2019, of which five were regularly scheduled 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 and SGM held in 2019 are shown in the following table. The overall attendance rate of Directors at Board Meetings is 92% while for the Board Committee meetings is approximately 97%. The high attendance record at the Board and Board Committee meetings in 2019 demonstrates Directors' strong commitment to the Company.

	Meetings held in 2019										
	Physical Board	Board via Teleconference	Audit and Risk Management Committee	Corporate Governance Committee	Remuneration Committee	Nomination Committee	Finance Committee	Ad Hoc Selection Committee	Independent Board Committee	2019 AGM	SGM
Number of Meetings	5	1	4	3	3	2	3	4	2	1	2
Executive Directors											
Manuel V. Pangilinan*1	5/5	1/1	–	–	2/2	2/2	3/3	–	–	1/1	0/2
Christopher H. Young*2	5/5	1/1	4/4#	3/3#	3/3*	1/2#	3/3#	–	2/2#	1/1	2/2
Non-executive Directors											
Anthoni Salim	5/5	0/1	–	–	0/1	2/2	–	2/4	–	1/1	0/2
Benny S. Santoso	5/5	1/1	–	–	–	–	–	–	–	1/1	1/2
Ambassador Albert F. del Rosario*3	1/2	1/1	–	–	–	–	–	–	–	0/1	N/A
Tedy Djuhar	3/5	1/1	–	–	–	–	–	–	–	0/1	0/2
Independent Non-executive Directors											
Prof. Edward K.Y. Chen, *GBS, CBE, JP*	5/5	1/1	4/4	–	3/3	2/2	3/3	4/4	2/2	1/1	2/2
Margaret Leung Ko May Yee, *SBS, JP*	5/5	1/1	4/4	3/3	–	–	3/3	4/4	2/2	1/1	2/2
Philip Fan Yan Hok	5/5	1/1	2/4#	3/3	3/3	2/2	3/3	4/4	2/2	0/1	2/2
Madeleine Lee Suh Shin	5/5	1/1	4/4	1/1	–	2/2	3/3	4/4	2/2	1/1	0/2
Average Attendance Rate	94%	90%	100%	100%	89%	100%	100%	90%	100%	70%	50%

\# Not a member of the respective Board Committees but attended the Committee meetings to provide information from management's perspective.
*1 Mr. Pangilinan ceased to be a member of the Remuneration Committee with effect from 21 June 2019.
*2 Mr. Young ceased to be a member of Corporate Governance Committee with effect from 21 June 2019 but continued to attend the committee meetings.
*3 Ambassador Albert F. del Rosario resigned as a Non-Executive Director of the Company with effect from 1 July 2019.

Board Diversity

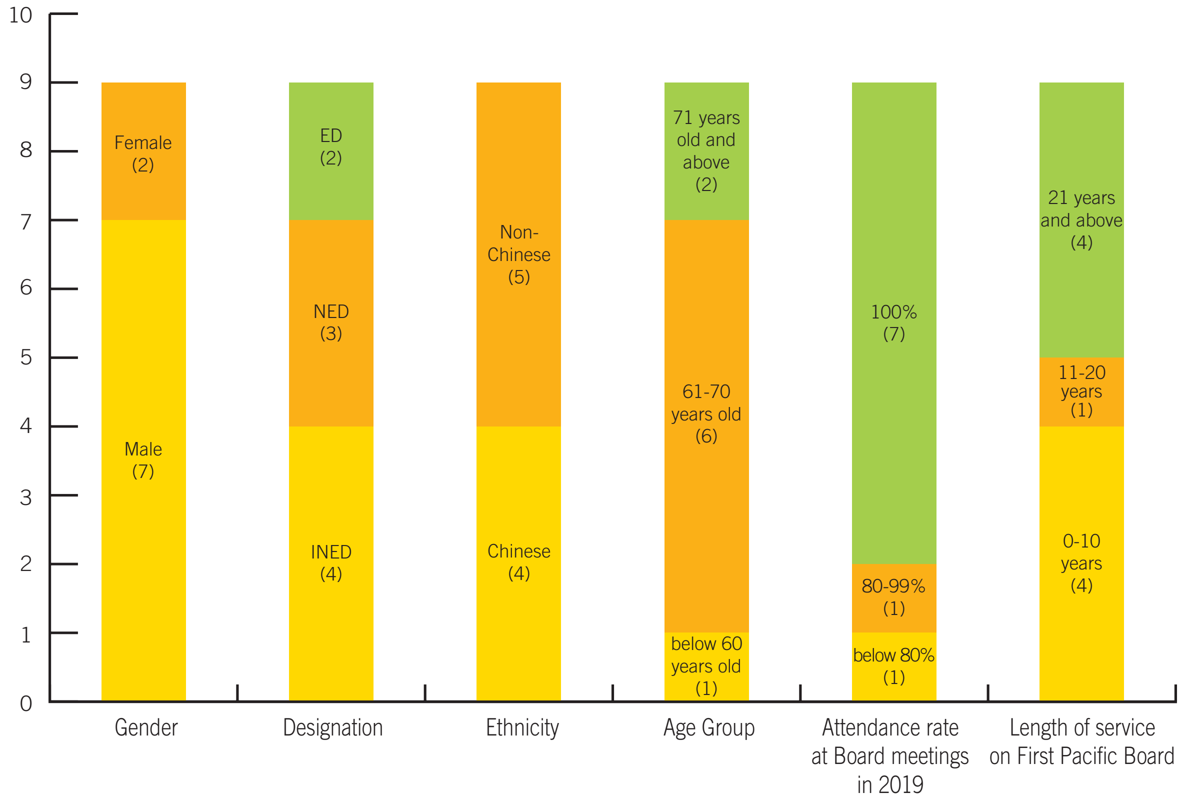
The Directors are collectively responsible for promoting the success of the Company by directing and supervising the Company's affairs. The Board has a balance of skills and experience appropriate for the requirements of the Group's businesses.

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 38 to 41 of this Annual Report.

The Board considers that its 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 maintains 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. 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.

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 and associated companies at which operating strategies and policies are formulated, discussed and settled.

The Company has established a policy enabling all Directors to seek independent professional advice in appropriate circumstances, at the Company's expense. The Board will arrange separate independent professional advice to Directors to assist the relevant Director or Directors to discharge 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 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. During the year, the AHSC short-listed six candidates from a list of fourteen people recommended by international talent search firm Heidrick & Struggles for the appointment of additional INEDs of the Company. Through this formal process, the AHSC identified Mr. Pickerell as a suitable candidate to serve as an INED.

The Nomination Committee reviewed the proposed appointments of Mr. Pickerell for the post of INED as well as that of Mr. Axton Salim for the post of NED to fill the vacancy arising from Amb. Del Rosario's resignation. After considering the balance of skills, knowledge, experience and diversity of the Board, the Nomination Committee recommended to the Board for the appointments of Mr. Pickerell as an INED and Mr. Axton Salim as an NED. They were both formally approved by the Board on 24 March 2020 for appointments with effect from 25 March 2020.

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

In accordance with the Company's byelaws and the First Pacific Code, every Director, including NEDs and INEDs and those appointed for a specific term, shall be subject to retirement by rotation at least once every three years. A retiring Director is 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 standard corporate governance practice, each Nomination Committee member abstains 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, free from any business or other relationship which could interfere with their ability to discharge their duties effectively, and are therefore considered 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 2019.

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 Directors are set out in the section "Board of Directors and Senior Executives" on pages 38 to 41 of this Annual Report.

Succession Planning

The Board recognizes the importance of having continuity in the senior management (including directors), 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 2019 Board meeting to review and discuss succession planning and other related matters. 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 Gibson Dunn, our legal counsel, in relation to Synopsis on Legal and Regulatory issues. 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 governance, leadership, and business opportunities in China. The Company maintains proper records of the training provided to and received by its Directors during the year.

Board Committee

On 21 June 2019, the Company formed a new Finance Committee comprising of all INEDs and Mr. Pangilinan to review the implementation of the Company's investment strategies and investment performance as well as capital allocation. The Company also formed an Ad Hoc Selection Committee comprising of all INEDs and Mr. Salim, to identify candidates for the appointment as additional INEDs of the Company.

Currently, the Board has six Committees, namely the Audit and Risk Management Committee, Remuneration Committee, Nomination Committee, Corporate Governance Committee, Finance Committee and Ad Hoc Selection Committee in order to assist the Board in carrying out its responsibilities. The current composition of the six Board Committees is as follows:

BOARD

Audit and Risk Management Committee	Remuneration Committee	Nomination Committee	Corporate Governance Committee	Finance Committee	Ad Hoc Selection Committee
Madeleine Lee Suh Shin Δ*	Prof. Edward K.Y. Chen Δ*	Philip Fan Yan Hok Δ*	Margaret Leung Ko May Yee Δ*	Margaret Leung Ko May Yee Δ*	Philip Fan Van Hok Δ*
Prof. Edward K.Y. Chen*	Philip Fan Yan Hok*	Prof. Edward K.Y. Chen*	Philip Fan Yan Hok*	Prof. Edward K.Y. Chen*	Prof. Edward K.Y. Chen*
Margaret Leung Ko May Yee*	Anthoni Salim#	Madeleine Lee Suh Shin*	Madeleine Lee Suh Shin*	Philip Fan Yan Hok*	Margaret Leung Ko May Yee*
		Anthoni Salim#		Madeleine Lee Suh Shin*	Madeleine Lee Suh Shin*
		Manuel V. Pangilnan°		Manuel V. Pangilinan°	Anthoni Salim#

Δ Chairman of the Committee
* INED
# NED
° ED

Each of these Board Committees has specific written terms of reference, which set out in detail their respective authorities and duties. Each Board Committee regularly reviews its terms of reference and effectiveness. The terms of reference of all the Board Committees have been made available on the websites of The Stock Exchange of the Hong Kong Limited (SEHK) and the Company. 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 pages 40 and 41 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 updated by the Committee and approved by the Board. 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. The Committee may invite any Director, senior executive, consultant or other relevant party to provide advice in this respect, as necessary.

Members of the Audit and Risk Management Committee meet twice a year 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 2019, other than two regular meetings to review the interim/annual results of the Company, 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 require action or improvement, 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 66 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 2018 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 2019 and the related documents, financial reporting and accounting issues noted by the Company's external auditor;
- considered the 2019 Audit Plan for the First Pacific Group and the audit fee arrangement;
- 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 regular/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 2019 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 FY2019;
- reviewed the Audit and Risk Management Committee's effectiveness in discharging its role and responsibilities and made recommendations to the Board for any changes;
- reviewed and approved the revised Terms of Reference of the Audit and Risk Management Committee; and
- reviewed the Directors' and Officers' liability insurance cover.

Remuneration Committee

The Remuneration Committee is currently comprised of a majority of INEDs, and chaired by Prof. Edward Chen, an INED. It has terms of reference which deal clearly with its authorities and duties. The terms of reference of the Remuneration Committee include 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, and compliance and risk controls in order to ensure that 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 require action or improvement, and making relevant recommendations.

During the year, the Remuneration Committee held three meetings 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 66 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 2020 salary budget and 2019 annual bonus;
- reviewed the Company's Guidebook on Human Resources' policies and procedures for staff;
- considered and approved the 2019-2021 Long Term Incentive Plan offered to directors and eligible senior executives of the Company;
- considered and approved the grant of share options under the Company's Share Option Scheme, the grant of Purchase Awards and Subscription Awards under the Company's Share Award Scheme to eligible participants of the Company; 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 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 which it considers require action or improvement, and making relevant recommendations. The Committee may invite any Director, senior executive, consultant or other relevant party to provide advice in this respect, as necessary.

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 66 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 pages 68 and 69 of this Annual Report);
- nominated the retiring Directors to stand for re-election at the 2019 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 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;
- considered the appointments of additional non-executive directors; and
- considered the over-boarding of the existing directors.

Corporate Governance Committee

The Corporate Governance Committee is currently comprised of INEDs and chaired by Mrs. Margaret Leung, an INED. It has terms of reference which deal clearly with its authorities and duties. The terms of reference of the Corporate Governance Committee include 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 which it considers require action or improvement, and making relevant recommendations. The Committee may invite any Director, senior executive, consultant or other relevant party to provide advice in this respect, as necessary.

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 66 of this Annual Report. Major work performed by the Corporate Governance Committee during the year was as follows:

- reviewed the Company's policies and practices on corporate governance and made recommendations to the Board;
- reviewed and monitored the Company's policies and practices on compliance with legal and regulatory requirements;
- reviewed the Company's compliance with the Corporate Governance Code as set out in Appendix 14 of the Listing Rules for disclosure in this Corporate Governance Report;
- reviewed the proceedings for Board meetings and recommended that more time should be devoted to strategy discussion;
- Instilled more environmentally friendly measures such as proper treatment of waste and reduction in the use of plastic utensils to reduce overall carbon emissions;
- reviewed the Corporate Governance Committee's effectiveness in discharging its role and responsibilities and made recommendations to the Board for any changes;
- reviewed and approved the revised First Pacific Code on Corporate Governance Practices;
- reviewed and approved the Code of Business Practices and internal policies;
- reviewed recent proposed amendments to ESG reporting guide and its impact to the Company;
- approved the publication of the 2018 ESG report;
- reviewed the response to Institutional Investors;
- approved the re-appointment of KPMG as ESG consultant; and
- reviewed the proposed plan for 2019 ESG reporting.

Finance Committee

The Finance Committee is currently comprised of a majority of INEDs, and chaired by Mrs. Margaret Leung, an INED. It has terms of reference which deal clearly with its authorities and duties.

The Finance 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 require action or improvement, and making relevant recommendations. The Committee may invite any Director, senior executive, consultant or other relevant party to provide advice in this respect, if necessary.

During the year, the Finance Committee held three meetings. The attendance record of each Committee member is shown in the section headed "Attendance Records" on page 66 of this Annual Report. Major work performed by the Finance Committee during the year was as follows:

- approved the Terms of Reference of the Finance Committee;
- developed and reviewed the Company's investment strategy and returns;
- reviewed and monitored the Company's existing investments in different geographical locations;
- reviewed the long-term business plan and key strategic priorities of the Company's operating units;
- reviewed the Company's M&A and disposal initiatives;
- reviewed the Company's cash flow projections;
- reviewed the Company's share repurchases and distribution/dividends plans; and
- reviewed the Company's contingency plan due to social unrest in Hong Kong.

Ad Hoc Selection Committee

The Ad Hoc Selection 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 Ad Hoc Selection 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 require action or improvement, and making relevant recommendations. The Committee may invite any Director, senior executive, consultant or other relevant party to provide advice in this respect, as necessary.

During the year, the Ad Hoc Selection Committee held three meetings and conducted an interview session with prospective candidates. The attendance record of each Committee member is shown in the section headed "Attendance Records" on page 66 of this Annual Report. Major work performed by the Ad Hoc Selection Committee during the year was as follows:

- approved the Terms of Reference of the Ad Hoc Selection Committee;
- considered and approved the appointment of an international talent search firm to assist in the recruitment of additional INEDs;
- considered the list of applicants eligible for the post of INEDs;
- interviewed the prospective candidates for the post of INEDs; and
- recommended the prospective candidate to the Nomination Committee and to the Board for appointment.

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 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 Finance Committee and 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	**2019**	2018
Auditor's remuneration		
– Audit services	**4.5**	4.5
– Non-audit services(i)	**1.5**	0.6
Total	**6.0**	5.1

(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 matters. She is responsible for ensuring that 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 on page 43 in the "Board of Directors and Senior Management" section of the 2019 Annual Report. During 2019, the Company Secretary undertook over 15 hours of professional training to update her skills and knowledge in company secretarial practices, corporate governance, shareholder activism and recent changes to the Listing Rules.

Constitutional Documents

During 2019, there was no change in the constitutional documents. These documents are available on the Stock Exchange's and the Company's websites at www.hkexnews.hk and www.firstpacific.com respectively.

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. 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 shareholder meetings. The annual and interim reports seek to communicate developments in the Company's businesses to shareholders and the wider investor community. 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, Chairs of Board Committees and NEDs (including INEDs), are present at the AGM to answer questions from shareholders about specific resolutions proposed at the meeting and also about the Group in general. In addition, the Company convenes a special general meeting 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.

Other than the AGM, the Company convened two special general meetings in 2019: to solicit shareholders' approval of the Major Transaction relating to the investment by KKR & Co. Inc. in the Hospitals business of MPIC on 15 November 2019; and to solicit independent shareholders' approval of the renewal of three-year annual caps on certain of Indofood's continuing connected transactions on 16 December 2019.

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

Voting by Poll

The Company's shareholders are 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 2019 AGM and SGMs, the chairman demanded a poll on all resolutions. The procedures for demanding a poll by shareholders were incorporated in the respective AGM circular and SGM circulars sent to 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 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" available on the Company's website.

Putting Forward Proposals at General Meetings

Shareholders can 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 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" 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 the candidate's written consent to the publication of 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 (CCTs) and approved the disclosure of those transactions in the form of published announcements and circular:

- 27 August 2019 announcement: following the Company's previous announcements made on 19 October 2018, 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, due to anticipated expansion of the flour market, the Company has undertaken a review in respect of Indofood's flour business transactions. As a result of that review, the Company has revised the annual caps for 2019 in respect of certain flour business transactions, including a new continuing connected transaction relating to the Indofood Group's flour business.

- 10 October 2019 announcement: following the Company's previous announcement made on 12 March 2018 in relation to the Framework Agreement between D.M. Consunji, Inc. (DMCI) and Maynilad Water Services, Inc. (Maynilad), the Company announced that on 10 October 2019, DMCI and Maynilad entered into the Revised Framework Agreement to revise Maynilad's estimated annual CAPEX budget and the revised Annual Caps set for the years ending 31 December 2019 and 2020 in respect of the continuing connected transactions contemplated under the Revised Framework Agreement, and that all other terms and conditions of the Framework Agreement will remain in full force and effect.

  Since the Service Contract proposed to be entered into between Maynilad and the DMCI-JFE Consortium, being a service contract entered into pursuant to the terms of the Revised Framework Agreement exceeds a period of three years, under Rule 14A.52 of the Listing Rules, Somerley Capital Limited (Somerley) has been appointed as the Independent Financial Adviser (IFA) to issue an independent opinion to explain the reasons for the Service Contract requiring a duration longer than three years. After consideration, the IFA confirmed that it is normal business practice for agreements of this type to be of such duration.

- 5 November 2019 announcement: following the Company's previous announcement made on 27 August 2019, 19 October 2018, 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 announced that: (a) the renewal of certain existing continuing connected transactions with members of the Indofood Group effective from 1 January 2020, immediately following their expiry on 31 December 2019, in respect of the Indofood Group's noodles business, plantations business, distribution business, flour business, insurance policies, beverages business, dairy business, the revolving loan facility provided to connected subsidiaries of the Company relating to the Indofood Group's plantations business, customer relationship management, packaging business, property business and snack foods business, and their respective Annual Caps for 2020, 2021 and 2022; (b) a new continuing connected transaction (and the relevant framework agreement to be entered into in relation to it) by a member of the Indofood Group in relation to the Indofood Group's noodles business and its Annual Caps for 2020, 2021 and 2022; and (c) the renewal of an existing continuing connected transaction with members of the Indofood Group effective from 1 January 2020 in relation to the Indofood Group's sponsorship and its Annual Caps for 2020, 2021 and 2022.

  The renewal of the continuing connected transactions and the proposed new continuing connected transaction, each relating to the Indofood Group's noodles business, plantations business, distribution business and flour business and their respective proposed aggregated Annual Caps for 2020, 2021 and 2022 are subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. However, the renewal of the continuing connected transactions relating to the Indofood Group's insurance policies, beverages business, dairy business, loan facility under the Revolving Loan Agreement, customer relationship management, packaging business, property business, snack foods business, and sponsorship and the proposed aggregated Annual Caps for 2020, 2021 and 2022 are subject to the reporting and announcement requirements, but not the Independent Shareholders' approval requirements, under Chapter 14A of the Listing Rules.

- 29 November 2019 circular: following the Company's announcement made on 5 November 2019 in relation to certain continuing connected transactions of the Indofood Group, the Company provided its Shareholders with (i) further information on the 2020-2022 Noodles Business Transactions, the 2020-2022 Plantations Business Transactions, the 2020-2022 Distribution Business Transactions and the 2020-2022 Flour Business Transactions and their respective Annual Caps (as applicable); (ii) the recommendation of the Independent Board Committee in respect of the 2020-2022 Noodles Business Transactions, the 2020-2022 Plantations Business Transactions, the 2020-2022 Distribution Business Transactions and the 2020-2022 Flour Business Transactions and their respective Annual Caps and as to how the Independent Shareholders should vote at the special general meeting of the Company to be held on 16 December 2019 (SGM) for the purpose of considering and, if thought fit, approving, among other things, the aforementioned Business Transactions; (iii) the advice of the IFA and the IBC in respect of the 2020-2022 Noodles Business Transactions, the 2020-2022 Plantations Business Transactions, the 2020-2022 Distribution Business Transactions and the 2020-2022 Flour Business Transactions and their respective Annual Caps and as to how the Independent Shareholders should vote at the SGM; (iv) the SGM Notice dated 29 November 2019; and (v) other information as required to be disclosed under the Listing Rules.

  At the Company's SGM held on 16 December 2019, the Independent Shareholders approved the 2020-2022 Noodles Business Transactions, the 2020-2022 Plantations Business Transactions, the 2020-2022 Distribution Business Transactions and the 2020-2022 Flour Business Transactions and their respective Annual Caps.

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: 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 2019 (US$ millions)
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	37.7
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	70.0
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	64.1
ISM and its subsidiaries	PT Indomobil Sukses Internasional Tbk (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	7.4
Aggregated transaction amount					**179.2**

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 2019 (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	0.8
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	39.0
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	1.2

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

Parties to the agreement/arrangement			Period covered by the agreement/arrangement		Transaction amount for the year ended 31 December 2019 (US$ millions)
Name of entity of the group	Name of connected party and relationship between the parties	Nature of agreement/arrangement	From	To	
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	7.7
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	33.1
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	0.5
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	56.6
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	33.4
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					**174.1**

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

Parties to the agreement/arrangement: Name of entity of the group	Parties to the agreement/arrangement: Name of connected party and relationship between the parties	Nature of agreement/arrangement	Period covered by the agreement/arrangement: From	Period covered by the agreement/arrangement: To	Transaction amount for the year ended 31 December 2019 (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	18.7
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	1.5
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	1.6
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	4.7
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	14.8
IAP	Indomaret, an associate of Mr. Anthoni Salim	IAP sells finished goods to Indomaret	1 January 2017	31 December 2019	161.1
IAP	Indogrosir, an associate of Mr. Anthoni Salim	IAP sells finished goods to Indogrosir	1 January 2017	31 December 2019	55.8
PDU	Indomaret, an associate of Mr. Anthoni Salim	PDU sells finished goods to Indomaret	1 January 2017	31 December 2019	9.8
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	0.2
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	0.2
PDU	Indogrosir, an associate of Mr. Anthoni Salim	PDU sells finished goods to Indogrosir	1 January 2017	31 December 2019	3.4
Aggregated transaction amount					**272.0**

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

Parties to the agreement/arrangement			Period covered by the agreement/arrangement		Transaction amount for the year ended 31 December 2019 (US$ millions)
Name of entity of the group	Name of connected party and relationship between the parties	Nature of agreement/arrangement	From	To	
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	6.7
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	4.1
ISM and its subsidiaries	PT Indosurance Broker Utama (IBU), an associate of Mr. Anthoni Salim	IBU provides insurance services to ISM and its subsidiaries	1 January 2017	31 December 2019	0.3
Aggregated transaction amount					**11.1**

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

Parties to the agreement/arrangement			Period covered by the agreement/arrangement		Transaction amount for the year ended 31 December 2019 (US$ millions)
Name of entity of the group	Name of connected party and relationship between the parties	Nature of agreement/arrangement	From	To	
Bogasari	NIC, an associate of Mr. Anthoni Salim	Bogasari sells flour to NIC	1 January 2017	31 December 2019	17.0
Bogasari	FFI, an associate of Mr. Anthoni Salim	Bogasari sells flour and spaghetti to FFI	1 January 2017	31 December 2019	0.9
ISM and its subsidiaries	Interflour Vietnam Ltd. (IVL), an associate of Mr. Anthoni Salim	ISM and its subsidiaries sell finished goods to IVL	6 June 2018	31 December 2019	–
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	0.1
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	4.0
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	5.6
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	2.6
Bogasari	Shanghai Resources, an associate of Mr. Anthoni Salim	Bogasari sells pasta products to Shanghai Resources	1 January 2017	31 December 2019	–
Bogasari	Indomaret, an associate of Mr. Anthoni Salim	Bogasari sells finished goods to Indomaret	1 January 2017	31 December 2019	6.0

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

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 2019 (US$ millions)
Bogasari	Indogrosir, an associate of Mr. Anthoni Salim	Bogasari sells finished goods to Indogrosir	1 January 2017	31 December 2019	6.7
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	2.1
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	1.9
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	0.4
Aggregated transaction amount					**47.3**

F. Transactions relating to the Beverage 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 2019 (US$ millions)
PT Anugerah Indofood Barokah Makmur (AIBM) (formerly known as PT Indofood Anugerah Sukses Barokah)	SDM, an associate of Mr. Anthoni Salim	AIBM uses human resources outsourcing services from SDM	1 January 2017	31 December 2019	1.3
AIBM	Indomaret, an associate of Mr. Anthoni Salim	AIBM sells finished goods to Indomaret	1 January 2017	31 December 2019	–
AIBM	Indogrosir, an associate of Mr. Anthoni Salim	AIBM sells finished goods to Indogrosir	1 January 2017	31 December 2019	–
AIBM	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 AIBM	1 January 2017	31 December 2019	1.3
AIBM	LS, an associate of Mr. Anthoni Salim	AIBM sells drinking products to LS	1 January 2017	31 December 2019	–
AIBM	FFI, an associate of Mr. Anthoni Salim	AIBM sells drinking products to FFI	1 August 2017*	10 October 2019*	6.0
AIBM	PTM, an associate of Mr. Anthoni Salim	AIBM uses human resources outsourcing services from PTM	1 January 2017	31 December 2019	–
Aggregated transaction amount					**8.6**

* PT Indofood Anugerah Sukses Barokah (formerly known as 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. The agreement has been early terminated on 10 October 2019.

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 2019 (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	1.5
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	2.2
PT Indolakto (Indolakto)	Indomaret, an associate of Mr. Anthoni Salim	Indolakto sells finished goods to Indomaret	1 January 2017	31 December 2019	5.1
Indolakto	Indogrosir, an associate of Mr. Anthoni Salim	Indolakto sells finished goods to Indogrosir	1 January 2017	31 December 2019	0.1
Indolakto	LS, an associate of Mr. Anthoni Salim	Indolakto sells finished goods to LS	1 January 2017	31 December 2019	0.3
Indolakto	NIC, an associate of Mr. Anthoni Salim	Indolakto sells finished goods to NIC	1 January 2017	31 December 2019	3.1
Indolakto	FFI, an associate of Mr. Anthoni Salim	Indolakto sells finished goods to FFI	1 January 2017	31 December 2019	0.4
Aggregated transaction amount					**12.7**

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 2019 (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	39.7
Aggregated transaction amount					**39.7**

I. Transactions relating to the Customer Relationship Management 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 2019 (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	0.2
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					**1.1**

J. Transactions relating to the Baby Diaper 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 2019 (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 2019 (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	–
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	0.8
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	0.3
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	0.4
ISM/ICBP	NIC, an associate of Mr. Anthoni Salim	ISM/ICBP sells packaging materials to NIC	1 January 2017	31 December 2019	0.3
ISM/ICBP	Indomaret and its subsidiaries, an associate of Mr. Anthoni Salim	ISM/ICBP sells packaging materials to Indomaret and its subsidiaries	1 January 2017	31 December 2019	0.2
ISM/ICBP	LPI, an associate of Mr. Anthoni Salim	ISM/ICBP sells packaging materials to LPI	6 September 2017	31 December 2019	0.1
Aggregated transaction amount					**2.1**

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 2019 (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 and 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	–
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 2019 (US$ millions)
PT Aston Inti Makmur (AIM)	Indomaret, an associate of Mr. Anthoni Salim	Indomaret rents space from AIM	1 January 2019	31 December 2019	0.0
AIM	PT Central Asia Financial, an associate of Mr. Anthoni Salim	PT Central Asia Financial rents space from AIM	1 June 2018	31 December 2019	0.1
AIM	PT Cyberindo Mega Persada, an associate of Mr. Anthoni Salim	PT Cyberindo Mega Persada rents space from AIM	–	–	–
AIM	IDP, an associate of Mr. Anthoni Salim	IDP rents space from AIM	1 January 2017	31 December 2019	0.2
AIM	PT Ciptabuana Sukses Lestari, an associate of Mr. Anthoni Salim	PT Ciptabuana Sukses Lestari rents space from AIM	1 March 2019	28 February 2021	0.4
AIM	CAR, an associate of Mr. Anthoni Salim	CAR rents space from AIM	23 August 2019	31 December 2020	0.2
AIM	PT Transcosmos Indonesia, an associate of Mr. Anthoni Salim	PT Transcosmos Indonesia rents space from AIM	1 January 2019	31 December 2020	0.1
AIM	Bank INA Persada, an associate of Mr. Anthoni Salim	Bank INA Persada rents space from AIM	1 October 2018	30 September 2021	0.3
Aggregated transaction amount					**1.3**

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 2019 (US$ millions)
IAP	LPI, an associate of Mr. Anthoni Salim	IAP buys sugar from LPI	6 June 2018	31 December 2019	2.2
IAP	IDP, an associate of Mr. Anthoni Salim	IAP pays commission fee to IDP	19 October 2018	31 December 2019	0.1
IAP	PT Indo Natasha Gemilang (ING), an associate of Mr. Anthoni Salim	IAP buys cosmetic products from ING	6 June 2018	31 December 2019	1.0
Aggregated transaction amount					**3.3**

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 2019 (US$ millions)
IASB	Asahi Breweries Ltd. (ABL), a substantial shareholder of the Asahi Group	Secondment agreement to assign certain Japanese employees of ABL who have certain skills and expertise to conduct beverages business	–	–	–
ISM	PT Asahi Indofood Beverage Makmur (AIBM)	AIBM rents office space from ISM	–	–	–
SRC	AIBM and its subsidiaries	SRC sells carton box packaging to AIBM and its subsidiaries for product packaging	–	–	–
ICBP Packaging Division	AIBM and its subsidiaries	ICBP sells lids to AIBM and its subsidiaries for product packaging	–	–	–
IASB and its subsidiaries	AIBM and its subsidiaries	AIBM and its subsidiaries sell drinking products to IASB and its subsidiaries	–	–	–
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					**–**

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 2019 (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, Inc.	DMCI provides construction services for upgrading of Dagat-Dagatan STP to a 250-MLD South Caloocan Malabon-Navotas Water Reclamation Facility	11 October 2019	9 July 2025	126.6
Aggregated transaction amount					**126.6**

In respect of the financial year ended 31 December 2019, 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 will be provided by the Company to SEHK in accordance with the Listing Rule requirements.

