# FIRST PACIFIC COMPANY LIMITED

*(Incorporated with limited liability under the laws of Bermuda)*

Website: http://www.firstpacific.com

**(Stock Code: 00142)**

## 2017 Interim Results - Unaudited

**FINANCIAL HIGHLIGHTS**

- Turnover increased by 4.0% to US$3,572.5 million (HK$27,865.5 million) from US$3,436.0 million (HK$26,800.8 million).
- Profit contribution from operations increased by 2.5% to US$231.8 million (HK$1,808.0 million) from US$226.2 million (HK$1,764.4 million).
- Recurring profit increased by 6.9% to US$168.7 million (HK$1,315.9 million) from US$157.8 million (HK$1,230.8 million).
- Profit attributable to owners of the parent increased by 4.3% to US$133.1 million (HK$1,038.2 million) from US$127.6 million (HK$995.3 million).
- Basic earnings per share increased by 3.7% to U.S. 3.10 cents (HK24.2 cents) from U.S. 2.99 cents (HK23.3 cents).
- Recurring basic earnings per share (calculated based on recurring profit) increased by 6.2% to U.S. 3.93 cents (HK30.7 cents) from U.S. 3.70 cents (HK28.9 cents).
- An interim distribution of HK8.00 cents (U.S. 1.03 cents) (2016: HK8.00 cents or U.S. 1.03 cents) per ordinary share has been declared, representing a payout ratio of approximately 26% (2016: approximately 28%) of recurring profit.
- Equity attributable to owners of the parent increased by 5.2% to US$3,273.8 million (HK$25,535.6 million) at 30 June 2017 compared with US$3,112.0 million (HK$24,273.6 million) at 31 December 2016.
- Consolidated gearing ratio increased to 0.62 times at 30 June 2017 from 0.54 times at 31 December 2016.

## CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

### CONDENSED CONSOLIDATED INCOME STATEMENT - UNAUDITED

| For the six months ended 30 June | Notes | 2017 US$m | 2016 US$m | 2017 HK$m* | 2016 HK$m* |
|---|---|---|---|---|---|
| **Turnover** | 2 | **3,572.5** | 3,436.0 | **27,865.5** | 26,800.8 |
| Cost of sales | | **(2,505.8)** | (2,440.0) | **(19,545.2)** | (19,032.0) |
| **Gross profit** | | **1,066.7** | 996.0 | **8,320.3** | 7,768.8 |
| Selling and distribution expenses | | **(288.8)** | (274.2) | **(2,252.6)** | (2,138.8) |
| Administrative expenses | | **(279.9)** | (264.6) | **(2,183.2)** | (2,063.9) |
| Other operating income, net | | **48.2** | 40.8 | **375.9** | 318.3 |
| Interest income | | **26.3** | 27.8 | **205.1** | 216.8 |
| Finance costs | | **(169.0)** | (186.4) | **(1,318.2)** | (1,453.9) |
| Share of profits less losses of associated companies and joint ventures | | **132.7** | 125.1 | **1,035.1** | 975.8 |
| **Profit before taxation from continuing operations** | 3 | **536.2** | 464.5 | **4,182.4** | 3,623.1 |
| Taxation | 4 | **(141.3)** | (113.2) | **(1,102.2)** | (883.0) |
| **Profit for the period from continuing operations** | | **394.9** | 351.3 | **3,080.2** | 2,740.1 |
| Profit for the period from a discontinued operation | | **-** | 13.7 | **-** | 106.9 |
| **Profit for the period** | | **394.9** | 365.0 | **3,080.2** | 2,847.0 |
| **Attributable to**: | | | | | |
| **Owners of the parent** | 5 | | | | |
| - For profit from continuing operations | | **133.1** | 121.9 | **1,038.2** | 950.8 |
| - For profit from a discontinued operation | | **-** | 5.7 | **-** | 44.5 |
| **- For profit for the period** | | **133.1** | 127.6 | **1,038.2** | 995.3 |
| **Non-controlling interests** | | | | | |
| - For profit from continuing operations | | **261.8** | 229.4 | **2,042.0** | 1,789.3 |
| - For profit from a discontinued operation | | **-** | 8.0 | **-** | 62.4 |
| **- For profit for the period** | | **261.8** | 237.4 | **2,042.0** | 1,851.7 |
| | | **394.9** | 365.0 | **3,080.2** | 2,847.0 |
| | | **US¢** | US¢ | **HK¢*** | HK¢* |
| **Earnings per share attributable to owners of the parent** | 6 | | | | |
| **Basic** | | | | | |
| - For profit from continuing operations | | **3.10** | 2.86 | **24.2** | 22.3 |
| - For profit from a discontinued operation | | **-** | 0.13 | **-** | 1.0 |
| **- For profit for the period** | | **3.10** | 2.99 | **24.2** | 23.3 |
| **Diluted** | | | | | |
| - For profit from continuing operations | | **3.10** | 2.86 | **24.2** | 22.3 |
| - For profit from a discontinued operation | | **-** | 0.13 | **-** | 1.0 |
| **- For profit for the period** | | **3.10** | 2.99 | **24.2** | 23.3 |

Details of the interim distribution declared for the period are disclosed in Note 7.