Risk Management and Internal Control

As an investment holding and management company, the Company does not have an internal audit department as each of the Group's operating companies maintains 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 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 2019, 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 2019 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 their compliance with applicable laws and regulations and the quality of internal and external reporting.
- Prior to 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 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 are established to mitigate risks 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 relevant regulatory requirements, financial reporting and accounting standards, and that they are based on suitable accounting policies as well as prudent and reasonable judgments and estimates.
- The treasury teams in the operating companies undertake the monitoring of compliance with relevant covenants for their borrowings.

Risk Management

- The Head Office's Risk Assessment Committee, currently comprised of one Executive Director and senior executives of the Company, oversees the Head Office risk management functions in relation to its role as an investment holding and management company. The Risk Assessment Committee maintains a Risk Matrix with reference to the probability and potential consequences of major risks identified within the Head Office. The Risk Matrix was reviewed by the Audit and Risk Management Committee and the Board on a semi-annual basis.

- The Company classifies different Head Office risks under four major categories: Strategic Risks, Financial Risks, Operational Risks and Compliance Risks. The major Strategic Risks identified during the year include succession planning, disposals of non-core assets by the Company and country/political risk of the Philippines and Indonesia. As for Financial Risks, this would include currency risk (in particular the Peso and Rupiah exchange rates), impairment of investments and constraints on capital raising and liquidity risks. The Operational Risks mainly relate to operating performance of the underlying businesses (accounting profit/dividends/capital call), while Compliance Risks relate to regulatory risk, ESG risk and cyber security risk. In order to mitigate those risks, the Group has set up the FP Leadership Academy to help identify and train potential talents and to 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 considerations to be paid, as appropriate. There are strategies, budgets and ongoing reviews at the operating company level where FPC management will participate. However, some risks are external forces which the Company may have limited ability to manage, including country/political risk of the Philippines and Indonesia, currency risk, interest rate risk and regulatory risk.

- 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 a risk management framework carefully defined for the effective management of risks at all levels across all operating and functional units in the operating companies.

- Telecommunications – The PLDT Board, with the assistance of its Risk Committee, fulfills its oversight responsibilities for the company's assessment and management of enterprise risks. It reviews and discusses with Management PLDT's major risk exposures and the corresponding risk mitigation measures. PLDT's Risk Committee assists the Board in the performance of its functions to: (i) oversee Management's adoption and implementation of a system for identifying, assessing, monitoring and managing key risk areas; (ii) review Management's reports on PLDT's major risk exposures; and (iii) review Management's plans and actions to minimize, control or manage the impact of such risks. The purposes, duties and powers of the RC are set forth in the RC Charter.

  PLDT's Group Enterprise Risk Management Department (GRMD), under the leadership of its Chief Risk Management Officer, implements an integrated risk management program with the goal of identifying, analyzing and managing the PLDT Group's risks to an acceptable level, so as to enhance opportunities, reduce threats, and thus sustain competitive advantage. The implementation of the enterprise risk management (ERM) process ensures that critical risks are well understood and effectively managed across all functions and units within the PLDT Group. The GRMD sets guidelines for the identification and analysis of key risk exposures relating to economic, environmental, social and governance factors and the achievement of the organization's strategic objectives, evaluates and categorizes identified risks. It assists on the development of risk mitigation plans for the most important risks of the company. It communicates and reports significant risk exposures, including business risks, control issues and risk mitigation plan to the Risk Committee. The ERM process used by the GRMD is based on the ISO 31000 standard on risk management. The GRMD Head supervises the entire ERM process and spearheads the development, implementation, maintenance and continuous improvement of ERM processes and documentation, and communicates the top risks and status of implementation of risk management strategies and action plans to the Risk Committee and the Board.

  The GRMD promulgates and encourages the adoption of a standard risk evaluation process focused on the need to properly identify, analyze, evaluate, treat and monitor risks that may affect the achievement of business objectives. A risk assessment exercise was undertaken by the Top Management Team to identify and prioritize the most important risks affecting the PLDT Group for 2019. The top risks, listed in no particular order of criticality, were (i) customer experience issues and reputational risks; (ii) delivery of transformation initiatives; (iii) operational inefficiencies; (iv) competitive situation and economic conditions; (v) rapid speed of disruptive innovations and new technologies; (vi) regulatory changes/scrutiny; (vii) privacy/identity management challenges and increase in information security issues; (viii) people risks; (ix) financial risks; and (ix) regular occurrence of natural disasters. Treatment strategies have been developed, and mitigation initiatives have been 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 – As a packaged food and beverage producer, Indofood is exposed to food safety risks for the products it produces and markets. Indofood imposes stringent controls across all stages of raw material sourcing, manufacturing, and product distribution. Indofood's standard operating procedures embody the principles of good manufacturing practices and adhere to international quality and food safety standards such as ISO 9001, ISO 22000, FSSC 22000, etc. All Indofood's products are halal certified. Indofood recognizes competition risk with domestic and international competitors. Indofood constantly undertakes product innovation, improves product quality, performs targeted marketing activities, implements cost efficiency programs and enhances customer service quality. Indofood's costs of production and prices of finished products are subject to fluctuations in the prices of commodities and raw materials and the dynamic between supply and demand. The increase in extreme weather and climate change threats that have risen at an alarming rate are leading to unpredictable weather patterns and natural disasters worldwide. These events cause disruptions to both the availability of raw materials and lower crop production at Indofood's agribusiness. Indofood mitigates this risk by having strategic partnerships with local farmers and suppliers, maintaining sufficient stocks of raw materials, and establishing disaster contingency plans. Indofood's daily operational activities rely on digital technologies that open the risk of cyber-attacks and threats. Indofood remains vigilant by continuously adapting cyber security against disruption and data breach by unauthorized parties and has established an information technology (IT) security policy, implemented a security platform with automated controls to detect and prevent cyber-attacks and threats, and conducts IT general controls audits and testing. For contingency planning, a disaster recovery system has been established to ensure operational continuity in the event of system disruption.

- Infrastructure - MPIC, through its Risk Management Committee (RMC), oversees and monitors MPIC Management's adoption of a risk management system. MPIC's Chief Risk Officer (CRO) leads the implementation of the Enterprise and Risk Management (ERM) Policy, as approved by the RMC of the holding company, and advocates adoption of the same by MPIC investee companies.

  Each of MPIC's principal operating companies has its own ERM unit and ERM Policy under the oversight of their respective RMCs. Regular reviews of ERM Policies and risk management practices of MPIC's major investees are conducted by the CRO to ensure consistency of the salient provisions of the holding company's ERM Policy and if possible, align certain risk management practices across the MPIC Group.

  Specific key risks identified by the MPIC Group and approved by the RMC include political and regulatory, competition and market, current portfolio operational execution, climate change, cyber security and other related issues, which are reviewed semi-annually by their respective RMC and periodically by MPIC.

  In terms of political and regulatory risks, the majority of MPIC's invested capital is deployed into businesses which are directly regulated by arms of the state: electricity distribution; water supply and distribution along with sewage treatment; toll roads; and light rail. Each of these businesses has concession or franchise agreements which involve a degree of operating performance obligation in order to retain their rights and earn the expected returns. To manage these risks, the operating companies have dedicated regulatory management groups with experienced personnel. Their duty is to manage the relationship with regulators, keep management up to date on the status of the relationship and ensure companies are well prepared for any forthcoming regulatory changes or challenges.

  The MPIC Group has a sizeable amount of pending past due revenue claims accumulated for its water, toll and light rail businesses. The risk of being unable to collect these claims is mitigated by continuing to meet obligations under concession and franchise agreements and maintaining open communication lines with the requisite government agencies.

  In December 2019 following a water shortage in the first half of that year, MPIC faced significant regulatory and political challenges particularly with respect to Maynilad's 15-year extension of Concession Agreement from 2022 to 2037 awarded and operationalized under President Gloria Macapagal Arroyo. Top management of Maynilad is closely working with MWSS and other government agencies to maintain the 15-year extension of the concession period.

  In terms of competition and market risk, there is strong competition in bidding for Public-Private Partnership (PPP) projects offered by the Philippine government, and this may reduce forecast equity returns for winning bids. MPIC's preferred approach is to provide unsolicited proposals to government in order to receive Original Proponent Status on its ideas. In this way it seeks to increase the prospect of winning projects and avoid plain vanilla 'lowest return on capital' bidding.

  MPIC's investments in coal generation through GPBC and MGEN is also becoming increasingly competitive due to Retail Electricity Supply (RES), migration of contestable customers from the captive market, a rising number of competitors and amended Competitive Selection Process (CSP) rules. This is addressed through the use of efficient processes and technology and using varying grades of coal for fuel. Primary supply sources are backed up by alternative supplies and carrying appropriate inventories.

  In terms of supply risk, MPIC's water company, Maynilad, has fundamental supply risk as it secures almost all of its supply from a single source – the Angat dam, which is also shared by another water concessionaire. In order to overcome water shortages, Maynilad has worked to moderate its reliance on Angat dam by tapping raw water from Laguna Lake and from Putatan Water Treatment Plants. Other projects in the pipeline include Laguna Lake Water Treatment Plant (150 MLD) in Poblacion, Muntinlupa and Teresa Water Treatment Plant (300 MLD) in conjunction with the planned Kaliwa Dam project.

The operation of LRMC has significant operational safety and security risks which have been exacerbated by the poor condition and inadequate maintenance of the system prior to the takeover in 2015. LRMC mitigates these risks by establishing a Safety Management System, appointing a strong senior management team with extensive light rail operating experience and using a combination of engineering and administrative controls in the operation and maintenance of LRT-1. The risk of terrorism in trains and stations, which is assessed as a key risk of LRMC, is also mitigated through strict inspection of incoming passengers, x-ray screening in high density stations, banning of wrapped packages as well as potentially harmful tools and chemicals and use of dogs trained in bomb detection in each station.

For GBPC, possible hazards facing its employees include workplace safety, contact with hazardous chemicals, and marine operations such as off-loading coal. GBPC carries out safety programs and policies aimed at reducing and/or eliminating accidents, and to invest in manpower safety training and machine safety design programs.

For Maynilad, possible common safety-related incidents include workplace safety, presence of dangerous gases and chemicals throughout the facility and unsteady level of oxygen in the facility. Maynilad mitigates these risks through closely monitoring employees at risk for hazard exposure and providing preventive measures to ensure safety.

In order to mitigate the risk of poor water quality distributed by Maynilad, Maynilad performs both quality assurance and quality control checks to ensure that the water distributed to customers complies with the Philippine National Standard for Drinking Water 2017. At the water distribution level, Maynilad's Central Laboratory performs quality control through daily testing of water quality of samples collected from customers' taps at a ratio of 1 sample per 10,000 population.

■ For Meralco, in order to ensure that attendants who operate above-ground power distribution systems are safe, extensive training is conducted on the use of safety equipment and operating protocols to minimize safety incidents.

MPTC's operational safety risks concern accidents through possible driver error or a combination of poor road design, damage and/or signage. These risks are mitigated by road user safety campaigns, careful traffic management and optimized design and construction.

Extreme or unusual weather patterns associated with climate change are one of the MPIC Group's key risks. MPIC's principal operating companies' risk mitigation measures include: weather hardening for above-ground power distribution; increasing water processing capacity for highly turbid water; and improved drainage and flood protection for toll roads. The principal operating companies have also formalized and are continuously improving their Business Continuity Plans including coordination with government and private organizations specialized in natural disasters together with the operating companies' respective regulators.

The MPIC Group is also trying to mitigate this risk through carbon offsetting initiatives such as tree planting and other greening initiatives, use of clean and efficient technology in our coal operations and exploring renewable energy sources (e.g. biogas and energy from waste) to complement our existing coal investments.

In terms of cyber security risk, any disruption due to cyber-attacks may result in service interruption, especially damaging utilities, lost revenue, increased costs for protection, remediation costs, reputational damage and regulatory fines. The MPIC Group is continuously enhancing its cyber security skills and processes and is reviewing and purchasing appropriate insurance coverage.

As for other operational risks, in LRMC, there are risks to projected financial returns through late delivery of government procured items such as Rights of Way, additional Light Rail Vehicles (LRVs), and the Common Station. Plans to mitigate these risks include consistently engaging with regulators on the status of project milestones and joint regular performance reviews by both parties – the Concessionaire (LRMC) and the Grantors (the Department of Transportation and the Light Rail Transit Authority or LRTA).

The financial risks of MPIC's operating companies are primarily: interest rate risk, foreign currency risk, liquidity risk, credit risk and equity price risk, which are constantly being reviewed by the RMC of the respective companies.

- Electricity generation – risk management programs are undertaken by PLP to mitigate business and financial risks, including managing compliance issues with the terms of the debt financing, widening spreads between the prices of PNG and LNG, tightening of trading limits and increasing credit support requirements due to increase volatility in oil prices, regulatory matters that may impact its competitiveness, and technical difficulties that may hinder the generation units to run at desired capacity. PLP's management monitors the movement in the market and regularly reviews loan covenant compliance requirements, closely monitors the cash flow position, liquidity and credit resources, and explores optimal financing structures and options with suppliers and creditors to match obligations with expected cash flow.

- Natural resources – Philex has undertaken a risk management program for 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 risks to an acceptable level, so as to increase productivity, enhance opportunities, reduce threats, and thus sustain competitive advantage. In 2019, Philex identified its major risks which relate mainly to meeting short- and long-term operational and financial targets, and funding of the development of its Silangan Project. To ensure the non-occurrence of risks or to reduce their impact or likelihood, Philex has identified mitigating measures and/or has already put in place mitigating initiatives to counter such risks. Under the current global threat of Covid-19, Philex has reassessed its risks and identified the impact of the Covid-19 scare in its business operations. Exposure of Philex employees to Covid-19 proved to be the major risk for slowing down operations, delay in the performance of works and non-attainment of production targets that will put at risk the sustainability of cash flows. Other associated risks related to suppliers and business partners affected by Covid-19 were also identified. These are related to Philex's ability to fulfil the shipment of copper concentrates to foreign buyers and the ability of our suppliers to deliver needed materials, supplies and spare parts used in mine and mill operations. The occurrence of these risks would translate to additional costs to Philex and would lead to delay or inefficient production process. As an initial and immediate response to the declaration made by the Philippine government putting the entire area where the Philex workforce and business are located under Enhanced Community Quarantine, Philex has imposed guidelines and preventive measures against its employees' exposure to Covid-19 and programs to mitigate the other risks of Covid-19.

- 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 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 2019, the Audit and Risk Management Committee reviewed and advised that:

- The risk management and internal control 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 increases 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, and shareholder meetings. As for the Company's NEDs (including the INEDs), they are paid 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 Performance and Position

Analysis of Consolidated Income Statement

An analysis of the Group's 2019 reported results compared with 2018's follows.

For the year ended 31 December US$ millions	2019	2018	% change
Turnover	**8,054.7**	7,742.4	+4.0
Gross profit	**2,448.3**	2,177.8	+12.4
Operating expenses	**(1,279.4)**	(1,174.4)	+8.9
Other operating expenses, net	**(524.3)**	(63.9)	n/m
Net finance costs	**(391.7)**	(357.7)	+9.5
Share of profits less losses of associated companies and joint ventures	**335.1**	319.5	+4.9
Taxation	**(466.9)**	(292.6)	+59.6
Non-controlling interests	**(375.0)**	(476.9)	-21.4
Recurring profit	**290.0**	289.5	+0.2
(Loss)/profit attributable to owners of the parent	**(253.9)**	131.8	–

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

Turnover – increased by 4.0%, mainly reflecting the growth in Indofood's sales (increased by 4.4% in rupiah terms) and MPIC's revenues (increased by 6.2% in peso terms), and the impact of the appreciation in the average rupiah and peso exchange rates against the U.S. dollar of 1.0% and 2.2%, respectively. The growth in Indofood's sales mainly reflects an increase in average selling prices for all major products, except for CPO and EOF products. The growth in MPIC's revenues mainly reflects the consolidation of PT Nusantara from July 2018, and higher traffic volumes and toll rate increases at MPTC.

Gross profit – increased by 12.4%, mainly reflecting the increase in gross profits at both Indofood and MPIC, partly offset by a decrease in gross profit at RHI, and the appreciation in the average rupiah and peso exchange rates against the U.S. dollar. The increase in gross margin (2019: 30.3% vs 2018: 28.1%) mainly reflects increases in Indofood's gross margin (2019: 29.7% vs 2018: 27.5%) as a result of a higher average selling price and sales volume of noodles, and MPIC's gross margin (2019: 50.4% vs 2018: 48.6%) as a result of higher traffic volumes and toll rate increases at MPTC.

Operating expenses – increased by 8.9%, mainly reflecting the increase in selling and promotion expenses at Indofood and employees expenses at both Indofood and MPIC, and the appreciation in the average rupiah and peso exchange rates against the U.S. dollar.

Other operating expenses, net – the increase mainly reflects higher impairment provisions made in 2019 mainly for investments in PLP and Maynilad, and the Group's loss on disposal of Goodman Fielder, partly offset by MPIC's gain on deconsolidation of MPHHI.

Net finance costs – increased by 9.5%, mainly reflecting higher average debt level at Indofood and MPIC reflecting their investments and capital expenditure, partly offset by higher interest income at Indofood and MPIC.

Share of profits less losses of associated companies and joint ventures – increased by 4.9%, mainly reflecting the increase in net profit contributions from Meralco and PLDT, partly offset by a loss instead of profit contribution from Philex.

Taxation – increased by 59.6%, principally reflecting MPIC's provision for capital gains tax in respect of MPHHI transaction, the Group's write-off of deferred tax assets, higher taxable profits at Indofood and MPIC and the appreciation in the average rupiah and peso exchange rates against the U.S. dollar.

Non-controlling interests – decreased by 21.4%, mainly attributable to higher loss at FPM Power (mainly due to impairment provisions made during the year), partly offset by higher profits at Indofood and MPIC.

Recurring profit – increased by 0.2%, mainly reflecting higher recurring profit contributions from Indofood and MPIC, and lower Head Office corporate overhead, partly offset by the decrease in recurring profit contributions from Goodman Fielder and Philex, higher losses from RHI and PLP, and higher Head Office other expenses.

(Loss)/profit attributable to owners of the parent – a loss instead of profit mainly reflecting higher non-recurring losses.

Analysis of Consolidated Statement of Financial Position

An analysis of the Group's consolidated statement of financial position at 31 December 2019 compared with 31 December 2018's follows.

At 31 December US$ millions	2019	2018	% change
Property, plant and equipment	**4,938.7**	5,157.4	-4.2
Associated companies and joint ventures	**4,787.7**	4,877.3	-1.8
Goodwill	**693.2**	1,111.5	-37.6
Other intangible assets	**5,004.7**	4,182.5	+19.7
Cash and cash equivalents(i)	**2,952.4**	1,734.0	+70.3
Other assets	**3,505.8**	3,838.8	-8.7
Total Assets	**21,882.5**	20,901.5	+4.7
Borrowings	**8,930.8**	8,517.9	+4.8
Other liabilities	**4,193.7**	3,673.2	+14.2
Total Liabilities	**13,124.5**	12,191.1	+7.7
Net Assets	**8,758.0**	8,710.4	+0.5
Equity attributable to owners of the parent	**2,928.7**	3,083.6	-5.0
Non-controlling interests	**5,829.3**	5,626.8	+3.6
Total Equity	**8,758.0**	8,710.4	+0.5

(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 4.2%, mainly reflecting depreciation, MPIC's deconsolidation of MPHHI, and impairment provisions made during the year, partly offset by capital expenditure incurred by Indofood, MPIC and RHI, the recognition of right-of-use assets upon the initial adoption of HKFRS 16, Indofood's investments in newly planted area and maintenance of immature plantations, and a retranslation effect (mainly reflecting the appreciation of the closing exchange rates of the rupiah, peso and S$ against the U.S. dollar of 4.2%, 3.8% and 1.3%, respectively).

Associated companies and joint ventures – decreased by 1.8%, mainly reflecting the disposal of the Group's investment in Goodman Fielder and RHI's investment in HPC, payments of dividends by the associated companies and joint ventures, and MPIC's consolidation of PNW, partly offset by the Group's share of net profits from Meralco and PLDT, MPIC's recognition of its retained interest in MPHHI, a retranslation effect (mainly reflecting the appreciation of the closing exchange rate of the peso against the U.S. dollar), and Indofood's investments in OIMP, IOSP, Indoagri Daitocacao and Arla Indofood.

Goodwill – decreased by 37.6%, mainly reflecting the impairment provisions on PLP, Maynilad, MMI and other water investments, and MPIC's deconsolidation of MPHHI, partly offset by a retranslation effect (mainly reflecting the appreciation of the closing exchange rates of the rupiah, peso and S$ against the U.S. dollar) and MPIC's consolidations of PNW and SESI.

Other intangible assets – increased by 19.7%, mainly reflecting MPIC's capital expenditure for its water, toll road and rail concessions, a retranslation effect (mainly reflecting the appreciation of the closing exchange rates of the rupiah and peso against the U.S. dollar) and MPIC's consolidation of PNW, partly offset by impairment provision for water concession assets and amortization.

Cash and cash equivalents – increased by 70.3%, mainly reflecting operating cash inflows from Indofood and MPIC, net new borrowings, proceeds from disposal of the Group's investment in Goodman Fielder and MPIC's divestment in MPHHI, and a retranslation effect (mainly reflecting the appreciation of the closing exchange rates of the rupiah and peso against the U.S. dollar), partly offset by the Group's payments for new investments, capital expenditure, distributions/dividends to shareholders of the Company and non-controlling shareholders of its subsidiary companies.

Other assets – comprising biological assets, investment properties, accounts receivable, other receivables and prepayments, financial assets at fair value through other comprehensive income, deferred tax assets, other non-current assets, inventories and assets classified as held for sale, decreased by 8.7%, mainly reflecting Indofood's disposal of its investments in financial assets at fair value through other comprehensive income and MPIC's deconsolidation of MPHHI, partly offset by Indofood's advances for acquisition of property, plant and equipment and MPIC's advances to contractors for construction projects, and a retranslation effect (mainly reflecting the appreciation of the closing exchange rates of the rupiah and peso against the U.S. dollar).

Borrowings – increased by 4.8%, mainly reflecting MPIC's net new borrowings for financing its investments and capital expenditure, and a retranslation effect (mainly reflecting the appreciation of the closing exchange rates of the rupiah, peso and S$ against the U.S. dollar), partly offset by Indofood's net repayment of borrowings and MPIC's deconsolidation of MPHHI.

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, increased by 14.2%, mainly reflecting the recognition of lease liabilities upon the initial adoption of HKFRS 16, the increase in accounts payable and pension liabilities at Indofood, and a retranslation effect (mainly reflecting the appreciation of the closing exchange rates of the rupiah and peso against the U.S. dollar), partly offset by MPIC's instalment payments for its acquisition of 50% interest in Beacon Electric Asset Holdings, Inc. ("Beacon Electric") from PLDT Communications and Energy Ventures, Inc. ("PCEV") and MPIC's deconsolidation of MPHHI.

Equity attributable to owners of the parent – decreased by 5.0%, mainly reflecting the Group's net loss for 2019 (US$253.9 million) and the Company's payments for 2018 final distribution (US$30.6 million) and 2019 interim distribution (US$36.0 million), partly offset by a favorable movement in the Group's exchange reserve due mainly to the appreciation of the closing exchange rates of the rupiah and peso against the U.S. dollar.

Non-controlling interests – increased by 3.6%, mainly reflecting the share of profits by non-controlling shareholders and a retranslation effect (mainly reflecting the appreciation of the closing exchange rates of the rupiah and peso against the U.S. dollar), capital contributions from non-controlling shareholders and MPIC's consolidation of PNW, partly offset by dividends paid to non-controlling shareholders by Indofood, MPIC and their subsidiary companies, MPIC's deconsolidation of MPHHI and acquisition of additional interests in MUN, and Indofood's acquisition of additional interests in IndoAgri.

Liquidity and Financial Resources

Analysis of Consolidated Statement of Cash Flows

An analysis of the Group's 2019 consolidated statement of cash flows compared with 2018's follows.

For the year ended 31 December US$ millions	2019	2018	% change
Operating Activities			
Net cash flows from operating activities	**1,455.5**	734.1	+98.3
Investing Activities			
Dividends received	**270.7**	257.8	+5.0
Net capital expenditure	**(1,357.7)**	(1,222.4)	+11.1
Disposals, acquisitions and investments	**753.3**	(364.0)	–
Financing Activities			
Net new borrowings	**234.9**	657.9	-64.3
Dividends/distributions paid	**(301.7)**	(349.8)	-13.8
Other financing cash flows	**(67.4)**	7.9	–
Net Increase/(Decrease) in Cash and Cash Equivalents	**987.6**	(278.5)	–
Cash and cash equivalents at 1 January[(i)]	**1,613.4**	1,987.3	-18.8
Exchange translation	**49.8**	(95.4)	–
Cash and Cash Equivalents at 31 December[(i)]	**2,650.8**	1,613.4	+64.3

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

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

Net cash flows from operating activities – increased by 98.3%, mainly reflecting increases in operating cash inflow at Indofood and MPIC, and the appreciation in the average rupiah and peso exchange rates against the U.S. dollar.

Dividends received – increased by 5.0%, mainly reflecting increases in dividend income from Meralco and PLDT.

Net capital expenditure – increased by 11.1%, mainly reflecting higher investments in infrastructure projects at MPIC, partly offset by lower capital expenditure at Indofood.

Disposals, acquisitions and investments – 2019's net cash inflow principally relates to the net proceeds from the divestment in MPHHI (US$430.2 million), and the disposal of Goodman Fielder (US$275.0 million) and HPC (US$16.7 million), proceeds from Indofood's disposal of financial assets at fair value through other comprehensive income (US$306.3 million) and receipt of the final instalment for its disposal of the remaining 29.9% interest in China Minzhong Food Corporation Limited ("CMZ") (US$47.6 million), partly offset by the Group's investments in time deposits with original maturity of more than three months (US$183.0 million) and MPIC's instalment payments for its acquisition of 50% interest in Beacon Electric from PCEV (US$86.3 million). 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 Davao Doctors Hospital ("DDH") (US$10.7 million) and Indofood's acquisitions of PT Nugraha Indah Citarasa Indonesia ("NICI") (US$19.8 million) and PT Anugerah Indofood Barokah Makmur ("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 CMZ (US$31.4 million).

Net new borrowings – decreased by 64.3%. 2019's net cash inflow principally relates to net proceeds from borrowings at MPIC (US$692.9 million), partly offset by Indofood's net repayment of borrowings (US$409.1 million). 2018's net cash inflow principally relates to net proceeds from borrowings at MPIC (US$433.5 million) and Indofood (US$238.3 million).

Dividends/distributions paid – decreased by 13.8%. The amount represents the payments of 2018 final distribution and 2019 interim distribution by the Company to its shareholders and the payments of dividends by its subsidiary companies to their non-controlling shareholders. The decrease principally reflects a decrease in dividends paid by Indofood and its subsidiary companies, partly offset by an increase in dividends paid by MPIC's subsidiary companies.

Other financing cash flows – 2019's net cash outflow mainly relates to MPIC's acquisition of additional interests in MUN (US$67.1 million), Indofood's acquisition of additional interests in IndoAgri (US$23.8 million), Maynilad's payment of concession fees payable (US$32.4 million) and the Group's settlement of principal portion of lease payments (US$20.0 million), partly offset by capital contributions from non-controlling shareholders (US$82.7 million). 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).

Net Debt and Gearing

(A) Head Office Net Debt

The decrease in net debt mainly reflects the proceeds from disposal of Goodman Fielder. The Head Office's borrowings at 31 December 2019 comprise bonds of US$783.0 million (with an aggregated face value of US$785.7 million) which are due for redemption between September 2020 and May 2025, and bank loans of US$872.6 million (with a principal amount of US$880.0 million) which are due for repayment between March 2021 and June 2029.

Changes in Head Office Net Debt

US$ millions	Borrowings	Cash and cash equivalents[i]	Net debt
At 1 January 2019	1,639.8	(89.6)	1,550.2
Movement	15.8	(235.4)	(219.6)
At 31 December 2019	**1,655.6**	**(325.0)**	**1,330.6**

(i) Includes restricted cash as at 31 December 2019 of US$0.04 million and 1 January 2019 of US$0.1 million

Head Office Free Cash Flow[ii]

For the year ended 31 December US$ millions	2019	2018
Dividend and fee income	**165.1**	202.9
Head Office overhead expense	**(17.8)**	(26.2)
Net cash interest expense	**(72.5)**	(71.2)
Tax paid	**(0.4)**	(3.6)
Net Cash Inflow from Operating Activities	**74.4**	101.9
Net proceeds on sale of investment/(net investments)[iii]	**218.8**	(32.9)
Financing activities		
– Distributions paid	**(66.6)**	(74.6)
– Net borrowings	**13.5**	7.5
– Others[iv]	**(4.6)**	(3.0)
Net Increase/(Decrease) in Cash and Cash Equivalents	**235.5**	(1.1)
Cash and cash equivalents at 1 January	**89.5**	90.6
Cash and Cash Equivalents at 31 December	**325.0**	89.5

(ii) Excludes restricted cash as at 31 December 2019 of US$0.04 million and 1 January 2019, 31 December 2018 and 1 January 2018 of US$0.1 million
(iii) Principally represent net proceeds from disposal of Goodman Fielder less investments in PLP
(iv) Mainly payments for lease liabilities and the trustee for share purchase scheme

(B) *Group Net Debt and Gearing*

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

Consolidated

US$ millions	Net debt[i] 2019	Total equity 2019	Gearing (times) 2019	Net debt[i] 2018	Total equity 2018	Gearing (times) 2018
Head Office	**1,330.6**	**1,740.0**	**0.76x**	1,550.2	2,039.7	0.76x
Indofood	**664.2**	**3,886.0**	**0.17x**	1,444.7	3,456.1	0.42x
MPIC	**3,361.0**	**4,842.5**	**0.69x**	3,083.9	4,529.9	0.68x
FPM Power	**448.5**	**–**	**–**	498.7	321.6	1.55x
FP Natural Resources	**174.1**	**167.0**	**1.04x**	206.4	188.1	1.10x
Group adjustments[ii]	**–**	**(1,877.5)**	**–**	–	(1,825.0)	–
Total	**5,978.4**	**8,758.0**	**0.68x**	6,783.9	8,710.4	0.78x

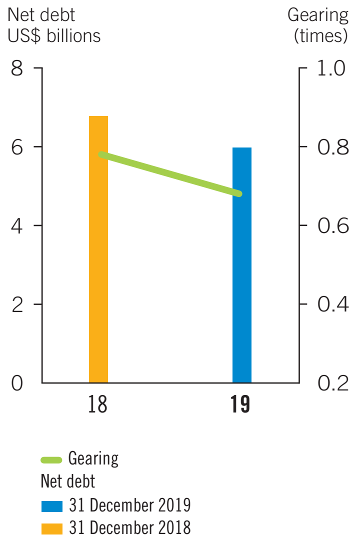
Associated Companies

US$ millions	Net debt[i] 2019	Total equity 2019	Gearing (times) 2019	Net debt[i] 2018	Total equity 2018	Gearing (times) 2018
PLDT	**3,321.2**	**2,296.6**	**1.45x**	2,370.1	2,218.8	1.07x
Philex	**187.2**	**453.6**	**0.41x**	163.9	450.7	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 was in line with 2018 because of a decrease in its net debt mainly due to the proceeds from disposal of Goodman Fielder, coupled with a decrease in its equity reflecting loss on disposal of Goodman Fielder.

Indofood's gearing decreased because of a decrease in its net debt as a result of its operating cash inflow and proceeds from disposal of financial assets at fair value through other comprehensive income ("FVOCI"), partly offset by its payments for capital expenditure and an appreciation of the rupiah against U.S. dollar during the year, coupled with an increase in its equity reflecting its profit recorded and an appreciation of the rupiah against U.S. dollar during the year.

MPIC's gearing increased because of an increase in its net debt as a result of its payments for capital expenditure by Maynilad and MPTC, instalment payments for its acquisition of 50% interest in Beacon Electric from PCEV and an appreciation of the peso against U.S. dollar during the year, despite its operating cash inflow and instalment consideration received from the divestment of a 40.1% interest in MPHHI, partly offset by an increase in its equity as a result of its profit recorded and an appreciation of the peso against U.S. dollar during the year.

FPM Power's net debt decreased as a result of capital contributions from shareholders. The decrease in its equity to zero mainly reflecting the Group's impairment provisions for investment in PLP.

FP Natural Resources' gearing decreased because of a decrease in its net debt as a result of RHI's operating cash inflow and proceeds from the disposal of HPC, despite an appreciation of the peso against U.S. dollar during the year, partly offset by a decrease in its equity reflecting RHI's loss recorded, despite an appreciation of the peso against U.S. dollar during the year.

The Group's gearing decreased to 0.68 times because of the proceeds from the disposal of Goodman Fielder and MPIC's divestment of a 40.1% interest in MPHHI, coupled with an increase in the Group's equity reflecting the appreciation of the rupiah and the peso against U.S. dollar and the Group's profit for the year.

PLDT's gearing increased because of an increase in its net debt mainly reflecting its payments for capital expenditure. Philex's gearing increased mainly because of a higher net debt reflecting its payments for capital expenditure, partly offset by its operating cash inflow.

Maturity Profile

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

Consolidated

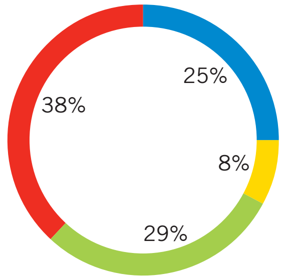
	Carrying amounts		Nominal values	
US$ millions	**2019**	2018	**2019**	2018
Within one year	**2,262.8**	2,281.1	**2,268.2**	2,279.2
One to two years	**710.0**	641.0	**713.3**	638.4
Two to five years	**2,597.6**	2,694.5	**2,617.3**	2,696.6
Over five years	**3,360.4**	2,901.3	**3,369.2**	2,913.3
Total	**8,930.8**	8,517.9	**8,968.0**	8,527.5

The change in the Group's debt maturity profile from 31 December 2018 to 31 December 2019 mainly reflects (a) a shift in long-term borrowings among the different maturity periods for Head Office, Indofood and MPIC, (b) the reclassification of long-term borrowings of AIF Toll Road Holdings (Thailand) Limited ("AIF"), MPIC's subsidiary company, and PLP of US$17.8 million and US$387.9 million, respectively to current liabilities due to the breach of debt covenants, (c) the reclassification of RHI's borrowings of US$63.8 million from current liabilities back to long-term borrowings after obtaining waivers from banks in relation to its breach of debt covenants in December 2018 and January 2019, (d) Indofood's and Head Office's redemption of bonds and (e) the Group's net new borrowings. AIF obtained a waiver subsequently in January 2020 and PLP obtained a standstill agreement with the lenders before 31 December 2019 to suspend the debt covenant testing and principal repayment in December 2019, which only valid until 31 March 2020.

Associated Companies

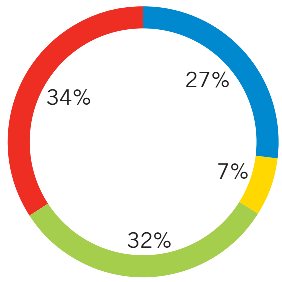
	PLDT				Philex			
	Carrying amounts		Nominal values		Carrying amounts		Nominal values	
US$ millions	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
Within one year	**389.5**	388.8	**391.7**	390.9	**50.0**	41.0	**50.0**	41.0
One to two years	**444.9**	378.7	**446.4**	380.4	**–**	–	**–**	–
Two to five years	**1,103.2**	1,212.2	**1,106.8**	1,215.0	**152.9**	139.5	**165.0**	154.2
Over five years	**1,864.8**	1,372.8	**1,867.2**	1,374.2	**–**	–	**–**	–
Total	**3,802.4**	3,352.5	**3,812.1**	3,360.5	**202.9**	180.5	**215.0**	195.2

Maturity Profile of Consolidated Debt 2019



	US$ millions
Within one year	2,262.8
One to two years	710.0
Two to five years	2,597.6
Over five years	3,360.4
Total	**8,930.8**

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**

The change in PLDT's debt maturity profile from 31 December 2018 to 31 December 2019 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 Philex's debt mainly reflects new borrowings to finance capital expenditure.

Financial Risk Management

Foreign Currency Risk

(A) Company Risk

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

The Company actively reviews the potential benefits of hedging based on forecast dividend flows and enters into hedging arrangements (including the use of forward exchange contracts) for managing its foreign currency exposure in respect of dividend income and payments in foreign currency on a transactional basis. 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 2019 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)	25.1	4.50
PLDT	(i)	10.8	1.93
MPIC	(i)	9.1	1.63
Philex	(i)	1.3	0.23
PXP	(i)	0.9	0.17
FP Natural Resources	(ii)	0.3	0.05
Head Office – Other assets	(iii)	1.0	0.18
Total		**48.5**	**8.69**

(i) Based on quoted share prices at 31 December 2019 applied to the Group's economic interests
(ii) Based on quoted share price of RHI at 31 December 2019 applied to the Group's effective economic interest
(iii) Represents the carrying amount of Silangan Mindanao Exploration Co., Ltd.'s convertible notes ("SMECI's notes")

(B) Group Risk

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

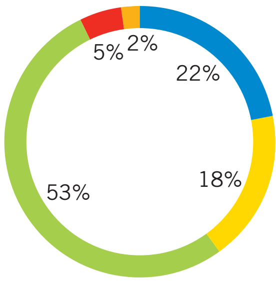
Net Debt by Currency

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' net debt by currency follows.

Consolidated

US$ millions	US$	Rupiah	Peso	S$	Others	Total
Total borrowings	1,921.0	1,602.3	4,716.4	527.1	164.0	**8,930.8**
Cash and cash equivalents(i)	(800.4)	(548.3)	(1,531.1)	(57.2)	(15.4)	**(2,952.4)**
Net Debt	1,120.6	1,054.0	3,185.3	469.9	148.6	**5,978.4**
Representing:						
Head Office	1,342.1	–	(9.6)	–	(1.9)	**1,330.6**
Indofood	(367.8)	1,000.8	–	14.8	16.4	**664.2**
MPIC	153.8	53.2	3,019.9	–	134.1	**3,361.0**
FPM Power	(6.6)	–	–	455.1	–	**448.5**
FP Natural Resources	(0.9)	–	175.0	–	–	**174.1**
Net Debt	1,120.6	1,054.0	3,185.3	469.9	148.6	**5,978.4**

Analysis of Total Borrowings by Currency



	US$ millions
US$	1,921.0
Rupiah	1,602.3
Peso	4,716.4
S$	527.1
Others	164.0
Total	**8,930.8**

Associated Companies

US$ millions	US$	Peso	Others	Total
Net Debt				
PLDT	224.4	3,103.8	(7.0)	**3,321.2**
Philex	37.9	149.3	–	**187.2**

(i) Includes short-term deposits and restricted cash

Details of changes in Head Office net debt are set out on page 101.

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. 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)]	1,342.1	–	1,342.1	–	**–**
Indofood	(367.8)	–	(367.8)	(3.7)	**(1.4)**
MPIC	153.8	–	153.8	1.5	**0.5**
FPM Power	(6.6)	–	(6.6)	(0.1)	**(0.0)**
FP Natural Resources	(0.9)	–	(0.9)	(0.0)	**(0.0)**
PLDT	224.4	(35.6)	188.8	1.9	**0.3**
Philex	37.9	–	37.9	0.4	**0.1**
Total	**1,382.9**	**(35.6)**	**1,347.3**	**(0.0)**	**(0.5)**

(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.

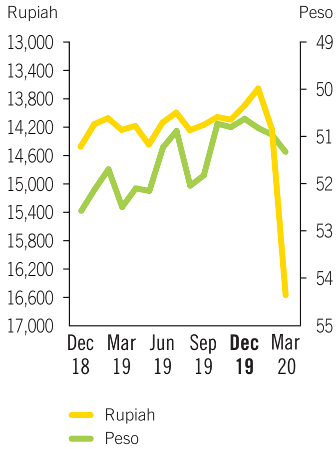
Equity Market Risk

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.

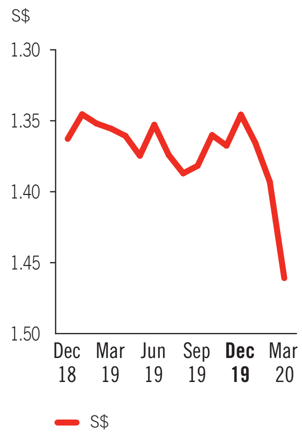
First Pacific's listed investments are located in Indonesia, the Philippines and Singapore. Accordingly, in addition to operating factors within the Company's control, the Company also has an equity market risk in respect of general investor sentiment towards these countries, especially under the continuing impact of the Covid-19 pandemic on financial markets. 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 2018	6,195	7,466	3,069
At 31 December 2019	**6,300**	**7,815**	**3,223**
Increase during 2019	+1.7%	+4.7%	+5.0%
At 23 March 2020	3,990	4,743	2,234
Decrease during 1 January 2020 to 23 March 2020	-36.7%	-39.3%	-30.7%

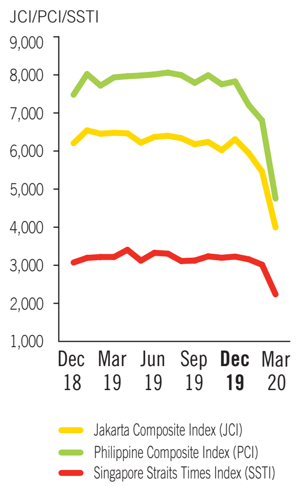
Rupiah and Peso Closing Rates against the U.S. Dollars



Singapore Dollars Closing Rates against the U.S. Dollars



Stock Market Indices



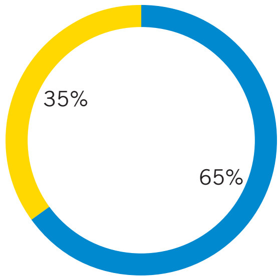
Interest Rate Risk

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 follows.

Consolidated

US$ millions	Fixed interest rate borrowings	Variable interest rate borrowings	Cash and cash equivalents(i)	Net debt
Head Office	881.9	773.7	(325.0)	**1,330.6**
Indofood	143.5	1,509.5	(988.8)	**664.2**
MPIC	4,566.0	369.0	(1,574.0)	**3,361.0**
FPM Power	–	501.2	(52.7)	**448.5**
FP Natural Resources	174.2	11.8	(11.9)	**174.1**
Total	**5,765.6**	**3,165.2**	**(2,952.4)**	**5,978.4**

Interest Rate Profile



	US$ millions
Fixed	5,765.6
Variable	3,165.2
Total	**8,930.8**

Associated Companies

US$ millions	Fixed interest rate borrowings(ii)	Variable interest rate borrowings(ii)	Cash and cash equivalents(i)	Net debt
PLDT	3,344.7	457.7	(481.2)	**3,321.2**
Philex	152.9	50.0	(15.7)	**187.2**

(i) Includes short-term deposits and restricted cash

(ii) Reflects certain interest rate swap agreements which effectively changed variable interest rate borrowings to fixed interest rate borrowings at PLDT

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	773.7	7.7	**7.7**
Indofood	1,509.5	15.1	**5.7**
MPIC	369.0	3.7	**1.1**
FPM Power	501.2	5.0	**1.7**
FP Natural Resources	11.8	0.1	**0.0**
PLDT	457.7	4.6	**0.8**
Philex	50.0	0.5	**0.2**
Total	**3,672.9**	**36.7**	**17.2**

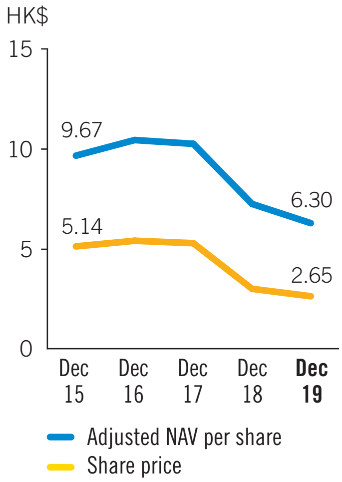
Adjusted NAV Per Share

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

At 31 December US$ millions	Basis	2019	2018
Indofood	(i)	**2,506.2**	2,261.7
PLDT	(i)	**1,077.8**	1,182.0
MPIC	(i)	**908.7**	1,166.9
Philex	(i)	**127.5**	134.1
PXP	(i)	**94.8**	160.6
FP Natural Resources	(ii)	**25.5**	36.5
FPM Power	(iii)	**–**	230.0
FPW	(iv)	**–**	325.0
Head Office – Other assets	(v)	**99.5**	95.9
– Net debt		**(1,330.6)**	(1,550.2)
Total Valuation		**3,509.4**	4,042.5
Number of Ordinary Shares in Issue (millions)		**4,344.9**	4,342.0
Value per share – U.S. dollars		**0.81**	0.93
– HK dollars		**6.30**	7.26
Company's closing share price (HK$)		**2.65**	3.02
Share price discount to HK$ value per share (%)		**57.9**	58.4

(i) Based on quoted share prices applied to the Group's economic interests
(ii) Based on quoted share price of RHI applied to the Group's effective economic interest
(iii) Represent carrying amounts
(iv) Based on the US$275 million consideration received on 16 December 2019 (2018: US$325 million 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)
(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

Statutory Reports

Consolidated Financial Statements

Notes to the Consolidated Financial Statements

General Information

Consolidated Income Statement

Consolidated Statement of Financial Position

Consolidated Statement of Cash Flows

Other Financial Information

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 2019.

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, infrastructure, natural resources and telecommunications. 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 243 and 244.

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 37 and pages 44 to 96 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 122 and page 238, respectively.

Purchase, Sale or Redemption of Listed Securities of the Company

During the year ended 31 December 2019, the Company has not repurchased any of its ordinary shares (2018: Nil) on SEHK.

On 28 June 2019, being the maturity date of the US$400 million 6.0% guaranteed bonds issued by FPC Finance Limited and guaranteed by the Company (Bonds), the issuer redeemed the outstanding US$214.9 million in aggregate principal amount of the Bonds, which Bonds were subsequently cancelled and delisted from the Singapore Exchange Securities Trading Limited.

During the year ended 31 December 2019, the independent trustee managing the Company's share award scheme subscribed 2,944,076 shares (2018: Nil) issued by the Company at an aggregate consideration of approximately US$1.1 million (2018: Nil) at the cost of the Company; and purchased 5,418,000 shares (2018: 6,062,000 shares) at an aggregate consideration of approximately US$2.0 million (2018: US$3.0 million) at the cost of the Company.

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 results of the Group for the year ended 31 December 2019 and the Group's consolidated financial position at that date are set out in the Consolidated Financial Statements on pages 119 to 239.

An interim distribution of HK6.50 cents (U.S. 0.83 cents) (2018: HK8.00 cents or U.S. 1.03 cents) per ordinary share, totaling US$36.0 million (2018: US$44.2 million), was paid on 23 September 2019. The Directors recommended the payment of a final distribution of HK7.00 cents (U.S. 0.90 cents) (2018: HK 5.50 cents or U.S. 0.71 cents) per ordinary share, totaling US$39.0 million (2018: US$30.6 million). The total distribution per ordinary share for 2019 equals to HK13.50 cents (U.S. 1.73 cents) (2018: HK 13.50 cents or U.S. 1.73 cents), totaling US$75.0 million (2018: US$74.8 million).

Charitable Contributions

In 2019, the Group made charitable contributions totaling US$21.9 million (2018: US$21.0 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 2019, 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$1,699.0 million (2018: US$1,892.8 million), representing the Company's contributed surplus account (2018: contributed surplus and retained earnings accounts). In addition, the Company's share premium account of US$63.1 million (2018: 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 the date of this report are set out on pages 38 to 41. Details of the remuneration policy and other details are provided in the Corporate Governance Report on page 96 and Note 37(A) to the Consolidated Financial Statements, respectively.

Interests of Directors in the Company and its Associated Corporations

As at 31 December 2019, 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)	44.32	–
Manuel V. Pangilinan	70,493,078(P)(ii)	1.62	–
Christopher H. Young	8,385,189(P)(iii)	0.19	–
Benny S. Santoso	446,535(P)	0.01	5,167,600
Prof. Edward K.Y. Chen, *GBS, CBE, JP*	2,946,559(P)(iv)	0.07	–
Margaret Leung Ko May Yee, *SBS, JP*	2,088,652(P)(v)	0.05	–
Philip Fan Yan Hok	2,088,652(P)(vi)	0.05	–
Madeleine Lee Suh Shin	893,070(P)	0.02	3,828,000

(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 29,033,817 shares transferred to certain family trusts.

(iii) It included Mr. Young's interests in 4,830,849 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.

(iv) It included Prof. Chen's interests in 957,000 awarded shares granted pursuant to the Company's Share Award Scheme which remain unvested.

(v) It included Mrs. Leung's interests in 957,000 awarded shares granted pursuant to the Company's Share Award Scheme which remain unvested.

(vi) It included Mr. Fan's interests in 957,000 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) 31,342,404 common shares(P) (0.10%)* in MPIC; (b) 252,194 common shares(P) (0.12%)* 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%)* 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 1,137,823,530 IndoAgri shares(C) (81.51%)* through the Company's group companies; and (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) (78.86%)* through the Company's group companies.

(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 2019.

Save for those disclosed above, as at 31 December 2019, 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 2019 as recorded in the register required to be kept under Section 336 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 2019, representing approximately 26.13% 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 2019, representing approximately 18.19% 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 2019, representing approximately 18.19% 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 112. 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 2019, representing approximately 14.57% 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 347,335,345 ordinary shares of the Company as at 21 August 2019, representing approximately 7.99% of the Company's issued share capital at that date. At 31 December 2019, 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 2019 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 2019, 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 19% (2018: 32%) of the total purchases for the year of which purchases from the largest supplier included therein accounted for 8% (2018: 17%) 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 76 to 89.

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 2019 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 68, 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
24 March 2020

Independent Auditor's Report

TO THE SHAREHOLDERS 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 119 to 239, which comprise the consolidated statement of financial position as at 31 December 2019, 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 2019, 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 life 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.
Amortisation of concession assets using unit-of-production method	
The concession assets of the Group which were amortised using the unit-of-production method related to toll roads and certain water distribution businesses. The amortisation 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 amortisation 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 amortisation 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 amortisation 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 amortisation 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 amortisation 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

24 March 2020

Consolidated Financial Statements

Consolidated Income Statement

For the year ended 31 December US$ millions	Notes	2019	2018
Turnover	4	**8,054.7**	7,742.4
Cost of sales		**(5,606.4)**	(5,564.6)
Gross Profit		**2,448.3**	2,177.8
Selling and distribution expenses		**(606.2)**	(553.4)
Administrative expenses		**(673.2)**	(621.0)
Other operating expenses, net		**(524.3)**	(63.9)
Interest income		**85.7**	64.6
Finance costs	5	**(477.4)**	(422.3)
Share of profits less losses of associated companies and joint ventures		**335.1**	319.5
Profit Before Taxation	6	**588.0**	901.3
Taxation	7	**(466.9)**	(292.6)
Profit for the Year		**121.1**	608.7
(Loss)/Profit attributable to:			
Owners of the Parent	8	**(253.9)**	131.8
Non-controlling Interests		**375.0**	476.9
		121.1	608.7
(Loss)/Earnings Per Share Attributable to Owners of the Parent (U.S. cents)	9		
Basic		**(5.85)**	3.04
Diluted		**(5.85)**	3.03

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

The Notes on pages 125 to 239 form an integral part of the Consolidated Financial Statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December US$ millions	2019	2018
Profit for the Year	**121.1**	608.7
Other Comprehensive Income/(Loss)		
Items that will be Reclassified Subsequently to Profit or Loss:		
Exchange differences on translating foreign operations	**334.5**	(535.0)
Unrealized gains/(losses) on debt investments at fair value through other comprehensive income	**1.3**	(0.5)
Unrealized gains/(losses) on cash flow hedges	**29.0**	(16.1)
Realized losses/(gains) on cash flow hedges	**11.1**	(33.4)
Income tax related to cash flow hedges	**(6.8)**	8.5
Share of other comprehensive income of associated companies and joint ventures	**9.1**	13.3
Reclassification adjustment for foreign operations disposed of during the year	**59.0**	–
Items that will not be Reclassified to Profit or Loss:		
Changes in fair value of equity investments at fair value through other comprehensive income	**52.2**	49.5
Actuarial (losses)/gains on defined benefit pension plans	**(5.5)**	40.5
Share of other comprehensive (loss)/income of associated companies and joint ventures	**(63.4)**	3.9
Other Comprehensive Income/(Loss) for the Year, Net of Tax	**420.5**	(469.3)
Total Comprehensive Income for the Year	**541.6**	139.4
(Loss)/Income Attributable to:		
Owners of the parent	**(83.5)**	(67.3)
Non-controlling interests	**625.1**	206.7
	541.6	139.4

Consolidated Statement of Financial Position

US$ millions	Notes	At 31 December 2019	At 31 December 2018
Non-current Assets			
Property, plant and equipment	11	**4,938.7**	5,157.4
Biological assets	12	**22.6**	22.7
Associated companies and joint ventures	13	**4,787.7**	4,877.3
Goodwill	14	**693.2**	1,111.5
Other intangible assets	15	**5,004.7**	4,182.5
Investment properties	16	**13.4**	9.5
Accounts receivable, other receivables and prepayments	17	**37.4**	16.2
Financial assets at fair value through other comprehensive income	18	**385.9**	319.4
Deferred tax assets	19	**156.4**	195.4
Other non-current assets	21	**819.9**	749.1
		16,859.9	16,641.0
Current Assets			
Cash and cash equivalents and short-term deposits	22	**2,846.4**	1,630.8
Restricted cash	20	**106.0**	103.2
Financial assets at fair value through other comprehensive income	18	**9.9**	289.6
Accounts receivable, other receivables and prepayments	17	**1,070.7**	1,133.9
Inventories	23	**799.0**	942.0
Biological assets	12	**52.0**	36.1
		4,884.0	4,135.6
Assets classified as held for sale	24	**138.6**	124.9
		5,022.6	4,260.5
Current Liabilities			
Accounts payable, other payables and accruals	25	**1,569.3**	1,362.6
Short-term borrowings	26	**2,262.8**	2,281.1
Provision for taxation	27	**97.3**	57.3
Current portion of deferred liabilities, provisions and payables	28	**542.5**	419.8
		4,471.9	4,120.8
Liabilities directly associated with the assets classified as held for sale	24	**25.4**	19.5
		4,497.3	4,140.3
Net Current Assets		**525.3**	120.2
Total Assets Less Current Liabilities		**17,385.2**	16,761.2
Equity			
Issued share capital	29	**43.4**	43.4
Shares held for share award scheme	30	**(3.2)**	(4.9)
Retained earnings		**1,401.4**	1,582.1
Other components of equity	31	**1,487.1**	1,463.0
Equity attributable to owners of the parent		**2,928.7**	3,083.6
Non-controlling interests	32	**5,829.3**	5,626.8
Total Equity		**8,758.0**	8,710.4
Non-current Liabilities			
Long-term borrowings	26	**6,668.0**	6,236.8
Deferred liabilities, provisions and payables	28	**1,535.3**	1,488.9
Deferred tax liabilities	19	**423.9**	325.1
		8,627.2	8,050.8
		17,385.2	16,761.2

The Notes on pages 125 to 239 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

24 March 2020

Consolidated Statement of Changes in Equity

US$ millions	Notes	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
		Equity attributable to owners of the parent											
At 1 January 2018		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		–	–	–	–	–	–	–	(30.4)	–	(30.4)	–	(30.4)
2018 interim distribution paid	10	–	–	–	–	–	–	–	(44.2)	–	(44.2)	–	(44.2)
Acquisition of subsidiary companies	34(E)	–	–	–	–	–	–	–	–	–	–	136.4	136.4
Capital contributions from non-controlling shareholders		–	–	–	–	–	–	–	–	–	–	38.3	38.3
Dividends declared and 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
At 1 January 2019		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**
Impact on initial application of HKFRS 16	2(B)	–	–	–	–	–	–	–	–	(5.6)	(5.6)	(1.6)	**(7.2)**
At 1 January 2019 (As adjusted)		43.4	(4.9)	62.0	57.3	(886.9)	452.4	12.6	1,765.6	1,576.5	3,078.0	5,625.2	**8,703.2**
(Loss)/profit for the year		–	–	–	–	–	–	–	–	(253.9)	(253.9)	375.0	**121.1**
Other comprehensive income for the year		–	–	–	–	170.4	–	–	–	–	170.4	250.1	**420.5**
Total comprehensive income/(loss) for the year		–	–	–	–	170.4	–	–	–	(253.9)	(83.5)	625.1	**541.6**
Purchase of shares under share award scheme	30	–	(2.0)	–	–	–	–	–	–	–	(2.0)	–	**(2.0)**
Issue of shares under share award scheme	30	–	(1.1)	1.1	–	–	–	–	–	–	–	–	**–**
Shares vested under share award scheme	30	–	4.8	–	(5.2)	–	–	–	–	0.4	–	–	**–**
Cancelation of share options		–	–	–	(40.3)	–	–	–	–	40.3	–	–	**–**
Employee share-based compensation benefits		–	–	–	(0.9)	–	(1.7)	–	–	2.3	(0.3)	4.1	**3.8**
Acquisition, divestment and dilution of interests in subsidiary companies		–	–	–	–	–	3.1	–	–	–	3.1	(92.7)	**(89.6)**
Deconsolidation of a subsidiary company		–	–		–	0.3	(46.5)	–	–	46.2	–	(176.6)	**(176.6)**
Disposal of an associated company		–	–	–	–	0.1	–	–	–	(0.1)	–	–	**–**
Disposal of a joint venture		–	–		–	–	10.3	–	–	(10.3)	–	–	**–**
2018 final distribution paid	10	–	–	–	–	–	–	–	(30.6)	–	(30.6)	–	**(30.6)**
2019 interim distribution paid	10	–	–	–	–	–	–	–	(36.0)	–	(36.0)	–	**(36.0)**
Acquisition of a subsidiary company	34(E)	–	–	–	–	–	–	–	–	–	–	4.1	**4.1**
Capital contributions from non-controlling shareholders		–	–	–	–	–	–	–	–	–	–	82.7	**82.7**
Dividends declared and paid to non-controlling shareholders		–	–	–	–	–	–	–	–	–	–	(242.6)	**(242.6)**
At 31 December 2019		**43.4**	**(3.2)**	**63.1**	**10.9**	**(716.1)**	**417.6**	**12.6**	**1,699.0**	**1,401.4**	**2,928.7**	**5,829.3**	**8,758.0**

The Notes on pages 125 to 239 form an integral part of the Consolidated Financial Statements.

Consolidated Statement of Cash Flows

For the year ended 31 December US$ millions	Notes	2019	2018
Profit Before Taxation		**588.0**	901.3
Adjustments for:			
Provisions for impairment losses	6	**867.3**	122.1
Finance costs	5	**477.4**	422.3
Depreciation	6	**404.4**	344.0
Loss on disposal of a joint venture	6	**308.3**	–
Amortization of other intangible assets	6	**128.8**	117.1
Provision for onerous contracts, net	6	**3.2**	15.7
Employee share-based compensation benefit expenses	36(A)	**3.2**	4.3
Gain on deconsolidation of a subsidiary company	6	**(621.0)**	–
Share of profits less losses of associated companies and joint ventures		**(335.1)**	(319.5)
Interest income		**(85.7)**	(64.6)
(Gain)/loss on changes in fair value of biological assets	6	**(13.5)**	2.2
Gain on disposal of an associated company	6	**(6.3)**	–
Gain on disposal of assets classified as held for sale	6	**(2.9)**	–
Gain on sale of property, plant and equipment	6	**(0.7)**	(1.7)
Loss on deemed disposal of an interest in a joint venture	6	**–**	2.0
Loss on divestment of an interest in an associated company	6	**–**	0.2
Gain on remeasurement of previously held interests in associated companies	6	**–**	(17.8)
Gain on remeasurement of a previously held interest in a joint venture	6	**–**	(14.8)
Others		**7.7**	4.0
		1,723.1	1,516.8
Increase in accounts payable, other payables and accruals		**168.0**	107.2
Decrease/(increase) in inventories		**149.7**	(112.5)
Decrease/(increase) in accounts receivable, other receivables and prepayments		**66.0**	(109.1)
Increase in other non-current assets		**(12.1)**	(18.9)
Net cash generated from operations		**2,094.7**	1,383.5
Interest received		**88.5**	67.3
Interest paid		**(417.5)**	(397.6)
Taxes paid		**(310.2)**	(319.1)
Net Cash Flows From Operating Activities		**1,455.5**	734.1

continued/...

Consolidated Statement of Cash Flows (continued)

For the year ended 31 December US$ millions	Notes	2019	2018
Proceeds from disposal of a subsidiary company	34(A)	**430.2**	–
Proceeds from disposal of financial assets at fair value through other comprehensive income		**306.3**	2.5
Proceeds from disposal of a joint venture	34(B)	**275.0**	–
Dividends received from associated companies and a joint venture		**265.2**	251.2
Proceeds from instalment payments for disposal of a subsidiary company		**47.6**	31.4
Proceeds from disposal of property, plant and equipment		**18.8**	13.6
Proceeds from disposal of an associated company		**16.7**	–
Dividends received from financial assets at fair value through other comprehensive income		**5.5**	6.6
Investments in other intangible assets		**(942.2)**	(569.6)
Payments for purchases of property, plant and equipment		**(421.1)**	(665.7)
(Increase)/decrease in time deposits with original maturity of more than three months		**(183.0)**	152.5
Increased investments in joint ventures	34(C)	**(69.8)**	(75.9)
Instalment payment for acquisition of a subsidiary company	34(D)	**(47.5)**	(46.5)
Investments in biological assets		**(13.2)**	(0.7)
Advances to a joint venture		**(10.7)**	(7.9)
Increased investments in associated companies		**(7.7)**	(35.6)
Increase in restricted cash		**(2.8)**	(17.3)
Acquisitions of financial assets at fair value through other comprehensive income		**(0.8)**	(232.5)
Acquisitions of subsidiary companies	34(E)	**(0.2)**	(79.5)
Investments in associated companies	34(F)	**–**	(51.1)
Investments in joint ventures		**–**	(6.8)
Proceeds from divestment of interests in associated companies		**–**	2.7
Net Cash Flows Used in Investing Activities		**(333.7)**	(1,328.6)
Proceeds from new bank borrowings and other loans	34(G)	**4,078.5**	3,983.4
Capital contributions from non-controlling shareholders		**82.7**	38.3
Loans from non-controlling shareholders	34(G)	**5.8**	–
Proceeds from shares issued to non-controlling shareholders by subsidiary companies		**2.4**	0.8
Proceeds from the issue of shares under a long-term incentive plan		**1.1**	–
Repayments of bank borrowings and other loans	34(G)	**(3,849.4)**	(3,325.5)
Dividends paid to non-controlling shareholders by subsidiary companies		**(235.1)**	(275.2)
Increased investments in subsidiary companies		**(98.0)**	(34.6)
Distributions paid to shareholders		**(66.6)**	(74.6)
Payments for concession fees payable	34(G)	**(32.4)**	(19.1)
Principal portion of lease payments	34(G)	**(20.0)**	–
Payments for purchase and subscription of shares under a long-term incentive plan		**(3.1)**	(3.0)
Repurchase of a subsidiary company's shares		**(0.1)**	(0.2)
Proceeds from divestment of an interest in a subsidiary company		**–**	25.7
Net Cash Flows (Used in)/From Financing Activities		**(134.2)**	316.0
Net Increase/(Decrease) in Cash and Cash Equivalents		**987.6**	(278.5)
Cash and cash equivalents at 1 January		**1,613.4**	1,987.3
Exchange translation		**49.8**	(95.4)
Cash and Cash Equivalents at 31 December		**2,650.8**	1,613.4
Representing			
Cash and cash equivalents and short-term deposits as stated in the consolidated statement of financial position		**2,846.4**	1,630.8
Less: bank overdrafts		**(1.3)**	–
Less: short-term deposits and time deposits with original maturity of more than three months		**(194.3)**	(17.4)
Cash and Cash Equivalents at 31 December		**2,650.8**	1,613.4

The Notes on pages 125 to 239 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, infrastructure, natural resources and telecommunications.

The Company is a limited liability company incorporated in Bermuda. As at 31 December 2019, the address of its registered office is Clarendon House, 2 Church Street, Hamilton HM11, 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 243 and 244.

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. Assets classified as held for sale are stated at the lower of their carrying amounts and fair values less costs to sell. 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 2019, the Group has adopted the following new and revised HKFRSs (which include all HKFRSs, HKASs and HK(IFRIC)-Ints) effective for annual periods commencing on or after 1 January 2019 issued by the HKICPA.

HKAS 19 Amendments	"Plan Amendment, Curtailment or Settlement"
HKAS 28 Amendments	"Long-term Interests in Associates and Joint Ventures"
HKFRS 9 Amendments	"Prepayment Features with Negative Compensation"
HKFRS 16	"Leases"
HK(IFRIC)-Int 23	"Uncertainty over Income Tax Treatments"
Improvements to HKFRSs	Annual improvements to HKFRSs 2015 – 2017 Cycle

The Group's adoption of the above pronouncements, except for HKFRS 16, has had no material effect on both the loss/profit attributable to owners of the parent for the year ended 31 December 2019 and 2018 and the equity attributable to owners of the parent at 31 December 2019 and 2018. The nature and impact of HKFRS 16 are described below:

HKFRS 16 replaces HKAS 17 "Leases", HK(IFRIC)-Int 4 "Determining whether an Arrangement contains a Lease", Hong Kong (Standard Interpretations Committee) – Interpretations ("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 account for all leases under a single on-balance sheet model to recognize and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 did not have any significant impact on leases where the Group is the lessor.

The Group has adopted HKFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initial adoption as an adjustment to the opening balance of equity at 1 January 2019, and the comparative information for 2018 was not restated and continued to be reported under HKAS 17 and related interpretations.

(a) New definition of a lease

Under HKFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient and applied the standard only to contracts that were previously identified as leases under HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

(b) As a lessee – Leases previously classified as operating leases

(I) Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for various items of property, machinery, vehicles and other equipment. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognize and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low-value assets (elected on a lease by lease basis) and leases with a lease term of 12 months or less ("short-term leases") (elected by class of underlying asset). Instead of recognizing rental expenses under operating leases on a straight-line basis over the lease term commencing from 1 January 2019, the Group recognizes depreciation (and impairment, if any) of the right-of-use assets and interest accrued on the outstanding lease liabilities (as finance costs).

(II) Impact on transition

Lease liabilities at 1 January 2019 were recognized based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019 and included in deferred liabilities, provisions and payables.

The right-of-use assets for most leases were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognized in the statement of financial position immediately before 1 January 2019. For the other leases, the right-of-use assets were recognized based on the carrying amount as if the standard had always been applied, except for the incremental borrowing rate where the Group applied the incremental borrowing rate at 1 January 2019.

The Group elected to present the right-of-use assets that do not meet the definition of investment property in property, plant and equipment instead of presenting separately on the consolidated statement of financial position.

For the leasehold land (that were held for capital appreciation) previously included in investment properties and measured at fair value, the Group has continued to include them as investment properties at 1 January 2019. They continue to be measured at fair value applying HKAS 40.

The Group has used the following elective practical expedients when applying HKFRS 16 at 1 January 2019:

(i) the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
(ii) reliance on previous assessments on whether leases are onerous;
(iii) the accounting for certain operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;
(iv) the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
(v) the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The following table summarizes the adjustments recognized for each individual line item affected in the consolidated statement of financial position arising from the adoption of HKFRS 16 at 1 January 2019:

Consolidated Statement of Financial Position (Extract) US$ millions	At 31 December 2018	Impact of HKFRS 16	At 1 January 2019 (As adjusted)
Non-current Assets			
Property, plant and equipment	5,157.4	140.2	5,297.6
Associated companies and joint ventures	4,877.3	(4.5)	4,872.8
Deferred tax assets	195.4	0.1	195.5
Other non-current assets	749.1	(58.2)	690.9
	10,979.2	77.6	11,056.8
Current Assets			
Accounts receivable, other receivables and prepayments	1,133.9	(9.5)	1,124.4
Current Liabilities			
Current portion of deferred liabilities, provisions and payables	419.8	19.2	439.0
Equity			
Retained earnings	1,582.1	(5.6)	1,576.5
Non-controlling interests	5,626.8	(1.6)	5,625.2
	7,208.9	(7.2)	7,201.7
Non-current Liabilities			
Deferred liabilities, provisions and payables	1,488.9	56.1	1,545.0

The following table reconciles the operating lease commitments as at 31 December 2018 to the opening balance of lease liabilities as at 1 January 2019:

US$ millions	
Operating Lease Commitments as at 31 December 2018	87.7
Add:	
Payments in optional extension periods not recognized as at 31 December 2018	15.7
Less:	
Commitments relating to short-term leases	(5.0)
Commitments relating to leases of low-value assets	(0.1)
Total future finance costs	(23.0)
Total Lease Liabilities recognized at 1 January 2019	75.3

The weighted average of the incremental borrowing rates used for the determination of the present value of the remaining lease payments was 5.9%.

(III) Impacts on the financial results for the year ended 31 December 2019

The following table summarizes the estimated impact of adoption of HKFRS 16 on the Group's financial results for the year ended 31 December 2019 by comparing the amounts reported under HKFRS 16 with the hypothetical amounts that would have been recognized under HKAS 17 and related interpretations if these superseded standard and interpretations had continued to apply in 2019 instead of HKFRS 16.

For the year ended 31 December US$ millions	2019
Decrease in rental expenses	32.8
Increase in depreciation	(30.6)
Increase in finance costs	(4.4)
Decrease in share of profits less losses of associated companies and joint ventures	(1.8)
Decrease in Profit for the Year	(4.0)
Attributable to:	
Owners of the parent	(2.9)
Non-controlling interests	(1.1)
	(4.0)

(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"(i)
HKAS 39, HKFRS 7 and HKFRS 9 Amendments	"Interest Rate Benchmark Reform"(i)
HKFRS 3 Amendments	"Definition of a Business"(ii)
HKFRS 10 and HKAS 28 (2011) Amendments	"Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"(iv)
HKFRS 17	"Insurance Contracts"(iii)

(i) Effective for annual periods commencing on or after 1 January 2020
(ii) Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual reporting period on or after 1 January 2020
(iii) Effective for annual periods commencing on or after 1 January 2021
(iv) 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. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

HKAS 39, HKFRS 7 and HKFRS 9 Amendments address the effects of interbank offered rate reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties.

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 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.

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.

The Group has not early adopted the above new and revised HKFRSs for the year ended 31 December 2019. Based on the Group's assessment completed to date, 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.

(D) Summary of Principal Accounting Policies

(a) Basis of consolidation

(I) Basis of consolidation

The Consolidated Financial Statements for the year ended 31 December 2019 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, directly or indirectly, 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 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. 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. 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. Contingent consideration is measured at fair value at the acquisition date. Contingent consideration classified as an asset or a 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 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 assets, liabilities or contingent liabilities being recognized or adjusted.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units ("CGU"), or group of CGUs, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or group of units. Impairment is determined by assessing the recoverable amount of the 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. An impairment loss recognized for goodwill is not reversed in a subsequent period.

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
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 directly attributable costs of 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 losses related to foreign currency denominated liabilities used to acquire such assets. Major costs incurred in restoring property, plant and equipment to their normal working condition are normally charged to the 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 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 the profit or loss when the item is derecognized.

Upkeep and maintenance costs are recognized in the 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 the 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 the 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 in which the Group has a long-term interest of generally not less than 20% of the equity voting rights and over it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. 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 Group's interest 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. For this purpose, the Group's interest is the carrying amount of the investment under the equity method, together with any other long-term interests that in substance form part of the Group's net investment in the associated company or the joint venture (after applying the expected credit loss ("ECL") model to such other long-term interests when applicable (see Note 2(D)(k)(IV))).

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 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 a 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 the 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 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 life is reviewed annually to determine whether the indefinite useful life continues to be supportable. If not, the change in 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 (i) the brand name and licenses can be renewed indefinitely at no significant costs; (ii) the Group has the intention to renew the brand name and maintain the licenses and the networks indefinitely; and (iii) 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 water, toll roads and rail businesses for which constructions have not been completed.

(g) Investment properties

Investment properties are interests in land and buildings (including the leasehold property held as a right-of-use asset (2018: leasehold property under an operating lease) 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 each 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 for owned property and/or accounts for such property in accordance with the policy stated under right-of-use assets for property held as a right-of-use asset up to the date of change in use.

(h) Fair value measurement

The Group measures its biological assets, investment properties, financial assets classified as fair value through other comprehensive income or profit or loss, 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 an indication that an impairment loss previously recognized for an asset may no longer exist or may have decreased. If such an 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, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets, in which case the recoverable amount is determined for the CGU to which the asset belongs.

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.

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 that 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.

(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 a short maturity of generally within three months when acquired, 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

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income ("FVOCI") and fair value through profit or loss ("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 or for which the Group has applied the practical expedient of not adjusting the effect of a significant financial 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" 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 ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at FVPL, irrespective of the business model.

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. Financial assets classified and measured at amortized cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at FVOCI are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at FVPL.

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.

(II) Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

(i) Financial assets at amortized cost (debt investments)
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)
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 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 operating 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.

(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 risks 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

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.

(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. 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 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.

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.

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. Depending on the nature of the inventory, net realizable value is based on either estimated selling prices less any estimated costs to be incurred to completion and disposal, or the current replacement cost. 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 policy for provisions above and (ii) the amount initially recognized less, when appropriate, the amount of income recognized in accordance with the general policy 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, and 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

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 with 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.

(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.

(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. Contract assets are subject to impairment assessment, details of which are included in the accounting policies for impairment of financial assets (see Note 2(D)(k)(IV)).

A contract liability is recognized when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognized as revenue when the Group performs under the contract (i.e. transfers control of the related goods or services to the customer).

(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

(Policies under HKFRS 16 "Leases" applicable from 1 January 2019)

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

(I) As a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets. At inception or on reassessment of a contract that contains a lease component and non-lease component(s), the Group adopts the practical expedient not to separate non-lease component(s) and to account for the lease component and the associated non-lease component(s) (e.g., property management services for leases of properties) as a single lease component.

(i) Right-of-use assets

Right-of-use assets are recognized at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets.

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

When a right-of-use asset meets the definition of investment property, it is included in investment properties. The corresponding right-of-use asset is initially measured at cost, and subsequently measured at fair value, in accordance with the Group's policy for investment properties (see Note 2(D)(g)).

(ii) Lease liabilities

Lease liabilities are recognized at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

The Group's lease liabilities are included in deferred liabilities, provisions and payables.

(iii) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its certain short-term leases (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). When the Group enters into a lease in respect of a low-value asset (i.e. asset with a value, when new, of US$5 thousand or less), the Group decides whether to capitalize the lease on a lease-by-lease basis. Lease payments on short-term leases and leases of low-value assets are recognized as an expense on a straight-line basis over the lease term.

(II) As a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is recognized in the consolidated income statement. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized in the consolidated income statement in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee are accounted for as finance leases.

(Policies under HKAS 17 "Leases" applicable before 1 January 2019)
Leases, where substantially all the risks and rewards of ownership of assets remained with the lessor, were accounted for as operating leases. Where the Group was the lessor, assets leased by the Group under operating leases were included in non-current assets, and rentals receivable under the operating leases were credited to the consolidated income statement on the straight-line basis over the lease terms. Where the Group was the lessee, rentals payable under operating leases were recorded in the consolidated income statement on the straight-line basis over the lease terms.

Leases that transferred substantially all the risks and rewards of ownership of assets to the Group, other than legal title, were accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset was 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, were included in property, plant and equipment, and were depreciated over the shorter of the lease terms and the estimated useful lives of the assets. Finance lease payments were 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 gave rise to a depreciation expense for the asset as well as a borrowing cost for each period. Finance charges were charged directly to current operations. The depreciation policy for leased assets was consistent with that for depreciable assets that were owned by the Group.

(v) Finance costs

Finance costs are interest expenses calculated using the effective interest method and other costs incurred in connection with the borrowing of funds and lease liabilities. 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 qualifying assets (principally the assets classified as property, plant and equipment and concession assets classified as intangible assets for the Group) which necessarily take a substantial period of time to prepare for their 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 of the period; 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 period.

(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 sale 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 sale.

Non-current assets and disposal groups (other than investment properties, deferred tax assets, assets arising from employee benefits and financial assets) 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"), MPIWI, PNW and Metro Iloilo Bulk Water Supply Corporation ("MIBWSC")), toll road (NLEX Corporation, Cavitex Infrastructure Corporation ("CIC"), MPCALA Holdings, Inc. ("MPCALA"), Cebu Cordova Link Expressway Corporation ("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 LRT1) and pre/on-going construction (in the case of the construction of the CALAX, Connector Road, CCLEX and LRT1 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.

For the period ended 9 December 2019, where the Group held less than 50% of voting interest in DDH but the Group had the power to exercise control, such an investment was treated as a subsidiary company because the Group was the single largest shareholder of DDH with a 49.9% interest and the remaining 50.1% interest was widely held by many other shareholders. The Group was also unaware of any formal arrangements or agreements among the other shareholders to consult and made collective actions.

(d) Significant judgement in determining the lease term of contracts with renewal options (beginning from 1 January 2019)

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., a change in business strategy).

(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 and latex of rubber, 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 and rubber at year end. For the valuation of oil palm seeds, 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 (including the right-of-use 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) Measurement of fair value of 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 a 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 based on 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 and equity 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	2019	2018
Turnover		
Sale of goods		
– Consumer Food Products	**5,528.8**	5,293.7
– Infrastructure	**76.9**	58.2
Sale of electricity		
– Infrastructure	**1,191.4**	1,241.5
Rendering of services		
– Consumer Food Products	**103.0**	144.3
– Infrastructure	**1,154.6**	1,004.7
Total	**8,054.7**	7,742.4

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 medicines 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 2019, revenue recognized of US$17.1 million (2018: 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 243 and 244.

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 2019 and 2018, and total assets and total liabilities at 31 December 2019 and 2018 regarding the Group's operating segments are as follows:

By Principal Business Activity – 2019

For the year ended/at 31 December US$ millions	Consumer Food Products	Telecom- munications	Infrastructure	Natural Resources	Head Office	**2019** **Total**
Revenue						
Turnover						
– Point in time	5,528.8	–	76.9	–	–	**5,605.7**
– Over time	103.0	–	2,346.0	–	–	**2,449.0**
Total	5,631.8	–	2,422.9	–	–	**8,054.7**
Results						
Recurring profit	159.0	119.3	116.3	1.0	(105.6)	**290.0**
Assets and Liabilities						
Non-current assets (other than financial instruments and deferred tax assets)						
– Associated companies and joint ventures	94.9	1,154.1	3,369.1	169.6	–	**4,787.7**
– Others	4,357.0	–	7,018.5	–	13.1	**11,388.6**
	4,451.9	1,154.1	10,387.6	169.6	13.1	**16,176.3**
Other assets	2,824.0	–	2,299.2	–	444.4	**5,567.6**
Segment assets	7,275.9	1,154.1	12,686.8	169.6	457.5	**21,743.9**
Assets classified as held for sale	138.6	–	–	–	–	**138.6**
Total assets	7,414.5	1,154.1	12,686.8	169.6	457.5	**21,882.5**
Borrowings	1,839.0	–	5,436.2	–	1,655.6	**8,930.8**
Other liabilities	1,455.6	–	2,580.9	–	131.8	**4,168.3**
Segment liabilities	3,294.6	–	8,017.1	–	1,787.4	**13,099.1**
Liabilities directly associated with the assets classified as held for sale	25.4	–	–	–	–	**25.4**
Total liabilities	3,320.0	–	8,017.1	–	1,787.4	**13,124.5**
Other Information						
Depreciation and amortization	(269.4)	–	(260.7)	–	(6.3)	**(536.4)**
Gain on changes in fair value of biological assets	13.5	–	–	–	–	**13.5**
Gain on deconsolidation of a subsidiary company	–	–	621.0	–	–	**621.0**
Loss on disposal of a joint venture	(308.3)	–	–	–	–	**(308.3)**
Gain on disposal of an associated company	6.3	–	–	–	–	**6.3**
Impairment losses	(31.7)	–	(835.6)	–	–	**(867.3)**
Interest income	33.7	–	44.8	–	7.2	**85.7**
Finance costs	(137.3)	–	(259.9)	–	(80.2)	**(477.4)**
Share of profits less losses of associated companies and joint ventures	(8.7)	115.4	265.8	(37.4)	–	**335.1**
Taxation	(194.6)	–	(258.6)	–	(13.7)	**(466.9)**
Additions to non-current assets (other than financial instruments and deferred tax assets)	346.2	–	1,220.4	–	12.6	**1,579.2**

By Geographical Market – 2019

For the year ended/at 31 December US$ millions	Indonesia	The Philippines	Australasia	Singapore	Others	**2019** **Total**
Revenue						
Turnover						
– Consumer Food Products	4,817.5	241.1	44.0	51.9	477.3	**5,631.8**
– Infrastructure	41.7	1,667.8	–	713.4	–	**2,422.9**
Total	4,859.2	1,908.9	44.0	765.3	477.3	**8,054.7**
Assets						
Non-current assets (other than financial instruments and deferred tax assets)	3,932.5	11,494.3	–	681.1	68.4	**16,176.3**

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

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 (2018: None).

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

US$ millions	2019	2018
Profit before taxation	**588.0**	901.3
Exclusion of:		
– Foreign exchange and derivative gains, net (Note 8)	**(5.4)**	(2.5)
– (Gain)/loss on changes in fair value of biological assets (Note 6)	**(13.5)**	2.2
– Non-recurring items	**720.5**	199.5
Deduction of attributable taxation and non-controlling interests	**(999.6)**	(811.0)
Recurring Profit	**290.0**	289.5

5. Finance Costs

US$ millions	2019	2018
Finance costs on		
– Bank borrowings and other loans	**577.0**	490.5
– Lease liabilities	**4.4**	–
Less: Finance costs capitalized in		
– Other intangible assets	**(97.2)**	(61.0)
– Property, plant and equipment	**(6.8)**	(7.2)
Total	**477.4**	422.3

The weighted average capitalization rate of borrowings costs for 2019 was 22.6% (2018: 18.2%).

6. Profit Before Taxation

US$ millions	Notes	2019	2018
Profit Before Taxation is Stated after (Charging)/Crediting			
Cost of inventories sold		**(2,829.6)**	(2,806.8)
Cost of services rendered		**(1,593.5)**	(1,585.7)
Employees' remuneration	36(A)	**(874.6)**	(816.4)
Depreciation	11	**(404.4)**	(344.0)
Loss on disposal of a joint venture[ii]	34(B)	**(308.3)**	–
Amortization of other intangible assets[i]	15	**(128.8)**	(117.1)
Impairment losses			
– Goodwill[ii]	14	**(407.5)**	(0.8)
– Other intangible assets[ii]	15	**(221.8)**	–
– Property, plant and equipment[ii]	11	**(206.0)**	–
– Other receivables[ii]		**(10.0)**	–
– Inventories[iii]	23(B)	**(9.0)**	(7.5)
– Accounts receivable[iv]	17(D)	**(7.0)**	(17.4)
– Associated companies and joint ventures[ii]		**(6.0)**	(96.4)
Expenses relating to short-term leases and other leases with remaining lease terms ended on or before 31 December 2019		**(13.2)**	–
Auditor's remuneration			
– Audit services		**(4.5)**	(4.5)
– Non-audit services[v]		**(1.5)**	(0.6)
Provision for onerous contracts, net		**(3.2)**	(15.7)
Expenses relating to leases of low-value assets		**(0.4)**	–
Minimum lease payments under operating leases			
– Land and buildings		**–**	(21.9)
– Plant and equipment		**–**	(20.8)
– Others		**–**	(8.9)
Gain on deconsolidation of a subsidiary company[ii]	34(A)	**621.0**	–
Gain/(loss) on changes in fair value of biological assets	4	**13.5**	(2.2)
Foreign exchange and derivative gains/(losses), net		**6.3**	(8.4)
Gain on disposal of an associated company		**6.3**	–
Dividend income from financial assets at FVOCI	18	**5.5**	6.6
Gain on disposal of assets classified as held for sale		**2.9**	–
Gain on sale of property, plant and equipment		**0.7**	1.7
Loss on deemed disposal of an interest in a joint venture		**–**	(2.0)
Loss on divestment of an interest in an associated company		**–**	(0.2)
Gain on remeasurement of previously held interests in associated companies		**–**	17.8
Gain on remeasurement of a previously held interest in a joint venture		**–**	14.8

(i) US$112.4 million (2018: US$101.2 million) included in cost of sales, US$13.7 million (2018: US$14.2 million) included in other operating expenses, net, and US$2.7 million (2018: US$1.7 million) included in administrative expenses
(ii) Included in other operating expenses, net
(iii) Included in cost of sales
(iv) Included in selling and distribution expenses
(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 (2018: Nil) has been provided as the Group had no estimated assessable profits (2018: 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	**2019**	2018
Subsidiary Companies - Overseas		
Current taxation	**349.0**	308.7
Deferred taxation	**117.9**	(16.1)
Total	**466.9**	292.6

Included within the share of profits less losses of associated companies and joint ventures is taxation of US$111.3 million (2018: US$94.6 million) which is analyzed as follows:

US$ millions	**2019**	2018
Associated Companies and Joint Ventures – Overseas		
Current taxation	**129.1**	120.6
Deferred taxation	**(17.8)**	(26.0)
Total	**111.3**	94.6

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:

	2019		2018	
US$ millions		**%**		%
Profit Before Taxation	**588.0**		901.3	
Notional tax on profit before taxation, calculated at the rates applicable to profits in the tax countries concerned	**255.0**	**43.4**	285.1	31.6
Tax effect of:				
– Non-deductible expenses	**136.4**	**23.2**	64.7	7.2
– Income not subject to tax	**(23.3)**	**(4.0)**	(12.9)	(1.4)
– Share of profits less losses of associated companies and joint ventures	**(79.2)**	**(13.5)**	(93.9)	(10.4)
– Others	**178.0**	**30.3**	49.6	5.5
Taxation	**466.9**	**79.4**	292.6	32.5

8. (Loss)/Profit Attributable to Owners of the Parent

The (loss)/profit attributable to owners of the parent includes net foreign exchange and derivative gains of US$6.8 million (2018: US$0.4 million), 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, gain on changes in fair value of biological assets of US$3.0 million (2018: loss of US$0.3 million) and net non-recurring losses of US$553.7 million (2018: US$157.8 million).

Analysis of Foreign Exchange and Derivative Gains/(Losses), Net

US$ millions	**2019**	2018
Foreign exchange and derivative gains/(losses)		
– Subsidiary companies	**6.3**	(8.4)
– Associated companies and joint ventures	**(0.9)**	10.9
Subtotal (Note 4)	**5.4**	2.5
Attributable to taxation and non-controlling interests	**1.4**	(2.1)
Total	**6.8**	0.4

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 2019, non-recurring losses of US$553.7 million mainly represent (a) the Group's loss on disposal of Goodman Fielder (US$308.3 million), (b) impairment provisions for the Group's investments in PLP (US$249.5 million) and Philex's mining assets (US$37.5 million), and MPIC's investments in Maynilad, MMI and other water investments (US$124.2 million), (c) PLDT's manpower reduction costs (US$11.5 million), PLP's provision for onerous contracts (US$6.9 million) and RHI's write-off of deferred tax assets (US$6.7 million), partly offset by MPIC's gain on deconsolidation of MPHHI (US$210.6 million).

9. (Loss)/Earnings Per Share Attributable to Owners of the Parent

The calculation of the basic (loss)/earnings per share is based on the (loss)/profit for the year attributable to owners of the parent, and the weighted average number of ordinary shares of 4,344.1 million (2018: 4,342.0 million) in issue less the weighted average number of ordinary shares held for a share award scheme of 5.1 million (2018: 8.7 million) during the year.

The calculation of the diluted (loss)/earnings per share is based on the (loss)/profit for the year attributable to owners of the parent, adjusted to reflect the dilutive impact of share options and the restricted stock unit plan of the Group's subsidiary and associated companies, where applicable. The weighted average number of ordinary shares used in the calculation is based on the number of ordinary shares used in the basic (loss)/earnings per share calculation adjusted for the dilutive effect of share options and awarded shares of the Company, where applicable.

The calculations of basic and diluted (loss)/earnings per share are based on:

US$ millions	**2019**	2018
(Loss)/Earnings		
(Loss)/profit attributable to owners of the parent used in the basic (loss)/earnings per share calculation	**(253.9)**	131.8
Less: Dilutive impact in respect of the share options and the restricted stock unit plan of a subsidiary company	**–**	(0.1)
(Loss)/profit attributable to owners of the parent used in the diluted (loss)/earnings per share calculation	**(253.9)**	131.7

	Number of shares	
Millions	**2019**	2018
Shares		
Weighted average number of ordinary shares issued during the year	**4,344.1**	4,342.0
Less: Weighted average number of ordinary shares held for a share award scheme	**(5.1)**	(8.7)
Weighted average number of ordinary shares used in the basic (loss)/earnings per share calculation	**4,339.0**	4,333.3
Add: Dilutive impact of awarded shares on the weighted average number of ordinary shares	**–**	7.5
Weighted average number of ordinary shares used in the diluted (loss)/earnings per share calculation	**4,339.0**	4,340.8

For the year ended 31 December 2019, the effect of share options and awarded shares (2018: share options) of the Company on the weighted average number of ordinary shares was anti-dilutive and therefore not included in the above calculation of diluted (loss)/earnings per share.

10. Ordinary Share Distribution

	U.S. cents per ordinary share		US$ millions	
	2019	2018	**2019**	2018
Interim	**0.83**	1.02	**36.0**	44.2
Proposed final/final	**0.90**	0.71	**39.0**	30.6
Total	**1.73**	1.73	**75.0**	74.8

The proposed final distribution for the year ended 31 December 2019 is subject to the approval of the Company's shareholders at the forthcoming AGM.

11. Property, Plant and Equipment

	Right-of-use assets							
US$ millions	Land and buildings	Machinery and equipment	Leasehold land under finance leases	Freehold land and buildings	Machinery, equipment and vessels	Bearer plants	Construction in progress	**Total**
Cost								
At 1 January 2019	–	–	448.2	1,254.2	4,224.9	1,062.1	186.9	**7,176.3**
Impact on initial application of HKFRS 16 (Note 2(B))	544.9	17.5	(448.2)	–	–	–	–	**114.2**
At 1 January 2019 (As adjusted)	544.9	17.5	–	1,254.2	4,224.9	1,062.1	186.9	**7,290.5**
Exchange translation	21.6	0.6	–	50.9	166.3	45.3	7.1	**291.8**
Additions	7.9	1.0	–	105.1	136.6	63.2	67.2	**381.0**
Acquisition of subsidiary companies (Note 34(E))	–	–	–	–	0.2	–	–	**0.2**
Disposals	(0.6)	(0.1)	–	(2.0)	(43.7)	(0.7)	–	**(47.1)**
Deconsolidation of a subsidiary company (Note 34(A))	(14.4)	–	–	(232.8)	(168.2)	–	–	**(415.4)**
Reclassification[(i)]	–	–	–	27.3	71.2	(5.4)	(101.3)	**(8.2)**
Reclassification from assets classified as held for sale (Note 24)	–	–	–	11.5	8.7	–	–	**20.2**
At 31 December 2019	559.4	19.0	–	1,214.2	4,396.0	1,164.5	159.9	**7,513.0**
Accumulated Depreciation and Impairment								
At 1 January 2019	–	–	26.0	328.9	1,336.3	327.7	–	**2,018.9**
Impact on initial application of HKFRS 16 (Note 2(B))	–	–	(26.0)	–	–	–	–	**(26.0)**
At 1 January 2019 (As adjusted)	–	–	–	328.9	1,336.3	327.7	–	**1,992.9**
Exchange translation	0.6	0.1	–	9.0	90.3	14.3	–	**114.3**
Depreciation for the year (Note 6)	32.1	11.1	–	65.7	265.6	29.9	–	**404.4**
Impairment for the year (Note 6)	5.3	–	–	1.8	196.3	2.6	–	**206.0**
Disposals	–	–	–	(0.3)	(28.0)	–	–	**(28.3)**
Deconsolidation of a subsidiary company (Note 34(A))	(1.2)	–	–	(42.7)	(71.1)	–	–	**(115.0)**
At 31 December 2019	36.8	11.2	–	362.4	1,789.4	374.5	–	**2,574.3**
Net Carrying Amount at 31 December 2019	522.6	7.8	–	851.8	2,606.6	790.0	159.9	**4,938.7**

(i) Reclassification from freehold land and buildings to investment properties 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 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(E))	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)
Reclassification to 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)
Reclassification to 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

For the year ended 31 December 2019, impairment losses of US$191.2 million, US$8.5 million and US$6.3 million were recognized in respect of the property, plant and equipment for PLP's power business, MPIC's logistics business and Indofood's plantation business, respectively. See Note 14(B) for details of the impairment assessment.

Property, plant and equipment with a net carrying amount of US$1,778.0 million (2018: US$1,869.3 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	**2019**	2018	**2019**	2018	**2019**	2018
At 1 January	**22.7**	23.1	**36.1**	39.8	**58.8**	62.9
Exchange translation	**0.9**	(1.4)	**1.7**	(2.5)	**2.6**	(3.9)
Additions	**0.5**	0.7	**17.5**	14.7	**18.0**	15.4
Decreases due to harvest	**(0.9)**	(0.1)	**(17.4)**	(13.3)	**(18.3)**	(13.4)
(Loss)/gain on changes in fair value of biological assets, net	**(0.6)**	0.4	**14.1**	(2.6)	**13.5**	(2.2)
At 31 December	**22.6**	22.7	**52.0**	36.1	**74.6**	58.8
Presented as:						
Non-current Portion	**22.6**	22.7	**–**	–	**22.6**	22.7
Current Portion	**–**	–	**52.0**	36.1	**52.0**	36.1
Total	**22.6**	22.7	**52.0**	36.1	**74.6**	58.8

(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, Kantor Jasa Penilai Publik 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.

(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 and latex – Key assumptions applied determining the fair values of FFB and latex are as follows:

(a) Estimated volume of subsequent harvest as of the reporting date.

(b) Selling price of FFB and latex 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 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 – 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 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 2019, there were no transfers (2018: 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: 12.0% (2018: 12.8%) Sugar cane: 11.2% (2018: 12.6%) Oil palm seeds: 11.1% (2018: 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 469,046/m^3 – Rupiah 3,360,947/m^3 (US$33.7/$m^3$ – US$241.8/$m^3$) (2018: Rupiah 542,053/$m^3$ – Rupiah 2,086,101/m^3 (US$37.4/$m^3$ – US$144.1/$m^3$)) Sugar cane: Rupiah 631,602/tonne (US$45.4/tonne) (2018: Rupiah 634,273/tonne (US$43.8/tonne)) Oil palm seeds: Rupiah 9,000/piece (US$0.65/piece) (2018: 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: 96 m^3/hectare (2018: 91 m^3/hectare) Sugar cane: 63 tonnes/hectare (2018: 63 tonnes/hectare) Oil palm seeds: 807 pieces/bunch (2018: 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 14,400/US$1 (2018: Rupiah 14,200/US$1 – Rupiah 15,000/US$1)	An appreciation/a depreciation in the exchange rate of the rupiah against the US$ would result in a decrease/an increase in the fair value of biological assets.
Inflation rate	3.0% – 3.1% (2018: 3.0% – 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 (2018: 72,875 hectares) which are valid until 2035 and 2049. The total area of timber plantations as at 31 December 2019 was 16,134 hectares (2018: 16,135 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	**2019**	2018
FFB	Thousand tonnes	**3,300**	3,375
Oil palm seeds	in million pieces	**7.2**	13.7
Latex	Thousand tonnes	**8**	10
Sugar cane	Thousand tonnes	**804**	649

13. Associated Companies and Joint Ventures

US$ millions	Associated companies 2019	2018	Joint ventures 2019	2018	Total 2019	2018
Shares, at cost						
– Listed	**5,248.1**	5,077.7	**–**	–	**5,248.1**	5,077.7
– Unlisted	**727.6**	477.4	**102.5**	629.0	**830.1**	1,106.4
Share of post-acquisition reserves (Note 31)	**(1,312.4)**	(1,327.3)	**(35.8)**	(27.5)	**(1,348.2)**	(1,354.8)
Amounts due from associated companies and joint ventures	**37.1**	38.7	**20.6**	9.3	**57.7**	48.0
Total	**4,700.4**	4,266.5	**87.3**	610.8	**4,787.7**	4,877.3

(A) At 31 December 2019 and 2018, both the listed and unlisted investments were located outside Hong Kong.

(B) At 31 December 2019, the aggregate market valuation of listed investments in associated companies was US$4,507.8 million (2018: US$5,180.0 million) based on quoted market prices. The dividends received from associated companies and a joint venture during the year ended 31 December 2019 amounted to US$265.2 million (2018: US$251.2 million).

(C) Additional details of the Group's associated companies, PLDT and Philex are set out on page 243.

(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 remain 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 continues to account for PLDT as an associated company after the said transaction.

(E) Philex was incorporated under the laws of the Philippines in 1955 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 61 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), of which the definitive feasibility study for the deposit at Boyongan has been completed in July 2019 and commenced its early work program in September 2019 after obtaining all the permits and licenses. 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.

Philex is a company listed on PSE and its recoverable amount at the end of the reporting period was 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. During the year ended 31 December 2018, the Group 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.

(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 rate-making regulations and regulatory policies of the Philippine Energy Regulatory Commission.

(G) MPHHI was incorporated under the laws of the Philippines in 2004, and together with its subsidiary companies, associated companies and joint ventures, is the largest private hospital group in the Philippines and focused on delivering high-quality healthcare solutions to patients in the Philippines. MPHHI was originally a subsidiary company of the Group; however, it has become an associated company of the Group following the deconsolidation on 9 December 2019 upon the loss of control as described in Note 34(A).

(H) FPW was incorporated under the laws of Singapore on 27 June 2014, which had become a 50%/50% joint venture owned by the Group and Wilmar International Limited ("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 Pty Ltd. ("FPW Australia") of US$406.7 million was unsecured, interest-free and unlikely to be repaid in the foreseeable future and hence considered as part of the investment cost. The Group's share in Goodman Fielder's contracted capital commitments amounted to US$5.3 million, which principally related to the purchase of property, plant and equipment.

On 16 December 2019, the Group completed the sale of its entire 50% interest in FPW to Wilmar and therefore FPW has ceased to be a joint venture of the Group. For details, please refer to Note 34(B) to the Consolidated Financial Statements.

(I) At 31 December 2019 and 2018, amounts due from associated companies and joint ventures are unsecured, interest-free and had no fixed terms of repayment.

(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 measured using the equity method, PLDT, Philex, Meralco and MPHHI, is set out below.

	PLDT		Philex		Meralco		MPHHI
For the year ended/at 31 December US$ millions	**2019**	2018	**2019**	2018	**2019**	2018	**2019**
Statements of Comprehensive Income							
Turnover	**3,280.7**	3,126.8	**131.6**	145.0	**6,172.5**	5,778.2	**308.7**
Profit/(loss) for the year	**441.8**	360.1	**(12.6)**	11.5	**453.2**	438.5	**24.0**
Other comprehensive (loss)/income	**(119.8)**	(26.7)	**(1.6)**	2.3	**(58.1)**	9.1	**(1.5)**
Total Comprehensive Income/(Loss)	**322.0**	333.4	**(14.2)**	13.8	**395.1**	447.6	**22.5**
Dividends Received	**76.0**	67.2	**–**	3.3	**159.6**	130.1	**–**
Statements of Financial Position							
Current assets	**1,492.4**	1,914.3	**57.7**	84.2	**2,324.0**	2,193.7	**158.7**
Non-current assets	**8,875.6**	7,266.9	**690.7**	689.6	**4,726.1**	4,201.4	**430.3**
Current liabilities	**(4,037.3)**	(3,664.2)	**(97.3)**	(129.5)	**(2,518.9)**	(2,197.0)	**(116.3)**
Non-current liabilities	**(4,034.1)**	(3,298.2)	**(197.5)**	(193.9)	**(2,847.9)**	(2,621.7)	**(34.6)**
Non-controlling interests	**(85.0)**	(81.9)	**–**	–	**(20.0)**	(16.1)	**(63.1)**
Net Assets	**2,211.6**	2,136.9	**453.6**	450.4	**1,663.3**	1,560.3	**375.0**

Reconciliation to Carrying Amounts of the Group's Interests in the Major Associated Companies

	PLDT		Philex		Meralco		MPHHI
At 31 December US$ millions	**2019**	2018	**2019**	2018	**2019**	2018	**2019**
Net assets	**2,211.6**	2,136.9	**453.6**	450.4	**1,663.3**	1,560.3	**375.0**
Economic interest	**25.6%**	25.6%	**46.2%**	46.2%	**45.5%**	45.5%	**20.0%**
Group's share of net assets	**566.2**	547.0	**209.6**	208.1	**756.8**	709.9	**75.0**
Purchase price allocation and other adjustments	**587.9**	589.6	**(40.0)**	4.1	**1,823.8**	1,690.4	**253.6**
Carrying Amount of the Investment	**1,154.1**	1,136.6	**169.6**	212.2	**2,580.6**	2,400.3	**328.6**
Quoted Fair Value of the Investment	**1,077.8**	1,182.0	**127.5**	134.1	**3,207.7**	3,703.3	**N/A**

(L) Additional financial information under HKFRSs in respect of the Group's major joint venture measured using the equity method, FPW, is set out below.

For the year ended/at 31 December US$ millions	2018
Statements of Comprehensive Income	
Turnover	1,608.0
Profit for the year	16.9
Other comprehensive income	15.5
Total Comprehensive Income	32.4
Statements of Financial Position	
Current assets	477.7
Non-current assets	1,471.3
Current liabilities	(1,174.4)
Non-current liabilities	(575.7)
Non-controlling interests	(8.2)
Net Assets	190.7
Additional Information for Amounts Included in the Above Line Items	
Interest income	0.5
Depreciation and amortization	(44.3)
Finance costs	(28.5)
Taxation	(9.1)
Cash and cash equivalents and short-term deposits	193.4
Current financial liabilities, excluding accounts and other payables and provisions	(911.6)
Non-current financial liabilities, excluding accounts and other payables and provisions	(530.2)

Reconciliation to Carrying Amount of the Group's Interest in the Major Joint Venture

At 31 December US$ millions	2018
Net assets	190.7
Economic interest	50.0%
Group's share of net assets	95.4
Purchase price allocation and other adjustments	37.7
Carrying amount of the investment	133.1
Loan to FPW Australia	406.7
Total	539.8

(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.

For the year ended 31 December US$ millions	Associated companies 2019	 2018	Joint ventures 2019	 2018
Share of profit/(loss) for the year	**22.8**	13.7	**(1.8)**	(0.3)
Share of other comprehensive income/(loss)	**8.4**	5.0	**(6.5)**	(0.1)
Share of Total Comprehensive Income/(Loss)	**31.2**	18.7	**(8.3)**	(0.4)
Aggregate carrying amount of the Group's investments	**430.4**	478.7	**66.7**	61.7
Amounts due from associated companies and joint ventures	**37.1**	38.7	**20.6**	9.3
Aggregate Carrying Amount of the Group's Investments	**467.5**	517.4	**87.3**	71.0

14. Goodwill

US$ millions		2019	2018
Cost			
At 1 January		**1,197.9**	1,183.2
Exchange translation		**39.9**	(56.9)
Acquisition of subsidiary companies (Note 34(E))		**6.5**	71.4
Deconsolidation of a subsidiary company (Note 34(A))		**(38.1)**	–
Other movements		**(14.0)**	0.2
At 31 December		**1,192.2**	1,197.9
Accumulated Impairment			
At 1 January		**86.4**	88.1
Exchange translation		**5.1**	(2.5)
Impairment for the year (Note 6)		**407.5**	0.8
At 31 December		**499.0**	86.4
Net Carrying Amount at 31 December		**693.2**	1,111.5
Attributable to the Businesses of:			
Indofood	– Plantations	**231.7**	224.6
	– Dairy	**115.3**	110.7
MPIC	– Water distribution	**–**	93.2
	– Toll roads	**291.1**	294.0
FPM Power	– Power	**–**	212.0
Others		**55.1**	177.0
Total		**693.2**	1,111.5

(A) Goodwill is allocated to the Group's CGUs identified according to the reportable segments. Goodwill at 31 December 2019 and 2018 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 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 amount of PLP's business has been determined based on its fair value less costs of disposal, while the recoverable amounts of Indofood's and MPIC'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) (2018: 5 years) up to 10 years (for the plantation estates in early development stage) (2018: 10 years) for Indofood's businesses, 16 to 17 years (2018: 17 to 18 years) of the remaining concession lives for MPIC's water distribution business and 9 to 29 years (2018: 10 to 30 years) of the remaining concession lives for MPIC's toll road business. The discount rates applied to cash flow projections range from 6.8% to 13.4% (2018: 8.2% to 16.2%) for Indofood's businesses, 11.1% to 16.0% (2018: 13.5% to 16.1%) for MPIC's water distribution business and 13.9% to 20.0% (2018: 13.4% to 19.0%) for MPIC's toll road 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, but not exceeding the highest retail price imposed by the Ministry of Trade of Indonesia; 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% (2018: 5.2%) 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% (2018: 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 2.1% to 2.4% (2018: 2.0% to 2.7%) for the water distribution business and from 2.6% to 23.0% (2018: 2.4% to 15.2%) 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 fair value less costs of disposal was calculated 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 disposal. The fair value on which the recoverable amount was based on was categorized as a level 2 measurement.

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.

For the year ended 31 December 2019, the Group recognized an impairment loss of US$214.6 million in relation to the CGU of PLP's power business. The impairment loss arose mainly due to (a) continuous intense competition as a result of over-supply of electricity in the Singapore electricity market, (b) the low crude oil prices affecting the price competitiveness of PLP (which is only fueled by liquefied natural gas ("LNG")) owing to the different pricing mechanisms between piped natural gas ("PNG") and LNG, the impending effect of IMO 2020 further widened the spread between PNG and LNG, (c) higher business risks as PLP continues to incur operating losses, record deteriorating non-fuel margins over the past few years, and require shareholders' equity injections to help in meeting the debt covenant, and (d) negotiate with the lenders to suspend the debt covenant testing and principal repayment through a standstill arrangement up until 31 March 2020.

For the year ended 31 December 2019, the Group recognized an impairment loss of US$131.9 million in relation to the CGU of Maynilad's water distribution business. The impairment loss arose mainly due to potential adverse changes to the terms of the concession agreement and higher business risks in view of the political and regulatory environment where Maynilad operates. Please refer to Note 15(A)(a) for the updates on Maynilad's concession agreement with MWSS.

In addition, the Group also recognized aggregate impairment losses of US$61.0 million (2018: US$0.8 million) relating to the goodwill arising from Indofood's plantations, PHI's water distribution, MPIC's logistics and other businesses (2018: PHI's water distribution business) were recognized for the year ended 31 December 2019 as the recoverable amounts were lower than the carrying amounts.

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	Bilateral and vesting contracts – Power	Software and others	**Total**
Cost									
At 1 January 2019	2,437.2	1,796.9	308.2	279.5	93.7	10.8	80.7	34.2	**5,041.2**
Acquisition of subsidiary companies (Note 34(E))	26.4	–	–	–	–	–	–	–	**26.4**
Additions	291.4	527.1	169.2	–	0.5	–	–	2.7	**990.9**
Deconsolidation of a subsidiary company (Note 34(A))	–	–	–	–	–	–	–	(4.1)	**(4.1)**
Other movements	–	–	–	–	–	–	–	(15.2)	**(15.2)**
Exchange translation	97.9	78.4	14.9	11.7	4.0	0.5	2.7	0.9	**211.0**
At 31 December 2019	2,852.9	2,402.4	492.3	291.2	98.2	11.3	83.4	18.5	**6,250.2**
Accumulated Amortization and Impairment									
At 1 January 2019	488.1	150.9	–	146.3	36.7	1.3	22.5	12.9	**858.7**
Amortization for the year (Note 6)	74.1	32.9	–	14.5	–	0.5	4.4	2.4	**128.8**
Deconsolidation of a subsidiary company (Note 34(A))	–	–	–	–	–	–	–	(3.1)	**(3.1)**
Impairment for the year (Note 6)	221.4	–	–	–	–	–	–	0.4	**221.8**
Other movements	–	–	–	–	–	–	–	(0.4)	**(0.4)**
Exchange translation	24.1	6.4	–	6.4	1.6	0.2	0.7	0.3	**39.7**
At 31 December 2019	807.7	190.2	–	167.2	38.3	2.0	27.6	12.5	**1,245.5**
Net Carrying Amount at 31 December 2019	2,045.2	2,212.2	492.3	124.0	59.9	9.3	55.8	6.0	**5,004.7**

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	Bilateral and vesting 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(E))	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
Amortization 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

(A) Concession assets – Water distribution represents the exclusive right granted to Maynilad, PNW, MPIWI, PHI, MIBWSC and PT Sarana Catur Tirta Kelola ("PT SCTK") to provide water distribution, sewerage services and water production in the Philippines, Vietnam and Indonesia, 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, 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$67.1 million) (subsequently adjusted to Pesos 3.2 billion (US$63.2 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.

On the other hand, 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.

On 11 December 2019, Maynilad received a letter from MWSS informing Maynilad that the MWSS Board of Trustees ("MWSS Board") passed a resolution in its special meeting on 5 December 2019 to revoke the extension of Maynilad's concession period from its original expiry in 2022 to 2037 (the "Subject Resolution"). Subsequently, when Maynilad formally asked MWSS and the Regulatory Office what the effect of the Subject Resolution is, the Regulatory Office stated that "as of to date, the 25-year Concession Agreement (CA) that covers the years 1997 to 2022 and the Memorandum of Agreement (MOA) that provides for the 15-year extension of the concession period from year 2022 to 2037 have not yet been cancelled" in a letter to Maynilad dated 23 December 2019.

However, the Philippine government has still ordered a review and amendment to Maynilad's concession agreement. As a result, the rate adjustment of Pesos 1.95/cubic meter originally effective on 1 January 2020 was not implemented. Also, on 2 January 2020, Maynilad executed the Release From and Waiver of Claim on Arbitral Award ("Waiver") in favor of the Philippine government. In this Waiver, Maynilad waived its claim against the Philippine government for its accumulated revenues losses for the period from 11 March 2015 to 31 December 2017. The potential amendments to the concession agreement may affect, among others, future tariff increases and service commitments, and the concession period. Any future amendments to the provisions of the concession agreement will be reflected in the Consolidated Financial Statements as these are determined. As of the date of approval of the Consolidated Financial Statements, Maynilad is still awaiting the draft of the amendments to its concession agreement.

(b) PNW

In September 2019, MPW increased its interest in PNW to 52.5% by acquiring an additional 7.5% interest and had started consolidation of PNW since then (Note 34(E)). Pursuant to a 50-year Build-Own-Operate contract with the Chu Lai Open Economic Zone Authority of Vietnam, PNW is licensed to develop a water supply system that will meet clean water demand in the Chu Lai Open Economic Zone, and urban areas, industrial zones and adjacent rural areas in Quang Nam province in Vietnam. PNW commenced operations in July 2019.

(c) MPIWI

On 13 November 2018, MPW entered into a joint venture agreement with Metro Iloilo Water District ("MIWD") for the rehabilitation, operation, maintenance and expansion of MIWD's existing water distribution system and construction of wastewater facilities (the "Project"). On 17 January 2019, MPIWI, 80% owned by MPW and 20% owned by MIWD, was established pursuant to the joint venture agreement. MPIWI shall implement the Project and will have the right to bill and collect tariff for the water supply and wastewater services provided to the customers in the service area of MIWD with an initial term of 25 years from commencement date. MPIWI commenced operations in July 2019.

(d) 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.

(e) MIBWSC

On 4 July 2016, pursuant to a joint venture agreement between MetroPac Iloilo Holdings Corporation, a wholly-owned subsidiary company 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.

(f) PT SCTK
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 additional 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 payable for new projects.

(a) NLEX Corporation's NLEX
In August 1995, First Philippine Infrastructure Development Corporation, 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. 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. NLEX Corporation 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 the South Luzon Expressway ("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$460.1 million), commenced construction in February 2019 and is expected to complete by 2021.

Under the concession agreement, NLEX Corporation shall pay the DPWH periodic payments as the 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 and 2006, respectively 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 its R-1 Expressway and to 2046 for its R-1 Extension. Upon expiry of the concession period, CIC shall hand over the project roads to the Philippine government. In July 2019, the first section of CAVITEX's C-5 Link Expressway, the 2.2-kilometer flyover crossing SLEX traversing Taguig and Pasay City, was opened.

(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 (including construction 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 to Pesos 27.3 billion (US$539.1 million) over nine years. On 3 July 2017, MPCALA commenced the construction works for the project which is expected to be completed and fully operational by 2022. In October 2019, the first 10.7-kilomter of the CALAX, a portion of the CALAX Laguna Segment, was opened.

(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$525.3 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 is 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 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. 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 Sections 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 Sections I and II with a concession period extended 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 and approving 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 NLEX, SCTEX and CAVITEX which should have been effective from 1 January 2017 and 1 January 2019 for NLEX, 1 January 2013, 1 January 2014, 1 January 2016 and 1 January 2017 for SCTEX, 1 January 2012, 1 January 2015 and 1 January 2018 for CAVITEX's R-1 Expressway, and 1 January 2014 and 1 January 2018 for CAVITEX's R-1 Extension.

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). On 29 March 2019, the TRB also granted a toll rate adjustment of Peso 0.51/km for SCTEX in relation to a petition filed by BCDA in 2011. In October 2019, the TRB approved an add-on toll rate for Phase 1 of the enhancement project on the CAVITEX's R-1 Expressway as well as an initial toll rate for the first 2.2-kilometer of the Segment 3A-1 portion of the C-5 Link Expressway, which CIC has started to collect the add-on and new toll rates from 24 October 2019. However, CIC has yet to receive regulatory approval for all the petitions filed on the periodic toll rate adjustments. NLEX Corporation and CIC are in constructive discussions with the Philippine government to resolve overdue toll rate adjustments.

(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 costs of rehabilitation of the current LRT1 system, and the pre-construction activities for the LRT1 Extension.

On 2 October 2014, LRMC signed together with the Department of Transportation ("DOTr") 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 2019, LRMC submitted letters to the DOTr and the LRTA 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, 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.

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 networks 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 for brands (2018: 10 years) and 5 years for the licenses (2018: 5 years). The forecast period is more than five years for brands to reflect a legal life of 10 years. The discount rate applied to cash flow projections was ranged from 10.9% to 12.4% (2018: 13.1% to 13.5%), 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% (2018: 3.8% to 5.0%) which does not exceed the long-term average growth rate of the industry in Indonesia where the businesses operate.

(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) Bilateral and vesting contracts – Power represents the electricity supply agreement entered by GBPC and PLP.

(a) 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.

(b) 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.

(H) The useful lives for amortization:

Concession assets – Water distribution	– Maynilad	Remaining concession life of 29 years since acquisition in 2008
	– PNW	Remaining concession life of 46 years since acquisition in 2019
	– MPIWI	Concession life of 25 years since commencement in 2019
	– PHI	Remaining concession life of 23 years since acquisition in 2012
	– MIBWSC	Concession life of 36 years subsequent to the completion of its rehabilitation 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 R-1 Expressway) and 34 years (for the R-1 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 LRT1 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
Bilateral contracts – Power		10 to 25 years
Vesting contract – Power		10 years
Software		3 to 5 years

(I) For the year ended 31 December 2019, impairment losses of US$220.0 million and US$1.4 million were recognized in respect of the concessions assets for the water distribution business operated by Maynilad and PHI, respectively. See Notes 14(B) and (15)(A)(a) for details.

(J) 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	
	2019	2018	**2019**	2018	**2019**	2018
Carrying value (US$ millions)	**875.8**	825.4	**492.3**	308.2	**20.6**	12.8
Net carrying amount (US$ millions)	**441.6**	430.1	**422.4**	243.6	**20.6**	12.8
Average growth rate	**1.0% to 15.7%**	0.4% to 11.0%	**8.5%**	8.5%	**8.1%**	8.0%
Average forecast period	**29 to 37 years**	19 to 38 years	**28 years**	29 years	**35 years**	36 years
Pre-tax discount rate	**11.0% to 14.7%**	9.5% to 11.6%	**12.0%**	12.6%	**13.5%**	11.5%

At 31 December 2019, the aggregate carrying amount of these intangible assets of US$1,388.7 million (2018: US$1,146.4 million) was included in the carrying amounts of concession assets of toll roads, rail and water. For the purpose of impairment testing as at 31 December 2019 and 2018, 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	2019	2018
At 1 January	**9.5**	10.1
Exchange translation	**0.5**	(0.6)
Gain on changes in fair value of investment properties	**0.6**	0.5
Reclassification[(i)]	**2.8**	(0.5)
At 31 December	**13.4**	9.5

(i) Reclassification from/(to) 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$0.2 million (2018: US$0.1 million). Direct operating expenses amounted to US$16 thousand (2018: US$15 thousand), which mainly pertain to real property taxes.

At 31 December 2019, land included in investment properties with an aggregate carrying amount of US$3.0 million (1 January 2019: US$2.9 million) was right-of-use assets.

17. Accounts Receivable, Other Receivables and Prepayments

US$ millions	2019	2018
Accounts receivable	**642.9**	705.9
Other receivables	**392.7**	368.7
Prepayments	**72.5**	75.5
Total	**1,108.1**	1,150.1
Presented as:		
Non-current Portion	**37.4**	16.2
Current Portion	**1,070.7**	1,133.9
Total	**1,108.1**	1,150.1

(A) The carrying amounts of accounts receivable, other receivables and prepayments approximate their fair values.

(B) At 31 December 2019, included in other receivables was US$24.2 million (2018: US$22.5 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, is analyzed below:

US$ millions	2019	2018
0 to 30 days	**464.8**	601.7
31 to 60 days	**93.2**	35.8
61 to 90 days	**18.2**	12.8
Over 90 days	**66.7**	55.6
Total	**642.9**	705.9

(D) The movements in the loss allowance for impairment of accounts receivable are as follows:

US$ millions	2019	2018
At 1 January	**33.0**	20.5
Exchange translation	**1.4**	(1.0)
Amount written off as uncollectible	**–**	(3.9)
Charge for the year (Note 6)	**7.0**	17.4
At 31 December	**41.4**	33.0

(E) An impairment analysis 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				2019
Consumer food products business	Current	0 to 30 days	31 to 60 days	61 to 90 days	Over 90 days	**Total**
Expected credit loss rate	0.1%	0.3%	0%	0%	29.6%	**2.4%**
Gross carrying amounts (US$ millions)						
– accounts receivable	297.5	69.4	8.0	5.0	30.7	**410.6**
Expected credit losses (US$ millions)	0.4	0.2	–	–	9.1	**9.7**

		Past due				2019
Infrastructure business	Current	0 to 30 days	31 to 60 days	61 to 90 days	Over 90 days	**Total**
Expected credit loss rate	0.8%	2.9%	10.1%	23.3%	39.1%	**10.6%**
Gross carrying amounts (US$ millions)						
– accounts receivable	162.8	27.4	8.9	4.3	70.3	**273.7**
– contract assets	24.2	–	–	–	–	**24.2**
Expected credit losses (US$ millions)	1.5	0.8	0.9	1.0	27.5	**31.7**

		Past due				2018
Consumer food products business	Current	0 to 30 days	31 to 60 days	61 to 90 days	Over 90 days	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				2018
Infrastructure business	Current	0 to 30 days	31 to 60 days	61 to 90 days	Over 90 days	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) As the Group's accounts receivable and contract assets relate to a large number of diversified customers, there is no concentration of credit risk.

(G) Accounts receivable with a net carrying amount of US$59.0 million (2018: US$76.2 million) were pledged as security for certain of the Group's banking facilities (Note 26(E)).

18. Financial Assets at Fair Value Through Other Comprehensive Income

US$ millions	**2019**	2018
Listed investments, at fair value:		
– Equity investments - Overseas	**251.0**	186.3
– Debentures with a fixed interest rate of 2.1% to 5.8% (2018: 2.1% to 5.8%) and a maturity date of between June 2020 and August 2023 (2018: between August 2019 and August 2023) – Overseas	**3.2**	20.1
Unlisted investments, at fair value:		
– SMECI's notes	**115.3**	95.9
– Investment funds – Overseas	**–**	284.4
– Equity investments – Overseas	**23.3**	19.7
– Club debentures – Hong Kong	**3.0**	2.6
Total	**395.8**	609.0
Presented as:		
Non-Current Portion	**385.9**	319.4
Current Portion	**9.9**	289.6
Total	**395.8**	609.0

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 2019 amounted to US$5.5 million (2018: US$6.6 million) (Note 6).

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 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, 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	Credit loss allowance	Liabilities for employee retirement benefits	Others	Total
Deferred Tax Assets					
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(E))	–	–	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
At 1 January 2019	56.4	1.4	87.0	50.6	**195.4**
Impact of initial application of HKFRS 16 (Note 2(B))	–	–	–	0.1	**0.1**
At 1 January 2019 (As adjusted)	56.4	1.4	87.0	50.7	**195.5**
Exchange translation	2.1	0.1	2.3	0.5	**5.0**
Deconsolidation of a subsidiary company (Note 34(A))	–	–	(0.6)	(10.5)	**(11.1)**
(Charged)/credited to the consolidated income statement (Note 7)	(45.7)	5.0	0.2	(7.4)	**(47.9)**
(Charged)/credited to other comprehensive income	–	–	1.4	(6.8)	**(5.4)**
Other movements	33.6	–	–	(13.3)	**20.3**
At 31 December 2019	**46.4**	**6.5**	**90.3**	**13.2**	**156.4**

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 2018	(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(E))	(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)
At 1 January 2019	(142.3)	(12.0)	(36.6)	(37.5)	(96.7)	**(325.1)**
Exchange translation	(12.2)	(0.5)	(1.4)	(0.7)	(9.6)	**(24.4)**
Deconsolidation of a subsidiary company (Note 34(A))	10.0	–	–	–	–	**10.0**
(Charged)/credited to the consolidated income statement (Note 7)	(24.6)	–	8.7	(7.6)	(46.5)	**(70.0)**
Other movements	–	–	–	5.9	(20.3)	**(14.4)**
At 31 December 2019	**(169.1)**	**(12.5)**	**(29.3)**	**(39.9)**	**(173.1)**	**(423.9)**

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. 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. 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.

The Group had fully recognized the deferred tax liabilities for the withholding taxes that would be payable on unremitted earnings that are subject to withholding taxes of its associated companies established in the Philippines. However, except for those earnings to be distributed as dividends, no deferred tax liabilities had been recognized for withholding taxes that would be payable on the unremitted earnings of the Group's subsidiary companies established in the Philippines and Indonesia. In the opinion of the Directors, it is not probable that these subsidiary companies will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiary companies in the Philippines and Indonesia for which deferred tax liabilities have not been recognized amounted to approximately US$41.9 million at 31 December 2019 (2018: US$37.0 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$383.5 million (2018: US$295.8 million), the Philippines of US$385.9 million (2018: US$275.9 million) and Indonesia of US$48.6 million (2018: US$58.1 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 2019, the Group had cash of US$99.0 million (2018: US$97.1 million) set aside mainly to cover principal and interest payments of certain borrowings in compliance with loan agreements, and US$7.0 million (2018: Nil) held under margin accounts by brokers against open future contracts for hedging purpose.

At 31 December 2019, no cash was held in an escrow account and was restricted to use (2018: US$6.1 million) as the construction contract was completed in February 2019.

21. Other Non-current Assets

US$ millions	**2019**	2018
Deposits for acquisition of property, plant and equipment	**284.4**	255.3
Prepayments	**210.4**	201.5
Plasma receivables	**105.3**	91.9
Deferred project costs	**54.8**	42.8
Long-term deposits	**20.3**	19.1
Claims for tax refund	**18.7**	30.8
Others	**126.0**	107.7
Total	**819.9**	749.1

(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 long-term deposits mainly represent MPIC's deposits paid to contractors for repair and maintenance of its toll roads.

(F) 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.

22. Cash and Cash Equivalents and Short-term Deposits

US$ millions	**2019**	2018
Cash at banks and on hand	**599.0**	529.7
Short-term time deposits	**2,247.4**	1,101.1
Total	**2,846.4**	1,630.8

(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$45.5 million (2018: US$15.8 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	**2019**	2018
Raw materials	**413.2**	505.2
Work in progress	**14.2**	14.8
Finished goods	**371.6**	422.0
Total	**799.0**	942.0

(A) At 31 December 2019, inventories with an aggregate carrying amount of US$144.4 million (2018: US$147.9 million) were carried at net realizable value.

(B) During the year ended 31 December 2019, write-downs of inventories to net realizable value amounted to US$9.0 million (2018: US$7.5 million) (Note 6).

(C) At 31 December 2019, inventories with an aggregate carrying amount of US$19.4 million (2018: US$18.9 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	**2019**	2018
Assets Classified as Held for Sale		
Assets of a disposal group classified as held for sale	**138.6**	101.1
Non-current assets held for sale	**–**	23.8
Total	**138.6**	124.9
Liabilities Directly Associated with the Assets Classified as Held for Sale	**25.4**	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.

On 23 May 2018, RHI entered into an asset purchase agreement with a buyer for the sale of RHI's sugar milling and refining operations in Batangas. The consummation of the proposed sale transaction was subject to the parties being able to secure the requisite regulatory approvals, corporate approvals, and other third-party consents. On 12 February 2019, the regulatory body issued a decision disapproving the proposed sale transaction. Nonetheless, RHI remains committed to sell the assets in Batangas and is currently negotiating with a prospective buyer. As the subject assets are available for immediate sale in their present condition and the sale is highly probable, the assets continued to be classified as held for sale at 31 December 2019.

The major classes of assets and liabilities associated with RHI's sugar milling and refining operations in Batangas classified as held for sale at the end of each reporting period are as follows:

US$ millions	2019	2018
Assets		
Property, plant and equipment	**138.6**	101.1
Assets of a Disposal Group Classified as Held for Sale	**138.6**	101.1
Liabilities		
Deferred tax liabilities	**25.4**	19.5
Liabilities Directly Associated with the Assets Classified as Held for Sale	**25.4**	19.5
Net Assets Directly Associated with the Disposal Group	**113.2**	81.6

(B) Non-current assets held for sale at 31 December 2018 represented GBPC's transmission facilities that were planned to be sold to the National Grid Corporation of the Philippines ("NGCP"). During the year ended 31 December 2019, GBPC completed the sale of certain transmission facilities of Pesos 211 million (US$4.1 million) to NGCP at a consideration of Pesos 361 million (US$7.0 million) and recorded a gain of Pesos 150 million (US$2.9 million) in "other operating expenses, net" in the consolidated income statement. GBPC's remaining transmission facilities with a carrying amount of Pesos 1.0 billion (US$20.2 million) were reclassified back to property, plant and equipment due to the uncertainty of the consummation of the sale of these assets to NGCP.

(C) At 31 December 2019, assets classified as held for sale with an aggregate carrying amount of US$138.6 million (2018: US$101.1 million) were pledged as security for certain of the Group's banking facilities (Note 26(E)).

25. Accounts Payable, Other Payables and Accruals

US$ millions	2019	2018
Accounts payable	**460.4**	425.9
Accrued expenses	**638.2**	411.3
Other payables	**470.7**	525.4
Total	**1,569.3**	1,362.6

The aging profile based on the invoice dates of accounts payable is analyzed as follows:

US$ millions	2019	2018
0 to 30 days	**389.8**	374.1
31 to 60 days	**16.9**	13.5
61 to 90 days	**2.6**	8.0
Over 90 days	**51.1**	30.3
Total	**460.4**	425.9

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	2019	2018
Short-term					
Bank loans	1.8 – 10.0 (2018: 1.3 – 10.0)	2020 (2018: 2019)		**1,981.2**	1,928.2
Other loans	2.1 – 6.5 (2018: 5.0 – 10.1)	2020 (2018: 2019)	(A)	**281.6**	352.9
Subtotal				**2,262.8**	2,281.1
Long-term					
Bank loans	1.2 – 12.5 (2018: 0.5 – 10.0)	2021-2037 (2018: 2020 – 2037)	(B)	**5,738.4**	5,060.0
Other loans	5.3 – 8.7 (2018: 4.5 – 8.7)	2021-2028 (2018: 2020 – 2028)	(C)	**929.6**	1,176.8
Subtotal				**6,668.0**	6,236.8
Total				**8,930.8**	8,517.9

The maturity profile of the Group's borrowings is as follows:

	Bank loans		Other loans		Total	
US$ millions	2019	2018	2019	2018	2019	2018
Not exceeding one year	**1,981.2**	1,928.2	**281.6**	352.9	**2,262.8**	2,281.1
More than one year but not exceeding two years	**623.7**	389.8	**86.3**	251.2	**710.0**	641.0
More than two years but not exceeding five years	**1,966.8**	2,104.2	**630.8**	590.3	**2,597.6**	2,694.5
More than five years	**3,147.9**	2,566.0	**212.5**	335.3	**3,360.4**	2,901.3
Total	**7,719.6**	6,988.2	**1,211.2**	1,529.7	**8,930.8**	8,517.9

The carrying amounts of the borrowings are denominated in the following currencies:

US$ millions	2019	2018
U.S. dollar	**1,921.0**	2,409.2
Peso	**4,716.4**	4,006.2
Rupiah	**1,602.3**	1,456.4
S$	**527.1**	514.7
Others	**164.0**	131.4
Total	**8,930.8**	8,517.9

An analysis of the carrying amounts of borrowings into fixed and variable interest rates is as follows:

US$ millions	2019	2018
Fixed interest rate	**5,765.6**	5,450.1
Variable interest rate	**3,165.2**	3,067.8
Total	**8,930.8**	8,517.9

The carrying amounts and fair values of the non-current portion of long-term borrowings are as follows:

	Carrying amounts		Fair values	
US$ millions	2019	2018	2019	2018
Bank loans	**5,738.4**	5,060.0	**5,785.0**	5,077.6
Other loans	**929.6**	1,176.8	**973.1**	1,180.7
Total	**6,668.0**	6,236.8	**6,758.1**	6,258.3

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 1.2% to 12.5% (2018: 0.5% 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 as at 31 December 2019 mainly included:

(a) Guaranteed secured bonds of US$251.6 million (with a face value of US$251.9 million) (2018: US$251.2 million (with a face value of US$251.9 million and were classified under long-term other loans)) 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% (2018: 12%) interest in PLDT.

During the year ended 31 December 2019, there was no repurchase of the above-mentioned bonds. During the year ended 31 December 2018, the Company repurchased US$60.3 million of the above-mentioned bonds at an aggregate consideration of US$64.9 million. These bonds were subsequently canceled.

(b) Unsecured bonds of US$30.0 million (with a face value of US$30.0 million) issued by MPTC in September 2019, with a coupon rate of 2.0645% per annum, and will mature in September 2020.

The balance as at 31 December 2018 mainly included:

(a) Unsecured bonds of US$214.7 million (with a face value of US$214.9 million) issued by FPC Finance Limited in June 2012, with a coupon rate of 6% per annum. These bonds were fully redeemed in June 2019.

During the year ended 31 December 2018, the Company repurchased US$159.6 million of the above-mentioned bonds at an aggregate consideration of US$169.2 million. These bonds were subsequently canceled.

(b) Unsecured Rupiah bonds of Rupiah 2.0 trillion (US$138.0 million) issued by Indofood in June 2014, with a coupon rate of 10.125% per annum, were payable quarterly. These bonds were matured in June 2019.

(B) Long-term Bank Loans

The balance at 31 December 2019 included unsecured bank loans of US$872.6 million (with a face value of US$880.0 million) (2018: US$643.1 million (with a face value of US$650.0 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 2029 (2018: between March 2021 and June 2024).

(C) Long-term Other Loans

The balance at 31 December 2019 mainly included bonds issued by wholly-owned subsidiary companies of the Company, Indofood and MPIC. Details are summarized as follows:

(a) Unsecured bonds of US$357.1 million (with a face value of US$358.8 million) (2018: US$356.6 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.

(b) Unsecured bonds of US$174.3 million (with a face value of US$175.0 million) (2018: 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.

(c) Unsecured Rupiah bonds of Rupiah 2.0 trillion (US$143.5 million) (2018: US$137.6 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.

(d) Unsecured Peso bonds of Pesos 4.4 billion (US$86.0 million) (2018: US$83.4 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.

(e) Unsecured Peso bonds of Pesos 2.6 billion (US$50.8 million) (2018: US$48.7 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.

(f) Unsecured Peso bonds of Pesos 4.0 billion (US$78.2 million) (2018: 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.

(g) Unsecured Peso bonds of Pesos 2.0 billion (US$39.1 million) (2018: 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 also included:

(a) Current portion of long-term borrowings of US$670.0 million (2018: US$810.8 million).

(b) At 31 December 2019, AIF's long-term borrowings of US$17.8 million were reclassified as current liabilities as AIF did not meet the minimum required debt service coverage ratio of at least 1.1 times on 31 December 2019. AIF obtained waivers from the lenders subsequently in January 2020. In addition, PLP was not able to comply with the debt service coverage ratio of at least 1.1 times in June and December 2019 and did not repay the principal instalment in December 2019. Although PLP obtained a standstill agreement with the lenders before 31 December 2019 to suspend the debt covenant testing and principal repayment, the standstill agreement only valid till 31 March 2020. As such, PLP does not have the unconditional right to defer settlement of the loans for at least 12 months after the reporting period, and hence US$387.9 million of PLP's long-term borrowings were reclassified as current liabilities.

At 30 September 2019, RHI did not meet the minimum required debt service coverage ratio of at least 1.25 times. However, waivers were obtained from banks before 30 September 2019. At 31 December 2018, RHI's long-term borrowings of US$63.8 million were reclassified as current liabilities 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 banks in December 2018 and January 2019.

(E) Charges on Group Assets

At 31 December 2019, certain bank and other borrowings were secured by the Group's property, plant and equipment, accounts receivable, cash and cash equivalents, inventories and assets classified as held for sale amounting to net book values of US$2,040.5 million (2018: US$2,081.3 million) and the interests of the Group's 12% (2018: 12%) in PLDT, 56% (2018: 56%) in GBPC, nil (2018: 5%) in Meralco, 55% (2018: 55%) in LRMC, 100% (2018: 100%) in AIF, 29.5% (2018: 29.5%) in DMT, 35% (2018: 35%) in PT Jakarta Lingkar Baratsatu, 70% (2018: 70%) in PLP and nil (2018: 45.1%) in HPC.

27. Provision for Taxation

US$ millions	**2019**	2018
At 1 January	**57.3**	65.3
Exchange translation	**5.5**	(3.4)
Provision for taxation on estimated assessable profits for the year	**349.0**	308.7
Deconsolidation of a subsidiary company (Note 34(A))	**(4.3)**	–
Taxes paid	**(310.2)**	(319.1)
Acquisition of subsidiary companies (Note 34(E))	**–**	5.8
At 31 December	**97.3**	57.3

An analysis of the taxes paid for the years ended 31 December 2019 and 2018 by geographical market is set out below:

US$ millions	**2019**	2018
Indonesia	**166.9**	186.6
The Philippines	**137.4**	124.6
Others	**5.9**	7.9
Total	**310.2**	319.1

28. Deferred Liabilities, Provisions and Payables

US$ millions	Lease liabilities	Long-term liabilities	Pension	Loans from non-controlling shareholders	Others	**2019**	2018
At 1 January	–	825.1	478.0	200.6	405.0	**1,908.7**	2,027.2
Impact on initial application of HKFRS 16 (Note 2(B))	75.3	–	–	–	–	**75.3**	–
At 1 January (As adjusted)	75.3	825.1	478.0	200.6	405.0	**1,984.0**	2,027.2
Exchange translation	2.0	28.7	18.3	1.4	13.5	**63.9**	(98.8)
Additions	12.3	92.2	83.3	10.8	95.6	**294.2**	155.5
Payment and utilization	(24.4)	(118.8)	(35.7)	–	(99.5)	**(278.4)**	(193.9)
Acquisition of subsidiary companies (Note 34(E))	–	–	–	–	0.5	**0.5**	18.7
Deconsolidation of a subsidiary company (Note 34(A))	(6.1)	–	(5.8)	–	25.5	**13.6**	–
At 31 December	59.1	827.2	538.1	212.8	440.6	**2,077.8**	1,908.7
Presented as:							
Non-current Portion	44.9	594.2	538.1	99.3	258.8	**1,535.3**	1,488.9
Current Portion	14.2	233.0	–	113.5	181.8	**542.5**	419.8
Total	59.1	827.2	538.1	212.8	440.6	**2,077.8**	1,908.7

The lease liabilities represent the present value of future lease payments in relation to the Group's right-of-use assets. The maturity analysis of lease liabilities is disclosed in Note 40(B)(c) to the Consolidated Financial Statements.

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) MPIWI's concession fees payable to MIWD, (c) MPCALA's concession fees payable to the Philippine government in respect of CALAX, (d) LRMC's concession fees payable to the Philippine government in respect of LRT1, (e) NLEX Corporation's concession fees payable to the Philippine government in respect of Connector Road, (f) 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 (g) 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 2019.

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 subsidiary companies of IndoAgri.

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, 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, (g) contract liabilities, (h) estimates tax warranties and indemnities in relation to the deconsolidation of MPHHI and (i) the Group's payables on LTIP.

At 31 December 2019, US$28.5 million (2018: US$22.8 million) of receipt in advance from customers mainly arising from advance payments relating to future sales of consumer food products, upfront payments for water connection and installation fees and the unused portion of toll fees received in advance through the electric toll collection media. The obligations to the customers are expected to be fulfilled within one year, except for the obligations in relation to water connection and installation fees to be fulfilled over the remaining concession period. The increase in the balance in 2019 was mainly due to the increase in advances received from customers in relation to sales of consumer food products.

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	**2019**	2018
Authorized		
6,000,000,000 (2018: 6,000,000,000) ordinary shares of U.S. 1 cent each	**60.0**	60.0
Issued and fully paid		
4,344,931,044 (2018: 4,341,986,968) ordinary shares of U.S. 1 cent each	**43.4**	43.4

During the year ended 31 December 2019, 2,944,076 (2018: Nil) new ordinary shares of U.S. 1 cent each were issued for a total cash consideration of HK$8.4 million (US$1.1 million) under the Company's share award scheme. Details of the Company's share award scheme are set out in Note 30 to the Consolidated Financial Statements.

30. Shares Held for Share Award Scheme

	Number of allocated shares held for		Number of unallocated shares held for Subscription Awards	Shares held for Share Award Scheme US$ millions
	Purchase Awards	Subscription Awards		
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)
At 1 January 2019	6,884,174	1,599,824	223,020	**(4.9)**
Purchased	5,418,000	–	–	**(2.0)**
Granted and reallocated	–	223,020	(223,020)	**–**
Granted and issued	–	2,944,076	–	**(1.1)**
Vested and transferred	(6,881,652)	(1,599,824)	–	**4.8**
At 31 December 2019	**5,420,522**	**3,167,096**	**–**	**(3.2)**

For the Purchase Awards, during the year ended 31 December 2019, the independent trustee managing the Company's share award scheme purchased 5,418,000 shares (2018: 6,062,000) of the Company at an aggregate consideration of HK$15.8 million (US$2.0 million) (2018: HK$23.6 million (US$3.0 million)) from the open market at the cost of the Company.

For the Subscription Awards, during the year ended 31 December 2019, the independent trustee managing the Company's share award scheme subscribed 2,944,076 new shares issued by the Company at an aggregate consideration of HK$8.4 million (US$1.1 million). During the year ended 31 December 2018, 223,020 shares were forfeited due to the resignation of a beneficiary. These shares were subsequently reallocated to eligible employees during the year ended 31 December 2019.

Particulars of the share awards of the Company granted to the Directors and senior executives of the Company at 31 December 2019 are set out below:

(A) Particulars of the Company's Purchase Awards

	Shares granted and unvested shares held at 1 January 2019	Shares granted during the year	Shares vested and transferred during the year	Shares forfeited during the year	**Shares granted and unvested shares held at 31 December 2019**	Grant date	Vesting period[i]
Executive Directors							
Manuel V. Pangilinan, *Managing Director and Chief Executive Officer*	1,488,460	–	(1,488,460)	–	**–**	–	–
Christopher H. Young, *Chief Financial Officer*	1,184,780	–	(1,184,780)	–	**–**	–	–
	–	4,830,849	–	–	**4,830,849**	8 April 2019	April 2020 to April 2022
Non-executive Directors							
Benny S. Santoso	148,844	–	(148,844)	–	**–**	–	–
Ambassador Albert F. del Rosario[ii]	297,690	–	(297,690)	–	**–**	–	–
	–	957,000	–	(957,000)	**–**	–	–
Independent Non-executive Directors							
Prof. Edward K.Y. Chen, *GBS, CBE, JP*	297,690	–	(297,690)	–	**–**	–	–
	–	957,000	–	–	**957,000**	8 April 2019	April 2020 to April 2022
Margaret Leung Ko May Yee, *SBS, JP*	297,690	–	(297,690)	–	**–**	–	–
	–	957,000	–	–	**957,000**	8 April 2019	April 2020 to April 2022
Philip Fan Yan Hok	297,690	–	(297,690)	–	**–**	–	–
	–	957,000	–	–	**957,000**	8 April 2019	April 2020 to April 2022
Madeleine Lee Suh Shin	357,228	–	(357,228)	–	**–**	–	–
Senior Executives	2,511,580	–	(2,511,580)	–	**–**	–	–
	–	3,424,683	–	–	**3,424,683**	8 April 2019	April 2020 to April 2022
Total	6,881,652	12,083,532	(6,881,652)	(957,000)	**11,126,532**		

(i) The awarded shares would be vested in three equal tranches from the first to the third year after the shares are granted.
(ii) Ambassador Albert F. del Rosario resigned from the Board of Directors with effect from 1 July 2019 and his unvested awarded shares were forfeited.

	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).

(B) Particulars of the Company's Subscription Awards

	Shares granted and unvested shares held at 1 January 2019	Shares granted (including reallocation) during the year	Shares vested and transferred during the year	**Shares granted and unvested shares held at 31 December 2019**	Grant date	Vesting period[i]
Senior Executives	172,000	–	(172,000)	**–**	–	–
	1,360,653	–	(1,360,653)	**–**	–	–
	67,171	–	(67,171)	**–**	–	–
	–	3,167,096	–	**3,167,096**	8 April 2019	April 2020 to April 2022
Total	1,599,824	3,167,096	(1,599,824)	**3,167,096**		

(i) The awarded shares would be vested in three equal tranches from the first to the third year after the shares are granted.

	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[ii]
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		

(ii) 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 from 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 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

On 8 April 2019, 12,083,532 share awards were granted as Purchase Awards and 3,167,096 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$2.72 per share or an aggregate value of US$5.3 million for all shares granted. The assumptions used were as follows:

Share price at the date of grant	HK$2.86 per share
Expected dividend yield	2.5% per annum
Average risk-free interest rate (based on the Hong Kong Exchange Fund Notes)	1.5% 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, 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 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 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 foreign operations 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	**2019**	2018
Indofood	**(384.5)**	(430.7)
PLDT	**(94.0)**	(115.8)
MPIC	**(147.9)**	(200.2)
Philex	**(12.7)**	(19.5)
Others	**(4.1)**	(48.7)
Total	**(643.2)**	(814.9)

The fair value reserve of financial assets at FVOCI relate to changes in the fair value of financial assets at FVOCI of the Group's subsidiary companies.

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 subsidiary companies.

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, 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's subsidiary, associated companies and joint venture's 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 subsidiary companies and 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	**2019**	2018	**2019**	2018	**2019**	2018
Associated Companies and Joint Ventures						
Revenue reserve	**(1,026.2)**	(1,044.1)	**(34.5)**	(13.1)	**(1,060.7)**	(1,057.2)
Exchange reserve	**(107.8)**	(136.4)	**(1.3)**	(5.7)	**(109.1)**	(142.1)
Fair value reserve of financial assets at FVOCI	**(1.1)**	(1.1)	**–**	–	**(1.1)**	(1.1)
Unrealized (losses)/gains on cash flow hedges	**(1.5)**	(0.2)	**–**	1.6	**(1.5)**	1.4
Actuarial losses on defined benefit pension plans	**(183.7)**	(153.4)	**–**	–	**(183.7)**	(153.4)
Differences arising from changes in equities of subsidiary companies	**(7.1)**	(7.1)	**–**	(10.3)	**(7.1)**	(17.4)
Capital and other reserves	**15.0**	15.0	**–**	–	**15.0**	15.0
Total (Note 13)	**(1,312.4)**	(1,327.3)	**(35.8)**	(27.5)	**(1,348.2)**	(1,354.8)

32. Non-controlling Interests

Details of the Group's subsidiary companies that have material non-controlling interests are set out below:

	2019	2018
Percentage of equity interest held by non-controlling interests		
– Indofood	**49.9%**	49.9%
– MPIC	**58.1%**	58.0%
– FPM Power	**32.4%**	32.4%
– FP Natural Resources	**19.5%**	20.6%

US$ millions	**2019**	2018
Profit/(loss) for the year allocated to non-controlling interests		
– Indofood	**229.0**	194.9
– MPIC	**328.9**	308.3
– FPM Power	**(173.7)**	(26.1)
– FP Natural Resources	**(9.2)**	(0.2)
Dividends paid to non-controlling interests		
– Indofood	**86.4**	150.7
– MPIC	**148.7**	124.5
Accumulated balances of non-controlling interests at 31 December		
– Indofood	**2,543.9**	2,315.1
– MPIC	**3,260.3**	3,159.0
– FPM Power	**(79.3)**	41.0
– FP Natural Resources	**104.4**	111.7

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	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
Statements of Comprehensive Income								
Turnover	**5,414.4**	5,136.1	**1,709.5**	1,575.8	**713.4**	728.6	**217.4**	301.9
Profit/(loss) for the year	**398.0**	344.3	**539.5**	420.9	**(488.8)**	(52.3)	**(24.5)**	(0.6)
Other comprehensive income/(loss)	**48.5**	102.0	**(28.6)**	6.1	**33.4**	(46.1)	**(3.1)**	(5.8)
Total Comprehensive Income/(Loss)	**446.5**	446.3	**510.9**	427.0	**(455.4)**	(98.4)	**(27.6)**	(6.4)
Statements of Financial Position								
Non-current assets	**4,687.1**	4,407.8	**10,002.8**	9,097.9	**474.1**	908.0	**220.4**	265.7
Current assets	**2,256.0**	2,297.4	**2,078.1**	1,513.5	**138.6**	118.2	**223.9**	238.9
Non-current liabilities	**(1,272.3)**	(1,094.4)	**(5,738.8)**	(4,995.8)	**(100.9)**	(494.1)	**(62.7)**	(9.4)
Current liabilities	**(1,784.8)**	(2,154.7)	**(1,483.4)**	(1,070.0)	**(876.4)**	(505.3)	**(214.6)**	(307.1)
Net Assets/(Liabilities)	**3,886.0**	3,456.1	**4,858.7**	4,545.6	**(364.6)**	26.8	**167.0**	188.1
Statements of Cash Flows								
Net cash from/(used in) operating activities	**937.7**	415.3	**603.2**	444.7	**(6.5)**	(11.0)	**25.5**	6.0
Net cash (used in)/from investing activities	**(5.0)**	(772.8)	**(533.3)**	(588.8)	**(4.5)**	(2.7)	**14.4**	(21.3)
Net cash (used in)/from financing activities	**(572.2)**	(9.2)	**93.2**	253.6	**40.2**	(27.5)	**(41.6)**	18.1
Net Increase/(Decrease) in Cash and Cash Equivalents	**360.5**	(366.7)	**163.1**	109.5	**29.2**	(41.2)	**(1.7)**	2.8

Effects of Material Transactions with Non-controlling Interests

From July to December 2019, Indofood had purchased an aggregate 100.1 million shares of IndoAgri from the open market at a total cost of S$32.5 million (US$23.8 million). As a result of these transactions, Indofood's effective interest in IndoAgri increased to 70.0% from 62.8%. The Group recorded a credit balance of US$19.2 million in differences arising from changes in equities of subsidiary companies within the Group's equity in respect of this transaction.

In August 2019, Indofood's subsidiary company, PT Sukses Artha Jaya ("SAJ"), acquired an 8.8% interest in PT Tirta Sukses Perkasa ("TSP") at a consideration of Rupiah 88 billion (US$6.2 million). As a result of this transaction, Indofood's effective interest in TSP increased to 79.3% from 72.4%. The Group recorded a debit balance of US$3.4 million in differences arising from changes in equities of subsidiary companies within the Group's equity in respect of this transaction.

In September 2019, MPIC's subsidiary company, MPT Asia, completed the acquisition of a 24.98% interest in MUN at a consideration of US$67.0 million. As a result of this transaction, MPIC's effective interest in MUN increased to 81.8% from 56.9%. The Group recorded a debit balance of US$3.6 million in differences arising from changes in equities of subsidiary companies within the Group's equity in respect of this transaction.

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, SAJ, acquired 10% interests in each of PT Tirta Makmur Perkasa ("TMP") and TSP at a total consideration of Rupiah 150 billion (US$10.5 million). As a result of this transaction, Indofood's effective interests 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.

33. Other Comprehensive (Loss)/Income Attributable to Owners of the Parent

US$ millions	Exchange reserve	Fair value reserve of financial assets at FVOCI	Unrealized gains/ (losses) on cash flow hedges	Income tax related to cash flow hedges	Actuarial (losses)/ gains on defined benefit pension plans	Share of other comprehensive (loss)/income of associated companies and joint ventures	Total
At 1 January 2018	(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)
At 1 January 2019	(814.9)	86.4	(19.3)	2.7	(15.1)	(126.7)	**(886.9)**
Other comprehensive income/(loss) for the year	171.7	23.7	19.1	(3.2)	(1.8)	(39.1)	**170.4**
Disposal of an associated company	–	–	–	–	–	0.1	**0.1**
Deconsolidation of a subsidiary company	–	–	–	–	0.3	–	**0.3**
At 31 December 2019	**(643.2)**	**110.1**	**(0.2)**	**(0.5)**	**(16.6)**	**(165.7)**	**(716.1)**

34. Notes to the Consolidated Statement of Cash Flows

(A) Deconsolidation of a Subsidiary Company

US$ millions	2019
Consideration	
Cash and cash equivalents[i]	**466.4**
Associated company[ii]	**323.6**
Accounts receivable, other receivables and prepayments[iii]	**75.1**
Current portion of deferred liabilities, provisions and payables[iv] (Note 28)	**(3.6)**
Deferred liabilities, provisions and payables[iv] (Note 28)	**(46.2)**
Total	**815.3**
Net Assets Deconsolidated	
Property, plant and equipment (Note 11)	**300.4**
Associated companies and joint ventures	**59.8**
Goodwill (Note 14)	**38.1**
Other intangible assets (Note 15)	**1.0**
Financial assets at FVOCI	**0.5**
Deferred tax assets (Note 19)	**11.1**
Other non-current assets	**9.2**
Cash and cash equivalents and short-term deposits	**36.2**
Bank deposits with maturity of more than three months	**6.0**
Accounts receivable, other receivables and prepayments	**50.9**
Inventories	**19.2**
Accounts payable, other payables and accruals	**(86.3)**
Short-term borrowings (Note 34(G))	**(13.0)**
Provision for taxation (Note 27)	**(4.3)**
Current portion of deferred liabilities, provisions and payables (Note 28)	**(1.7)**
Long-term borrowings (Note 34(G))	**(11.7)**
Deferred liabilities, provisions and payables (Note 28)	**(34.5)**
Deferred tax liabilities (Note 19)	**(10.0)**
Total Net Assets Deconsolidated	**370.9**
Non-controlling interests in net assets deconsolidated	**(176.6)**
Total Share of Net Assets Deconsolidated	**194.3**
Gain on Deconsolidation Before Taxation (Note 6)	**621.0**
Deferred taxation	**(118.7)**
Gain on Deconsolidation, Net of Tax	**502.3**
Net Cash Inflow per the Consolidated Statement of Cash Flows	**430.2**

(i) Represents cash consideration of US$506.5 million received, net of transaction costs paid of US$40.1 million
(ii) Represents the fair value of the retained interest in MPHHI
(iii) Represents the present value of instalment receivable to be received by MPIC in 2020
(iv) Represents the transaction costs payable by MPIC

On 14 October 2019, MPHHI and MPIC entered into a share subscription agreement and an exchangeable bond subscription agreement, respectively, with an investment vehicle established by KKR as investor. The share subscription agreement and the exchangeable bond subscription agreement collectively relate to an investment by the investor in MPIC's hospitals and healthcare business conducted by MPHHI.

The share subscription agreement provides for the subscription by the investor of Pesos 5.2 billion (US$100.8 million) for new common shares in MPHHI representing approximately 6.3% of aggregate par value of MPHHI. The exchangeable bond subscription agreement provides for the subscription by the investor of Pesos 30.1 billion (US$583.6 million) (with a present value of US$581.6 million) for a mandatorily exchangeable bond to be issued by MPIC, which is exchangeable for 239,932,962 shares in MPHHI held by MPIC, representing approximately 36.3% of the enlarged issued common share capital of MPHHI on closing of the subscription for new common shares in MPHHI under the share subscription agreement. The first instalment of the subscription price for the exchangeable bond of Pesos 26.1 billion (US$506.5 million) is payable on closing under the exchangeable bond subscription agreement and the remaining instalments amounting to Pesos 4.0 billion (US$77.1 million) (with a present value of US$75.1 million) in aggregate will be settled within a year from the closing under the exchangeable bond subscription agreement.

On 9 December 2019, the above transactions were completed and MPIC's economic interest in MPHHI was reduced from 60.1% to 20.0% accordingly. Since then, MPHHI has ceased to be a subsidiary company of MPIC, which has accounted for the remaining interest in MPHHI as an investment in an associated company. As a result of the transactions, MPIC's gain on deconsolidation of MPHHI of US$621.0 million was recognized in "other operating expenses, net" in the consolidated income statement for the year ended 31 December 2019.

(B) Disposal of a Joint Venture

2019's cash inflow of US$275.0 million relates to the Group's disposal of its 50% interest in FPW.

On 11 March 2019, Oceanica Developments Limited ("Oceanica"), the Company's indirect wholly-owned subsidiary company, 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$275.0 million, rising to US$325.0 million if a contingent instalment and an additional earn-out payment becomes payable.

The transaction was completed on 16 December 2019 with a loss on disposal of US$308.3 million recognized in "other operating expenses, net" in the consolidated income statement for the year ended 31 December 2019.

(C) Increased Investments in Joint Ventures

2019's cash outflow of US$69.8 million mainly relates to MPIC's instalment payment to PCEV for its acquisition of a 25% interest in Beacon Electric in May 2016, Head Office's capital injection into Goodman Fielder and Indofood's capital injections into OIMP and Canápolis.

2018's cash outflow of US$75.9 million mainly related 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.

(D) Instalment Payment for Acquisition of a Subsidiary Company

2019's cash outflow of US$47.5 million (2018: US$46.5 million) mainly relates to MPIC's instalment payment to PCEV for its acquisition of the remaining 25% interest in Beacon Electric in June 2017.

(E) Acquisition of Subsidiary Companies

US$ millions	Fair value recognized on acquisition 2019 Total	2018 Total
Consideration		
Cash and cash equivalents	**3.3**	126.5
Associated companies and joint ventures[(i)]	**8.8**	198.7
Total	**12.1**	325.2
Net Assets		
Property, plant and equipment (Note 11)	**0.2**	181.6
Associated companies and joint ventures	**–**	56.8
Other intangible assets (Note 15)	**26.4**	276.7
Accounts receivable, other receivables and prepayments (Non-current)	**–**	6.1
Deferred tax assets (Note 19)	**–**	7.1
Other non-current assets	**0.7**	28.6
Cash and cash equivalents	**3.1**	47.0
Restricted cash	**–**	4.8
Financial assets at FVOCI (Current)	**–**	3.4
Accounts receivable, other receivables and prepayments (Current)	**1.3**	86.6
Inventories	**–**	19.6
Accounts payable, other payables and accruals	**(5.4)**	(71.9)
Short-term borrowings (Note 34(G))	**–**	(39.3)
Provision for taxation (Note 27)	**–**	(5.8)
Current portion of deferred liabilities, provisions and payables (Note 28)	**(0.1)**	(8.7)
Long-term borrowings (Note 34(G))	**(16.1)**	(141.5)
Deferred liabilities, provisions and payables (Note 28)	**(0.4)**	(10.0)
Deferred tax liabilities (Note 19)	**–**	(50.9)
Total Net Identifiable Assets Acquired	**9.7**	390.2
Non-controlling interests[(ii)]	**(4.1)**	(136.4)
Total Share of Net Identifiable Assets Acquired	**5.6**	253.8
Goodwill (Note 14)	**6.5**	71.4
Net Cash Outflow per the Consolidated Statement of Cash Flows	**(0.2)**	(79.5)

(i) Represents the fair value of a 45% interest in PNW previously held by MPIC (2018: 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).
(ii) The non-controlling interests were measured at the proportionate share of their interests in the acquiree's identifiable net assets.

On 26 February 2019, MPTC acquired a 100% interest in SESI for a consideration of Pesos 93 million (US$1.8 million). The fair value and gross amount of SESI's receivables were US$0.8 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 5 September 2019, MPW acquired an additional 7.5% interest in PNW for a consideration of Pesos 78 million (US$1.5 million). Following the completion of the acquisition, MPW's interest in PNW increased to 52.5% from 45% and PNW became a subsidiary company of MPIC. Prior to the completion of this transaction, MPIC accounted for its investment in PNW as an associated company. The fair value and gross amount of PNW's receivables were US$0.5 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.

The net assets of PNW recognized in the Group's 2019 Consolidated Financial Statements were based on provisional assessments of the fair values while the Group is still evaluating the fair values of the assets acquired and liabilities and contingent liabilities assumed. The valuation and assessment had not been completed by the date the Group's 2019 Consolidated Financial Statements were approved for issue by the Board of Directors. If new information obtained within one year of the acquisition date about facts and circumstances that existed at the acquisition date 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 MPIC's acquisition of SESI and PNW 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$1.9 million and loss for the period of US$1.6 million which are included in the consolidated income statement of the Group. If the acquisitions had taken place on 1 January 2019, the turnover and profit for the year ended 31 December 2019 of the Group would have been US$8,056.8 million and US$118.8 million, respectively.

2018's net cash outflow of US$79.5 million mainly related to MPIC's acquisitions of a 30.4% interest in PT Nusantara, a 14.7% interest in DDH and a 80% interest in PT Rezeki Perkasa Sejahtera Lestari, and Indofood's acquisitions of the remaining 50% interest in NICI and the remaining 51% interest in AIBM.

(F) Investments in Associated Companies

2018's cash outflow of US$51.1 million mainly related to MPIC's acquisition of a 45% interest in PNW and a 49% interest in TLW in May and June 2018, respectively.

(G) Reconciliation of Liabilities Arising from Financing Activities

US$ millions	Loans from non-controlling shareholders	Service concession fees payable	Borrowings	Lease liabilities	Total
At 1 January 2018	192.5	595.7	7,969.7	–	8,757.9
Exchange translation	(1.8)	(29.5)	(278.9)	–	(310.2)
Changes in financing cash flows	–	(19.1)	657.9	–	638.8
Acquisition of subsidiary companies (Note 34(E))	–	–	180.8	–	180.8
Finance costs	4.5	9.8	7.1	–	21.4
Other movements	5.4	25.8	(18.7)	–	12.5
At 31 December 2018	200.6	582.7	8,517.9	–	9,301.2
At 1 January 2019	200.6	582.7	8,517.9	–	**9,301.2**
Impact of initial application of HKFRS 16 (Note 2(B))	–	–	–	75.3	**75.3**
At 1 January 2019 (As adjusted)	200.6	582.7	8,517.9	75.3	**9,376.5**
Exchange translation	1.4	20.8	221.6	2.0	**245.8**
Changes in financing cash flows	5.8	(32.4)	229.1	(20.0)	**182.5**
Finance costs	5.0	11.3	7.4	4.4	**28.1**
Acquisition of subsidiary companies (Note 34(E))	–	–	16.1	–	**16.1**
Deconsolidation of a subsidiary company (Note 34(A))	–	–	(24.7)	(6.1)	**(30.8)**
Interest paid classified as operating cash flows	–	–	–	(4.4)	**(4.4)**
Other movements	–	67.2	(36.6)	7.9	**38.5**
At 31 December 2019	**212.8**	**649.6**	**8,930.8**	**59.1**	**9,852.3**

(H) Total Cash Outflow for Leases

The total cash outflow for leases included in the consolidated statement of cash flows is as follows:

US$ millions	2019
Within operating activities	18.0
Within financing activities	20.0
Total	**38.0**

(I) Major non-cash transaction

For the year ended 31 December 2019, the Group had non-cash additions to right-of-use assets and lease liabilities of US$7.9 million and US$7.9 million, respectively, in respect of lease arrangements for buildings, and machinery and equipment.

35. Commitments and Contingent Liabilities

(A) Capital Expenditure

US$ millions	2019	2018
Commitments in respect of subsidiary companies:		
– Authorized, but not contracted for	1,704.1	2,310.8
– Contracted, but not provided for	666.9	117.2
Total	**2,371.0**	2,428.0

The Group's capital expenditure commitments principally relate to Indofood's, MPIC's, RHI's and PLP's purchase of property, plant and equipment, and construction of infrastructures for Maynilad's and MPW's water and sewerage businesses, MPTC's toll road business and LRMC's rail business.

(B) Leasing Commitments as at 31 December 2018

At 31 December 2018, the Group had total future minimum lease payments under non-cancelable operating leases falling due as follows:

US$ millions	2018
Land and Buildings	
– Within one year	14.7
– Between two and five years, inclusive	34.9
– After five years	29.7
Subtotal	79.3
Plant and Equipment	
– Within one year	3.4
– Between two and five years, inclusive	4.6
– After five years	0.4
Subtotal	8.4
Total	87.7

(C) Contingent Liabilities

(a) At 31 December 2019, except for guarantees of US$41.3 million (2018: US$48.0 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 (2018: 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	2019	2018
Basic salaries	**511.3**	489.0
Bonuses	**189.6**	168.4
Benefits in kind	**115.4**	104.2
Pension contributions	**53.3**	45.4
Retirement and severance allowances	**1.8**	5.1
Employee share-based compensation benefit expenses/LTIP	**3.2**	4.3
Total	**874.6**	816.4
Average Number of Employees	**111,448**	107,289

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 10 (2018: 12) defined contribution schemes covering approximately 14,222 (2018: 15,929) 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% (2018: 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 six (2018: eight) of the schemes, forfeited contributions may be used to reduce the existing levels of employer contributions and, in 2019, no amount (2018: Nil) was used for this purpose. At 31 December 2019 and 2018, 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 21 (2018: 28) defined benefit schemes covering approximately 10,284 (2018: 14,716) employees. 12 (2018: 12) of the plans are unfunded where the Group meets the benefit payment obligations as they fall due while nine (2018: 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. and PT Dayamandiri Dharmakonsilindo, 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 2019, the Group's level of funding in respect of its defined benefit schemes was 50.9% (2018: 52.9%).

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 2019	Total 2018
Present value of defined benefit obligations	(88.3)	(493.3)	**(581.6)**	(518.5)
Fair value of plan assets	43.5	–	**43.5**	40.5
Liability in the Consolidated Statement of Financial Position	(44.8)	(493.3)	**(538.1)**	(478.0)

(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 2019	Total 2018
At 1 January	(75.8)	(442.7)	**(518.5)**	(557.7)
Exchange translation	(3.1)	(16.9)	**(20.0)**	34.0
Current service cost	(7.9)	(34.8)	**(42.7)**	(39.1)
Past service cost	(0.8)	–	**(0.8)**	4.4
Interest cost on obligation	(5.2)	(38.0)	**(43.2)**	(34.9)
Actuarial gains/(losses) arising from:				
– Changes in demographic assumptions	1.3	–	**1.3**	0.2
– Changes in financial assumptions	(17.1)	(4.8)	**(21.9)**	50.4
– Experience adjustments	1.1	13.2	**14.3**	7.3
Acquisition of subsidiary companies	–	–	**–**	(13.6)
Deconsolidation of a subsidiary company	14.2	–	**14.2**	–
Benefit paid and others	5.0	30.7	**35.7**	30.5
At 31 December	(88.3)	(493.3)	**(581.6)**	(518.5)

(III) The changes in the fair value of plan assets under the defined benefit schemes during the year are as follows:

US$ millions	2019	2018
At 1 January	**40.5**	37.3
Exchange translation	**1.7**	(1.5)
Interest income included in net interest cost	**3.3**	2.3
Return on plan assets (excluding amount included in net interest cost)	**(0.6)**	(3.6)
Contributions by employers	**11.7**	9.7
Acquisition of subsidiary companies	**–**	1.1
Deconsolidation of a subsidiary company	**(8.4)**	–
Benefit paid and others	**(4.7)**	(4.8)
At 31 December	**43.5**	40.5

(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:

	2019	2018
Philippine debt equities	**56%**	43%
Philippine equities	**23%**	16%
Indonesian debt securities	**1%**	1%
Indonesian equities	**1%**	2%
Cash in banks and time deposits	**4%**	20%
Unit trust funds and others	**15%**	18%

(V) The amount recognized in the consolidated income statement and consolidated statement of comprehensive income is analyzed as follows:

US$ millions	Defined benefit schemes	Estimated liabilities for employee benefits	Total 2019	2018
Current service cost[(i)]	7.9	34.8	**42.7**	39.1
Past service cost[(i)]	0.8	–	**0.8**	(4.4)
Interest cost on obligation[(i)]	5.2	38.0	**43.2**	34.9
Interest income on plan assets[(i)]	(3.3)	–	**(3.3)**	(2.3)
Actuarial (gains)/losses arising from				
– Changes in demographic assumptions[(ii)]	(1.3)	–	**(1.3)**	(0.2)
– Changes in financial assumptions[(ii)]	17.1	4.8	**21.9**	(50.4)
– Experience adjustments[(ii)]	(1.1)	(13.2)	**(14.3)**	(7.3)
Return on plan assets (excluding amount included in net interest cost)[(ii)]	0.6	–	**0.6**	3.6
Total	25.9	64.4	**90.3**	13.0
Actual Return on Plan Assets			**7%**	(1%)

(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:

	2019	2018
Discount rate	**7%**	8%
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 2019**	Increase/ (decrease)	(Decrease)/ increase at 31 December 2018
Annual discount rate (%)	**1.0**	**(24.9)**	1.0	(36.6)
	(1.0)	**29.5**	(1.0)	42.3
Future annual salary increases (%)	**1.0**	**30.0**	1.0	44.8
	(1.0)	**(25.7)**	(1.0)	(39.3)

(VIII) The following table provides the maturity analysis of the undiscounted benefit payments as at 31 December:

US$ millions	2019	2018
Less than one year	**43.1**	37.4
One year to five years	**167.8**	143.8
More than five years	**4,322.2**	3,605.3
Total expected benefit payments	**4,533.1**	3,786.5

The weighted average duration of the defined benefit obligation is 11 years (2018: 12 years).

(IX) The Group expects to contribute US$5.4 million (2018: US$11.5 million) to its defined benefit pension plans next year.

(C) Loans to Officers

During the years ended 31 December 2019 and 2018, 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 2019, 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 – 2019

US$'000	Non-performance based Salaries	Non-performance based Other benefits	Non-performance based Pension contributions	Performance based payments[i]	Employee share-based compensation benefit expenses/LTIP	Fees[ii]	**Total**
Chairman							
Anthoni Salim	3,106	–	–	–	–	66	**3,172**
Executive Directors							
Manuel V. Pangilinan, *Managing Director and Chief Executive Officer*	4,707	523	198	4,470	2,704	–	**12,602**
Christopher H. Young, *Chief Financial Officer*	1,623	258	159	235	1,799	–	**4,074**
Non-executive Directors							
Tedy Djuhar	–	–	–	–	–	28	**28**
Benny S. Santoso	–	–	–	–	124	104	**228**
Ambassador Albert F. del Rosario[iii]	–	–	–	–	79	64	**143**
Independent Non-executive Directors							
Prof. Edward K.Y. Chen, *GBS, CBE, JP*	–	–	–	–	167	178	**345**
Margaret Leung Ko May Yee, *SBS, JP*	–	–	–	–	167	166	**333**
Philip Fan Yan Hok	–	–	–	–	167	177	**344**
Madeleine Lee Suh Shin	–	–	–	–	130	152	**282**
Total	9,436	781	357	4,705	5,337	935	**21,551**

(i) Performance based payments comprise performance bonuses and long-term monetary incentive awards.
(ii) For meetings attended
(iii) Ambassador Albert F. del Rosario resigned from the Board of Directors with effect from 1 July 2019.

Directors' Remuneration – 2018

US$'000	Salaries	Other benefits	Pension contributions	Performance based payments[i]	Employee share-based compensation benefit expenses/LTIP	Fees[ii]	Retirement benefit payments	Total
	Non-performance based							
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.

Included within the total Directors' remuneration is an amount of US$1.3 million (2018: US$1.2 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. Two (2018: One) senior executives were among the Group's five highest earning employees during the year ended 31 December 2019. The remaining three (2018: four) of the five highest earning employees are the Company's Directors. Details of the remuneration for the two (2018: one) senior executives are as follows:

US$'000	2019	2018
Non-performance based		
– Salaries and benefits	2,600	648
Performance based		
– Bonuses and long-term monetary incentive awards	12,676	–
Employee share-based compensation benefit expenses/LTIP	–	820
Total	**15,276**	1,468

The remuneration of the two (2018: one) senior executives who were among the Group's five highest earning employees in 2019 is within the following bands:

Remuneration bands	2019 Number	2018 Number
US$1,412,000 - US$1,476,000	–	1
US$7,364,000 - US$7,428,000	1	–
US$7,876,000 - US$7,940,000	1	–

(C) Key Management Personnel Compensation

US$ millions	2019	2018
Non-performance based		
– Salaries and benefits	69.0	72.5
– Pension contributions	5.1	4.5
Performance based		
– Bonuses and long-term monetary incentive awards	63.5	60.9
Employee share-based compensation benefit expenses/LTIP	3.2	4.3
Fees	0.9	0.7
Total	**141.7**	142.9

(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 2019 are set out below:

(a) Particulars of the Company's share option scheme

	Share options held at 1 January 2019	Share options granted during the year	Share options canceled during the year[i]	**Share options held at 31 December 2019**	Share options exercise price per share[ii] (HK$)	Market price per share immediately before the date of grant[ii] (HK$)	Grant date	Vesting period[iv]	Exercisable period
Executive Director									
Manuel V. Pangilinan	10,224,972	–	(10,224,972)	**–**	10.2299	10.4450	–	–	–
Non-Executive Director									
Benny S. Santoso	715,748	–	(715,748)	**–**	10.2299	10.4450	–	–	–
	1,097,139	–	(1,097,139)	**–**	10.2729	9.7213	–	–	
	715,748	–	(715,748)	**–**	10.2299	7.72	–	–	–
	1,339,600	–	–	**1,339,600**	4.972	4.950	15 April 2016	April 2017 to April 2019	April 2017 to April 2022
	–	3,828,000	–	**3,828,000**	2.87	2.87	8 April 2019	April 2020 to April 2022	April 2020 to April 2025
Independent Non- Executive Directors									
Prof. Edward K.Y. Chen, *GBS, CBE, JP*	1,097,139	–	(1,097,139)	**–**	10.2729	9.7213	–	–	–
Margaret Leung Ko May Yee, *SBS, JP*	715,748	–	(715,748)	**–**	10.2299	10.4450	–	–	–
	1,097,139	–	(1,097,139)	**–**	10.2729	9.7213	–	–	–
Philip Fan Yan Hok	715,748	–	(715,748)	**–**	10.2299	10.4450	–	–	–
	1,097,139	–	(1,097,139)	**–**	10.2729	9.7213	–	–	–
Madeleine Lee Suh Shin	–	3,828,000	–	**3,828,000**	2.87	2.87	8 April 2019	April 2020 to April 2022	April 2020 to April 2025
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
	24,130,933	–	(24,130,933)	**–**	10.2299	10.4450	–	–	–
	44,227,095	–	(44,227,095)	**–**	10.2729	9.7213	–	–	–
	5,112,486	–	(5,112,486)	**–**	10.2299	7.72	–	–	–
	14,638,000	–	(14,638,000)	**–**	10.2514	7.72	–	–	–
	7,538,000	–	(7,538,000)	**–**	10.2514	9.24	–	–	–
	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
	–	7,699,459	–	**7,699,459**	2.87	2.87	8 April 2019	April 2020 to April 2022	April 2020 to April 2025
Total	119,292,546	15,355,459	(113,123,034)	**21,524,971**[iii]					

(i) On 8 April 2019, First Pacific's Board of Directors approved to rescind and cancel a total of 113,123,034 share options granted by the Company to the Directors and senior executives of the Company during the period from March 2013 to July 2014 at exercise prices ranging from HK$10.2299 to HK$10.2729. The corresponding amounts accumulated in the employee share-based compensation reserve for these share options were credited to retained earnings upon cancelation.

(ii) 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

(iii) The number of outstanding share options vested and exercisable at 31 December 2019 was 6,169,512. These share options had a weighted average exercise price of HK$5.16.

(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% from 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 2016 and 2019 grants, the share options would be vested in three equal tranches from the first to the third year after the share options are granted.
- (c) 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 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

(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.

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% of 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% of 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% of 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% of 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% of 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% of 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% of 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% of the exercise price. No other feature of the options granted was incorporated into the measurement of fair value.

On 8 April 2019, 15,355,459 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 lattice model, was HK$0.51 per share or an aggregate value of US$1.0 million for all options granted. The assumptions used were as follows:

Share price at the date of grant	HK$2.86 per share
Exercise price	HK$2.87 per share
Expected volatility (based on historical volatility of the Company's shares commensurate with the average expected life of the options granted)	24%
Option life	6 years
Expected dividend yield	2.5% per annum
Average risk-free interest rate (based on the Hong Kong Exchange Fund Notes)	1.47% 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 4.5 years. The early exercise behavior assumes that option holders will exercise the options when the share price is at least 140% of 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 21,524,971 share options outstanding under the Company's share option schemes, which represented approximately 0.5% 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 2019	Share options exercised during the year	Share options lapsed during the year	**Share options held at 31 December 2019**	Share option exercise price per share (Peso)	Market price per share immediately before the date of grant (Peso)
Senior Executives	54,825,000	(27,790,000)(i)	(27,035,000)	–	4.60	4.59

(i) The weighted average closing prices of MPIC's shares immediately before and at the date on which these share options were exercised were Pesos 4.91 and Pesos 5.00, respectively.

	Share options held at 1 January 2018	Reclassification(ii)	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(v)	Exercisable period
Executive Director										
Robert C. Nicholson(ii)	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)(iii)	(8,000,000)	54,825,000(iv)					

(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 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.

(iv) 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.

(v) 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 2019	Share options lapsed during the year	**Share options held at 31 December 2019**	Share option exercise price per share (Peso)	Market price per share immediately before the date of grant (Peso)
Executive Director					
Manuel V. Pangilinan	500,000	(500,000)	–	5.32	7.09
Senior Executives	16,648,096	(16,648,096)	–	5.32	7.09
Total	17,148,096	(17,148,096)	–		

	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.

The RHI employee share option scheme was approved on 16 January 2014 as LTIPs for the employees of RHI and its subsidiary companies based on individual performance.

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) MPIC's Restricted Stock Unit Plan

In 2019, 26.7 million shares were transferred to eligible Directors and senior executives. There were no new shares awarded under MPIC's restricted stock unit plan for the year ended 31 December 2019.

Particulars of MPIC's restricted stock unit plan at 31 December 2018

	Shares unvested at 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 2019 and 2018 are disclosed as follows:

(A) For the year ended 31 December 2019, Meralco PowerGen Corporation ("Meralco PowerGen"), through its wholly-owned subsidiary company, MPG Asia Limited ("MPG Asia"), made pro-rata capital injections to FPM Power of US$17.6 million (2018: US$4.4 million). There was no change in shareholdings in FPM Power following the capital injections.

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 (2018: US$113.5 million) remained outstanding at 31 December 2019 and were included in the current portion of deferred liabilities, provisions and payables (Note 28).

(B) For the year ended 31 December 2019, Petronas Power Sdn. Bhd. ("Petronas"), the 30% shareholder of PLP, made pro-rata capital injections to PLP of S$25.4 million (US$18.6 million) (2018: S$6.1 million (US$4.6 million)). There was no change in shareholdings in PLP following the capital injections.

At 31 December 2019, Petronas had outstanding loans due from PLP of approximately US$62.6 million (2018: US$57.5 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 2019, PLP accrued interest expenses of US$5.1 million (2018: US$4.5 million) to Petronas, which were compounded as part of the outstanding loans from Petronas. At 31 December 2019, PLP had approximately US$13,771 (2018: US$14,190) of outstanding interest payable due to Petronas which was included in accounts payable, other payables and accruals.

(C) FPM Power has a support service agreement with Meralco PowerGen with effect from 1 January 2015. Under the agreement, FPM Power shall pay Meralco PowerGen for its support services rendered under the agreement until terminated in writing by Meralco PowerGen and FPM Power.

For the year ended 31 December 2019, the fees under the above arrangement amounted to US$1.0 million (2018: US$1.0 million). At 31 December 2019, FPM Power had outstanding service fees payable of US$0.3 million (2018: US$0.3 million) to Meralco PowerGen which was included in accounts payable, other payables and accruals.

(D) 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$3.0 million for the year ended 31 December 2019 (Period from 1 March 2018 to 31 December 2018: US$2.5 million). At 31 December 2019, there is no outstanding receivable from Smart under this agreement.

(E) 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 between the parties. The agreement was terminated on 30 April 2019.

For the period ended 30 April 2019, the fees under the above arrangement amounted to A$0.2 million (US$0.2 million) (For the year ended 31 December 2018: A$0.9 million (US$0.7 million)). At 31 December 2019, no service fees receivable (2018: A$0.2 million (US$0.1 million)) from Goodman Fielder remained outstanding.

(F) In December 2014, Asia Link B.V. ("ALBV"), a wholly-owned subsidiary company of the Company, 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$99.5 million) (out of the total Pesos 7.2 billion (US$142.2 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 2019, ALBV accrued interest income of US$4.8 million (2018: US$4.5 million) on these notes.

(G) For the period ended 1 July 2019, Ambassador Albert F. del Rosario, who was a Non-executive Director of the Company up till 1 July 2019, earned interest income of US$5,750 (Period from 30 May 2018 to 31 December 2018: US$6,868) from bonds of US$200,000 (2018: US$200,000) due 2025 issued by FPC Capital Limited on 30 May 2018, where the issuer is a wholly-owned subsidiary company of the Company.

(H) 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 4.9 billion (US$94.4 million) was settled up to December 2019. The outstanding payable of Pesos 4.9 billion (US$96.8 million) will be settled in two equal annual instalments in June 2020 and June 2021. At 31 December 2019, the outstanding consideration payable due in June 2020 of Pesos 2.45 billion (US$48.4 million) (with a present value of US$47.1 million) was included in the current portion of deferred liabilities, provisions and payables (Note 28) and the remaining outstanding consideration due in June 2021 of Pesos 2.45 billion (US$48.4 million) (with a present value of US$44.9 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 6.0 billion (US$117.1 million) was settled up to December 2019. The outstanding payable of Pesos 3.2 billion (US$63.1 million) (with a present value of US$61.9 million) at 31 December 2019 was included in the current portion of deferred liabilities, provisions and payables (Note 28) and will be due in June 2020.

(I) On 26 March 2019, ICBP, a subsidiary company of Indofood, entered into a share sale and purchase agreement with JC Comsa Corporation ("JCC") in relation to the acquisition of JCC's 35% interest in ICSM, a subsidiary company of ICBP, at a total consideration of Rupiah 8.6 billion (US$0.6 million). As a result, ICBP's interest in ICSM increased to 86% from 51%.

(J) 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	**2019**	2018
Income Statement Items		
Sales of finished goods		
– to associated companies and joint ventures	**–**	42.5
– to affiliated companies	**575.3**	528.0
Purchases of raw materials and finished goods		
– from associated companies and joint ventures	**9.6**	124.6
– from affiliated companies	**3.0**	1.8
Outsourcing expenses		
– to affiliated companies	**27.3**	21.4
Insurance expenses		
– to affiliated companies	**11.1**	11.2
Rental expenses		
– to affiliated companies	**0.9**	0.9
Pump services expenses		
– to affiliated companies	**0.5**	0.5
Royalty and technical income		
– from associated companies and joint ventures	**–**	2.5
– from affiliated companies	**22.4**	17.5
Rental income		
– from affiliated companies	**1.8**	1.2

Approximately 11% (2018: 11%) of Indofood's sales and 0.3% (2018: 3%) of its purchases were transacted with these related parties.

Nature of Balances

At 31 December US$ millions	**2019**	2018
Statement of Financial Position Items		
Accounts receivable – trade		
– from affiliated companies	**91.9**	79.0
Accounts receivable – non-trade		
– from affiliated companies	**16.3**	15.1
Accounts payable – trade		
– from associated companies and joint ventures	**5.2**	–
– to affiliated companies	**5.5**	4.5
Accounts payable – non-trade		
– to affiliated companies	**36.7**	29.5

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 78 to 88.

(K) In March 2018, Maynilad, a subsidiary company of MPIC, renewed the framework agreement with DMCI, 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 DMCI to Maynilad. In October 2019, the estimated annual caps for years 2019 and 2020 under the aforesaid framework agreement were revised due to existing pressure to accelerate water and wastewater infrastructure projects in the Philippines, particularly, after the widespread water service interruptions and near-drought conditions and historically low water levels at the primary water source, which conditions are anticipated to occur more frequently because of climate change.

All significant transactions with DMCI, 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	**2019**	2018
Capital Expenditure Item		
Construction services for water infrastructure	**126.6**	23.2

(L) 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	**2019**	2018
Income Statement Item		
Electricity expenses	**32.0**	31.1

Nature of Balances

At 31 December US$ millions	**2019**	2018
Statement of Financial Position Item		
Accounts payable – trade	**1.6**	1.7

(M) 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	**2019**	2018
Income Statement Items		
Voice and data service expenses	**1.8**	1.7
Rental expenses	**–**[i]	0.3
Income from advertising	**–**	0.1

(i) Upon the Group's adoption of HKFRS 16 on 1 January 2019, MPIC no longer records the lease arrangement with PLDT as rental expenses. For the year ended 31 December 2019, MPIC made lease payments of US$0.3 million to PLDT for the settlement of lease liabilities recognized.

Nature of Balances

At 31 December US$ millions	**2019**	2018
Statement of Financial Position Item		
Accounts payable – trade	**2.3**	2.2

(N) 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	**2019**	2018
Income Statement Item		
Service expenses	**6.6**	6.0

Nature of Balances

At 31 December US$ millions	**2019**	2018
Statement of Financial Position Item		
Accounts payable – trade	**0.1**	0.1

(O) 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	**2019**	2018
Statement of Financial Position Item		
Associated companies and joint ventures		
– Amounts due from associated companies and joint ventures	**20.6**	9.3

(P) MPIC and its subsidiary companies had the following balance with Alsons Thermal Energy Corporation ("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	**2019**	2018
Statement of Financial Position Item		
Associated companies and joint ventures		
– Amounts due from associated companies and joint ventures	**37.1**	35.7

(Q) 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	**2019**	2018
Income Statement Item		
Sale of electricity	**34.6**	44.1

Nature of Balances

At 31 December US$ millions	**2019**	2018
Statement of Financial Position Item		
Accounts receivable – trade	**6.7**	8.5

(R) ALBV 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% 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).

(S) 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, the then Executive Director of the Company, at an aggregate consideration of US$834,000. In June 2018, Mr. Nicholson also sold bonds of US$400,000 due 2023 issued by FPC Treasury Limited to a third party. For the period from 1 January 2018 to 13 December 2018, Mr. Nicholson earned interest income of US$28,927 on these bonds. Mr. Nicholson resigned as an Executive Director of the Company on 13 December 2018.

(T) On 22 December 2017, ICBP, a subsidiary company of Indofood, entered into a conditional sale and purchase agreement with Asahi Group Holdings, Ltd. ("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.

(U) Disclosures pursuant to Chapter 14A.72 of the Listing Rules:

(I) Related party transactions numbered (H), (J), (K) and (T) 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 (A), (B), (C), (D), (G), (I), (L), (M), (Q), (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 (E), (F), (N), (O) and (P) 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	2019 Financial assets at amortized cost	2019 Financial assets at FVOCI	2019 Derivative instruments	2019 Total	2018 Financial assets at amortized cost	2018 Financial assets at FVOCI	2018 Derivative instruments	2018 Total
Accounts and other receivables (Non-current)	**28.6**	**–**	**0.3**	**28.9**	10.0	–	0.2	10.2
Financial assets at FVOCI (Non-current)	**–**	**385.9**	**–**	**385.9**	–	319.4	–	319.4
Other non-current assets	**112.4**	**–**	**–**	**112.4**	99.7	–	–	99.7
Cash and cash equivalents and short-term deposits	**2,846.4**	**–**	**–**	**2,846.4**	1,630.8	–	–	1,630.8
Restricted cash	**106.0**	**–**	**–**	**106.0**	103.2	–	–	103.2
Financial assets at FVOCI (Current)	**–**	**9.9**	**–**	**9.9**	–	289.6	–	289.6
Accounts and other receivables (Current)	**817.3**	**–**	**7.5**	**824.8**	856.9	–	7.1	864.0
Total	**3,910.7**	**395.8**	**7.8**(i)	**4,314.3**	2,700.6	609.0	7.3(i)	3,316.9

(i) Represents derivative assets designated as hedging instruments

(b) Financial liabilities

The following table summarizes the Group's financial liabilities at the end of the reporting period:

US$ millions	2019 Financial liabilities at amortized cost	2019 Derivative instruments	2019 Total	2018 Financial liabilities at amortized cost	2018 Derivative instruments	2018 Total
Accounts payable, other payables and accruals	**1,353.2**	**–**	**1,353.2**	1,140.3	–	1,140.3
Short-term borrowings	**2,262.8**	**–**	**2,262.8**	2,281.1	–	2,281.1
Current portion of deferred liabilities, provisions and payables	**300.5**	**2.8**	**303.3**	248.2	31.2	279.4
Long-term borrowings	**6,668.0**	**–**	**6,668.0**	6,236.8	–	6,236.8
Deferred liabilities, provisions and payables (Non-current)	**804.8**	**2.1**	**806.9**	802.7	7.2	809.9
Total	**11,389.3**	**4.9**(ii)	**11,394.2**	10,709.1	38.4(ii)	10,747.5

(ii) Represents derivative liabilities designated as hedging instruments

(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 are derived from quoted market prices in active markets.

- Fair values of unlisted investments included in financial assets at FVOCI 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, fuel swaps, electricity futures and interest rate swaps, 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 2019 and 2018 and lease liabilities are not included in this table.

	2019		2018	
US$ millions	**Carrying amount**	**Fair value**	Carrying amount	Fair value
Financial Liabilities				
Long-term borrowings	**6,668.0**	**6,758.1**	6,236.8	6,258.3
Deferred liabilities, provisions and payables (Non-current) (other than lease liabilities)	**759.9**	**811.0**	802.7	839.0
Total	**7,427.9**	**7,569.1**	7,039.5	7,097.3

(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:

	2019				2018			
US$ millions	**Level 1**	**Level 2**	**Level 3**	**Total**	Level 1	Level 2	Level 3	Total
Financial assets at FVOCI								
– Listed equity investments	**251.0**	**–**	**–**	**251.0**	186.3	–	–	186.3
– Listed debentures	**3.2**	**–**	**–**	**3.2**	20.1	–	–	20.1
– Unlisted investments	**–**	**125.8**	**15.8**	**141.6**	–	386.4	16.2	402.6
Derivative assets(i)	**0.7**	**7.1**	**–**	**7.8**	4.1	3.2	–	7.3
Derivative liabilities(ii)	**–**	**(4.9)**	**–**	**(4.9)**	(0.3)	(38.1)	–	(38.4)
Net Amount	**254.9**	**128.0**	**15.8**	**398.7**	210.2	351.5	16.2	577.9

(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% (2018: 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 2019, it was estimated that with all other variables held constant, a decrease/increase in discount for lack of marketability by 1% (2018: 1%) would have increased/decreased the Group's other comprehensive income by US$0.2 million (2018: decreased/increased the Group's other comprehensive loss by US$0.2 million).

The movements during the year in the balance of Level 3 fair value measurement are as follows:

Unlisted equity investments US$ millions	**2019**	2018
At 1 January	**16.2**	16.3
Additions	**–**	7.6
Changes in fair value	**(1.1)**	(6.9)
Exchange translation	**0.7**	(0.8)
At 31 December	**15.8**	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 2019 and 2018, there were no transfers of fair value measurements among Level 1, Level 2 and Level 3.

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 2019 and 2018.

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	**2019**	2018
Short-term borrowings	**2,262.8**	2,281.1
Long-term borrowings	**6,668.0**	6,236.8
Less: Cash and cash equivalents and short-term deposits	**(2,846.4)**	(1,630.8)
Less: Restricted cash	**(106.0)**	(103.2)
Net debt	**5,978.4**	6,783.9
Equity attributable to owners of the parent	**2,928.7**	3,083.6
Non-controlling interests	**5,829.3**	5,626.8
Total equity	**8,758.0**	8,710.4
Gearing ratio (times)	**0.68**	0.78

(B) Financial Risk Management

The Group's principal financial instruments include various financial assets (which comprise accounts receivable, other receivables, financial assets at FVOCI, 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 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 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 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 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, electricity futures and interest rate swaps at the end of the reporting period are set out below:

	2019		2018	
US$ millions	**Assets**	**Liabilities**	Assets	Liabilities
Cash flow hedges				
– Fuel swaps	**7.0**	**1.9**	2.2	36.8
– Foreign currency forwards	**0.1**	**3.0**	0.4	1.3
– Electricity futures	**0.7**	**–**	4.1	0.3
– Interest rate swaps	**–**	**–**	0.6	–
Total	**7.8**	**4.9**	7.3	38.4
Represented by:				
Non-current portion	**0.3**	**2.1**	0.2	7.2
Current portion	**7.5**	**2.8**	7.1	31.2
Total	**7.8**	**4.9**	7.3	38.4

The notional amount of the Group's fuel swaps, foreign currency forwards, electricity futures and interest rate swaps at the end of the reporting period are set out below:

US$ millions	**2019**	2018
Cash flow hedges		
– Fuel swaps	**180.6**	222.6
– Foreign currency forwards	**232.3**	275.1
– Electricity futures	**14.3**	21.2
– Interest rate swaps	**–**	256.8
Total	**427.2**	775.7
Represented by:		
Non-current portion	**97.5**	152.4
Current portion	**329.7**	623.3
Total	**427.2**	775.7

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	**2019**	2018
Accounts receivable and other receivables	**88.6**	68.1
Cash and cash equivalents and short-term deposits	**486.9**	280.3
Short-term borrowings and long-term borrowings	**(265.3)**	(769.3)
Accounts payable, other payables and accruals	**(95.4)**	(31.2)
Deferred liabilities, provisions and payables	**(63.7)**	(122.1)
Net Amount	**151.1**	(574.2)

The following table demonstrates the sensitivity arising from the Group's financial assets and liabilities as listed above to a reasonably possible change in the exchange rates of the Rupiah, Peso and S$, with all other variables held constant, of the Group's loss/profit attributable to owners of the parent and retained earnings. There is no significant impact on the other components of the Group's equity.

	2019			2018	
US$ millions	**Depreciation against the U.S. dollar (%)**	**Decrease/ (increase) in loss attributable to owners of the parent**	**Increase/ (decrease) in retained earnings**	Depreciation against the U.S. dollar (%)	Decrease in profit attributable to owners of the parent and retained earnings
Rupiah	**(4.6)**	**3.2**	**3.2**	(0.1)	(0.1)
Peso	**(2.1)**	**(0.9)**	**(0.9)**	(0.2)	(0.1)
S$	**(1.3)**	**(0.3)**	**(0.3)**	(1.0)	(0.3)

(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 the Group and classified as financial assets at FVOCI 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 2019 and 2018, 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 2019, if the fuel and electricity prices increased/decreased by 10% (2018: 10%), the Group's unrealized cash flow hedge reserve and equity attributable to owners of the parent would have been US$8.4 million (2018: US$5.4 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. 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:

The tables below show 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. 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	**2019 Total**
Debt investments at FVOCI					
– Not yet past due	121.5	–	–	–	**121.5**
Accounts receivable[(i)]	–	–	–	684.3	**684.3**
Contract assets[(i)]	–	–	–	24.2	**24.2**
Financial assets included in other receivables and other non-current assets					
– Not yet past due	315.4	–	–	–	**315.4**
Restricted cash					
– Not yet past due	106.0	–	–	–	**106.0**
Cash and cash equivalents and short-term deposits					
– Not yet past due	2,846.4	–	–	–	**2,846.4**
Guarantees for plantation farmers' loan facilities					
– Not yet past due	41.3	–	–	–	**41.3**
Total	**3,430.6**	**–**	**–**	**708.5**	**4,139.1**

(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.

	12-month ECLs	Lifetime ECLs			
US$ millions	Stage 1	Stage 2	Stage 3	Simplified approach	2018 Total
Debt investments at FVOCI					
– Not yet past due	403.0	–	–	–	403.0
Accounts receivable[(ii)]	–	–	–	738.9	738.9
Contract assets[(ii)]	–	–	–	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 plantation farmers' loan facilities					
– Not yet past due	48.0	–	–	–	48.0
Total	2,468.2	–	–	761.4	3,229.6

(ii) 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.

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 (other than lease liabilities)		Lease liabilities	Guarantees for plantation farmers' loan facilities		Total	
US$ millions	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	**2019**	2018	**2019**	2018
Not exceeding one year	**1,353.2**	1,140.3	**2,641.5**	2,607.5	**354.4**	148.6	**17.9**	**3.9**	4.6	**4,370.9**	3,901.0
More than one year but not exceeding two years	**–**	–	**960.5**	889.2	**141.3**	224.3	**12.5**	**4.8**	5.6	**1,119.1**	1,119.1
More than two years but not exceeding five years	**–**	–	**3,144.2**	3,224.0	**376.4**	370.9	**21.2**	**19.9**	23.1	**3,561.7**	3,618.0
More than five years	**–**	–	**3,703.0**	3,188.8	**418.9**	674.5	**20.4**	**12.7**	14.7	**4,155.0**	3,878.0
Total	**1,353.2**	1,140.3	**10,449.2**	9,909.5	**1,291.0**	1,418.3	**72.0**	**41.3**	48.0	**13,206.7**	12,516.1

(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 2019, 64.6% (2018: 64.0%) 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 loss/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.

	2019			2018	
US$ millions	**Decrease (Basis points)**	**Decrease/ (increase) in loss attributable to owners of the parent**	**Increase/ (decrease) in retained earnings**	Increase (Basis points)	(Decrease)/ increase in profit attributable to owners of the parent and retained earnings
Interest rates for					
– U.S. dollar	**(100)**	**4.2**	**4.2**	25	(1.7)
– Rupiah	**(50)**	**0.8**	**0.8**	25	(0.2)
– Peso	**(75)**	**(3.1)**	**(3.1)**	50	1.2
– S$	**(50)**	**1.2**	**1.2**	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	2019	2018
Non-current Assets		
Subsidiary companies	**190.1**	443.9
	190.1	443.9
Current Assets		
Cash and cash equivalents[(i)]	**312.2**	76.5
Amounts due from subsidiary companies	**2,924.1**	3,492.3
Other receivables and prepayments	**0.3**	0.1
	3,236.6	3,568.9
Current Liabilities		
Amounts due to subsidiary companies	**288.2**	563.3
Other payables and accruals	**3.4**	8.6
	291.6	571.9
Net Current Assets	**2,945.0**	2,997.0
Total Assets Less Current Liabilities	**3,135.1**	3,440.9
Equity		
Issued share capital	**43.4**	43.4
Shares held for share award scheme	**(3.2)**	(4.9)
(Accumulated losses)/retained earnings	**(66.3)**	127.2
Other components of equity[(ii)]	**1,766.1**	1,874.0
Equity attributable to owners of the parent	**1,740.0**	2,039.7
Non-current Liabilities		
Loans from subsidiary companies	**1,394.6**	1,401.2
Other payables	**0.5**	–
	1,395.1	1,401.2
	3,135.1	3,440.9

(i) Includes restricted cash of US$0.04 million (2018: 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 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
At 1 January 2019	43.4	(4.9)	62.0	46.4	1,765.6	127.2	**2,039.7**
Loss for the year	–	–	–	–	–	(234.2)	**(234.2)**
Purchase of shares under share award scheme	–	(2.0)	–	–	–	–	**(2.0)**
Issue of shares under share award scheme	–	(1.1)	1.1	–	–	–	**–**
Shares vested under share award scheme	–	4.8	–	(5.2)	–	0.4	**–**
Cancelation of share options	–	–	–	(40.3)	–	40.3	**–**
Employee share-based compensation benefits	–	–	–	3.1	–	–	**3.1**
2018 final distribution paid	–	–	–	–	(30.6)	–	**(30.6)**
2019 interim distribution paid	–	–	–	–	(36.0)	–	**(36.0)**
At 31 December 2019	**43.4**	**(3.2)**	**63.1**	**4.0**	**1,699.0**	**(66.3)**	**1,740.0**

42. Events after the Reporting Period

(a) On 11 February 2020, ICBP announced that it is exploring and assessing the offer to acquire the entire issued share capital of Pinehill, which is primarily engaged in the manufacturing of instant noodles in Saudi Arabia, Nigeria, Ghana, Turkey, Egypt, Kenya, Morocco and Serbia using the "Indomie" trademark under a licensing agreement with Indofood. Currently, ICBP is conducting due diligence on Pinehill before deciding whether to proceed with the transaction or not. If the potential acquisition of Pinehill by ICBP is to proceed, it will be a notifiable transaction as well as a connected transaction under Chapter 14 and Chapter 14A, respectively, of the Listing Rules.

(b) On 26 February 2020, MPIC's Board approved the implementation of share buyback program for a period of three months until 26 May 2020, with an amount up to Pesos 5.0 billion (US$98.1 million). The purpose for the share buyback program is to enhance and improve shareholder value and to manifest confidence in MPIC's value and prospects through the repurchase of its common shares. Up to 23 March 2020, MPIC acquired a total of 213.5 million shares from the open market at a total consideration of Pesos 0.7 billion (US$13.7 million) and held under treasury shares. As a result, First Pacific's economic interest in MPIC increased to 42.2% from 41.9%.

(c) Since the outbreak of the Covid-19 disease in January 2020, certain confirmed cases have been reported in those countries where the Group has operations. The epidemic will impact the overall economy as well as business operations of certain industries such as toll road, light rail and power. Therefore, the Group's operations and revenue will be affected to a certain extent depending on the duration of the outbreak and effects of the prevention and control measures implemented by various government. The Group will keep continuous attention on the situation of the Covid-19, assess and react actively to its impacts on the financial position and operating results of the Group. Up to the date of the report, the assessment is still in progress.

43. Comparative Amounts

As mentioned in Note 2(B) to the Consolidated Financial Statements, the Group adopted HKFRS 16 on 1 January 2019 using the modified retrospective method. Under this method, the comparative amounts in the Consolidated Financial Statements were not restated and continued to be reported under the requirements of the previous standard, HKAS 17, and related interpretations.

44. 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 24 March 2020.

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, 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 NAV divided by the number of shares in issue

BASIC EARNINGS/LOSS PER SHARE Profit/loss 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/LOSS PER SHARE Profit/loss 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

HKAS Hong Kong Accounting Standard

HKFRS Hong Kong Financial Reporting Standard

HKICPA Hong Kong Institute of Certified Public Accountants

HK(IFRIC)-Int Hong Kong (International Financial Reporting Interpretations Committee) – Interpretation

IDX Indonesia Stock Exchange

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

N/A Not Applicable

N/M Not Meaningful

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

SGX Singapore Exchange Securities Trading Limited

UHT Ultra High Temperature processing

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 2019 results	24 March 2020
Annual report posted to shareholders	24 April 2020
2020 Annual General Meeting	16 June 2020
Last day to register for final distribution	22 June 2020
Payment of final distribution	8 July 2020
Preliminary announcement of 2020 interim results	27 August 2020*
Interim report posted to shareholders	28 September 2020*
Financial year-end	31 December 2020
Preliminary announcement of 2020 results	30 March 2021*

* Subject to confirmation

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Fax : +1 441 295 4720

Website

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: 4,344,931,044

Stock Codes

SEHK : 00142
Bloomberg : 142 HK
Thomson Reuters : 0142.HK

American Depositary Receipts (ADRs) Information

Level: 1
ADRs Code: FPAFY
CUSIP reference number: 335889200
ADRs to ordinary shares ratio: 1:5
ADRs depositary bank: Deutsche Bank Trust Company Americas

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

Solicitor

Gibson, Dunn & Crutcher
32nd Floor, Gloucester Tower, The Landmark
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 2019

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 products, 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, cultivation and processing of 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 Shares are listed on the New York Stock Exchange. 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
Issued number of shares	:	31.6 billion
Particulars of issued shares held	:	Common shares of Peso 1 par value
Economic/voting interest	:	41.9%/54.9%

Further information on MPIC can be found at www.mpic.com.ph.

Philex Mining Corporation

Philex (PSE: PX) is a Philippine-listed company engaged in the exploration and mining of mineral resources, and holds a 30.4% interest in **PXP Energy Corporation**.

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.

PXP Energy Corporation

PXP (PSE: PXP) is a Philippine-listed company engaged in energy and hydrocarbon exploration and production.

Sector	:	Natural Resources
Place of incorporation/business area	:	The Philippines
Issued number of shares	:	2.0 billion
Particulars of issued shares held	:	Common shares of Peso 1 par value
Economic and voting interests	:	35.7%[(2)(3)]/21.7%

(2) Includes a 14.0% effective economic interest in PXP held by First Pacific through its indirect interests in Philex.
(3) Two Rivers Pacific Holdings Corporation, a Philippine affiliate of First Pacific, holds an additional 6.7% economic interest in PXP.

Further information on PXP can be found 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	:	12,195
Particulars of issued shares held	:	Shares of US$1 par value
Economic/voting interests	:	67.6%[(4)]/60.0%

(4) 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	:	47.3%[(5)]/70.0%

(5) Represents a 42.0% effective economic interest in PLP held by First Pacific through its interest in FPM Power and a 5.3% 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, First Agri Holdings Corporation, 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	:	80.5%[(6)]/70.0%

(6) Includes a 10.5% 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.

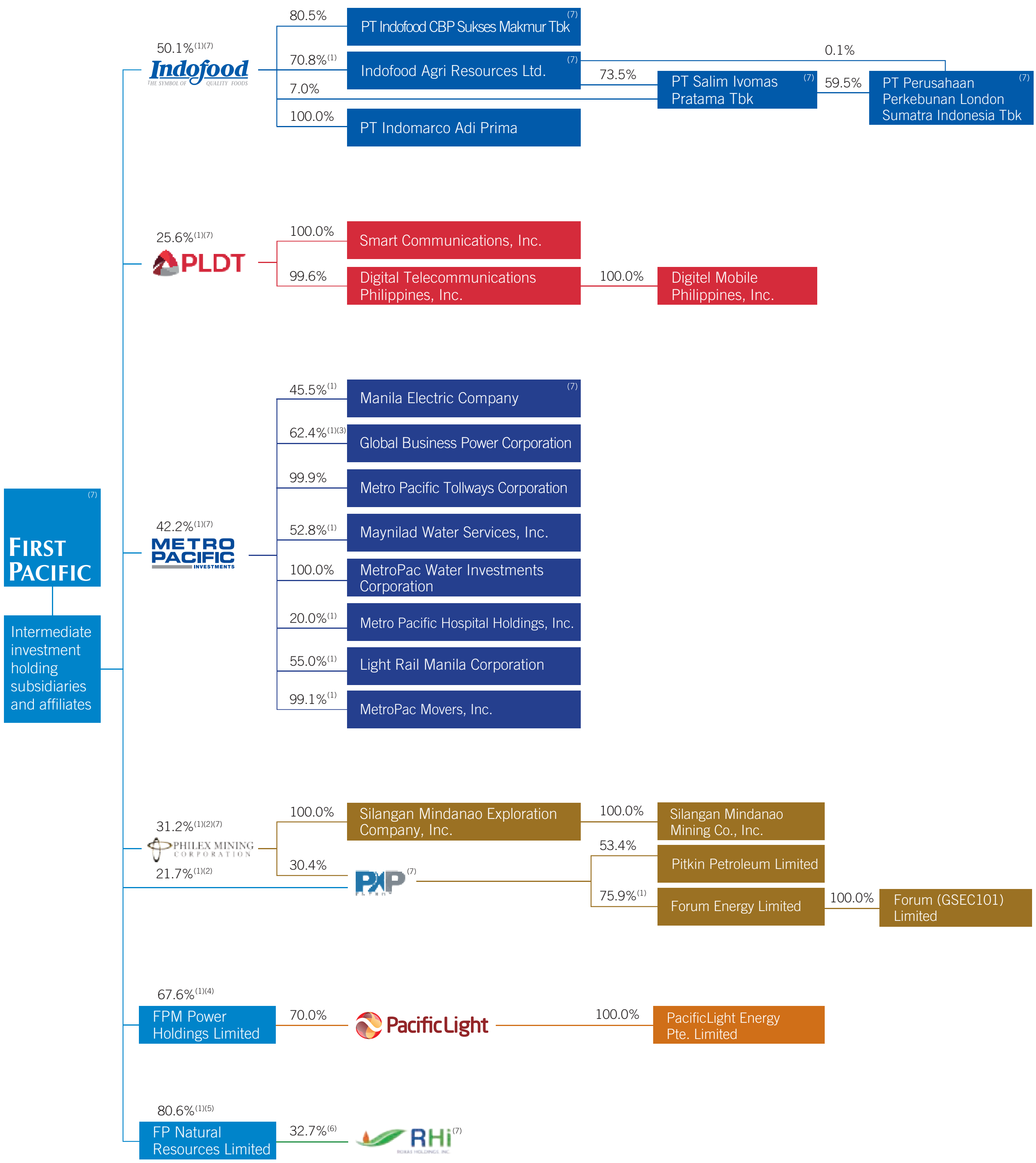
Sector	:	Consumer Food Products
Place of incorporation/business area	:	The Philippines
Outstanding number of shares	:	1.5 billion
Particulars of outstanding shares held	:	Common shares of Peso 1 par value
Economic/voting interests	:	26.3%[(7)]/32.7%[(8)]

(7) Represents a 22.9% effective economic interest in RHI held by First Pacific through its interest in FP Natural Resources and a 3.4% effective economic interest in RHI held by First Pacific through its indirect interests in IndoAgri.
(8) FAHC, a Philippine affiliate of FP Natural Resources, holds an additional 30.2% economic and voting interests in RHI.

Further information on RHI can be found at www.roxasholdings.com.ph.

Corporate Structure

As at 23 March 2020



(1) Economic interest.
(2) Two Rivers, a Philippine affiliate of First Pacific, holds additional 15.0% and 6.7% economic interests in Philex and PXP, respectively.
(3) Includes a 6.4% effective economic interest in GBPC through MPIC's indirect interests in Meralco.
(4) Includes a 7.6% effective economic interest in FPM Power held through First Pacific's indirect interests in Meralco.
(5) Includes a 10.6% effective economic interest in FP Natural Resources held through First Pacific's indirect interests in IndoAgri.
(6) FAHC, a Philippine affiliate of FP Natural Resources, holds an additional 30.2% economic interest in RHI.
(7) Listed company.

First Pacific Company Limited

(Incorporated with limited liability under the laws of Bermuda)

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