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME - UNAUDITED

| For the six months ended 30 June | 2017 US$m | 2016 US$m | 2017 HK$m* | 2016 HK$m* |
|---|---|---|---|---|
| **Profit for the period** | **394.9** | 365.0 | **3,080.2** | 2,847.0 |
| **Other comprehensive (loss)/income** | | | | |
| **Items that will be reclassified subsequently to profit or loss:** | | | | |
| Exchange differences on translating foreign operations | **(24.6)** | 130.2 | **(191.9)** | 1,015.6 |
| Unrealized gains on available-for-sale assets | **17.7** | 11.4 | **138.1** | 88.9 |
| Realized gains on available-for-sale-assets | **-** | (2.6) | **-** | (20.3) |
| Unrealized (losses)/gains on cash flow hedges | **(34.7)** | 45.8 | **(270.7)** | 357.2 |
| Income tax related to cash flow hedges | **6.0** | (8.4) | **46.8** | (65.5) |
| Share of other comprehensive income of associated companies and joint ventures | **13.1** | 6.7 | **102.2** | 52.3 |
| **Items that will not be reclassified to profit or loss:** | | | | |
| Actuarial losses on defined benefit pension plans | **(0.1)** | (0.4) | **(0.8)** | (3.1) |
| Share of other comprehensive loss of associated companies and joint ventures | **(6.5)** | (11.7) | **(50.7)** | (91.3) |
| **Other comprehensive (loss)/income for the period, net of tax** | **(29.1)** | 171.0 | **(227.0)** | 1,333.8 |
| **Total comprehensive income for the period** | **365.8** | 536.0 | **2,853.2** | 4,180.8 |
| **Attributable to**: | | | | |
| Owners of the parent | **139.2** | 178.0 | **1,085.8** | 1,388.4 |
| Non-controlling interests | **226.6** | 358.0 | **1,767.4** | 2,792.4 |
| | **365.8** | 536.0 | **2,853.2** | 4,180.8 |

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | Notes | At 30 June 2017 (Unaudited) US$m | At 31 December 2016 (Audited) US$m | At 30 June 2017 (Unaudited) HK$m* | At 31 December 2016 (Audited) HK$m* |
|---|---|---|---|---|---|
| **Non-current assets** | | | | | |
| Property, plant and equipment | | **5,064.7** | 3,870.5 | **39,504.7** | 30,189.9 |
| Biological assets | | **24.4** | 24.2 | **190.3** | 188.8 |
| Associated companies and joint ventures | | **4,776.5** | 4,741.5 | **37,256.7** | 36,983.7 |
| Goodwill | | **1,288.5** | 996.3 | **10,050.3** | 7,771.1 |
| Other intangible assets | | **3,650.0** | 3,338.7 | **28,470.0** | 26,041.9 |
| Investment properties | | **9.5** | 9.6 | **74.1** | 74.9 |
| Accounts receivable, other receivables and prepayments | | **60.2** | 10.6 | **469.6** | 82.7 |
| Available-for-sale assets | | **164.9** | 311.9 | **1,286.2** | 2,432.8 |
| Deferred tax assets | | **204.8** | 178.8 | **1,597.4** | 1,394.6 |
| Restricted cash | | **-** | 17.9 | **-** | 139.6 |
| Other non-current assets | | **482.4** | 346.7 | **3,762.7** | 2,704.3 |
| | | **15,725.9** | 13,846.7 | **122,662.0** | 108,004.3 |
| **Current assets** | | | | | |
| Cash and cash equivalents and short-term deposits | | **2,145.4** | 1,691.9 | **16,734.1** | 13,196.8 |
| Pledged deposits and restricted cash | | **65.6** | 60.6 | **511.7** | 472.7 |
| Available-for-sale assets | | **57.2** | 39.9 | **446.2** | 311.2 |
| Accounts receivable, other receivables and prepayments | 8 | **1,163.8** | 826.3 | **9,077.6** | 6,445.2 |
| Inventories | | **806.9** | 715.2 | **6,293.8** | 5,578.6 |
| Biological assets | | **32.0** | 34.8 | **249.6** | 271.4 |
| | | **4,270.9** | 3,368.7 | **33,313.0** | 26,275.9 |
| **Current liabilities** | | | | | |
| Accounts payable, other payables and accruals | 9 | **1,334.9** | 1,064.5 | **10,412.2** | 8,303.1 |
| Short-term borrowings | | **1,547.1** | 1,280.7 | **12,067.4** | 9,989.5 |
| Provision for taxation | | **90.0** | 80.4 | **702.0** | 627.1 |
| Current portion of deferred liabilities, provisions and payables | | **348.3** | 296.2 | **2,716.7** | 2,310.4 |
| | | **3,320.3** | 2,721.8 | **25,898.3** | 21,230.1 |
| **Net current assets** | | **950.6** | 646.9 | **7,414.7** | 5,045.8 |
| **Total assets less current liabilities** | | **16,676.5** | 14,493.6 | **130,076.7** | 113,050.1 |
| **Equity** | | | | | |
| Issued share capital | | **43.4** | 42.8 | **338.5** | 333.8 |
| Shares held for share award scheme | | **(5.0)** | (10.9) | **(39.0)** | (85.0) |
| Contributed surplus | | **1,884.5** | 1,915.0 | **14,699.1** | 14,937.0 |
| Retained earnings | | **1,441.6** | 1,305.5 | **11,244.5** | 10,182.9 |
| Other components of equity | | **(90.7)** | (140.4) | **(707.5)** | (1,095.1) |
| Equity attributable to owners of the parent | | **3,273.8** | 3,112.0 | **25,535.6** | 24,273.6 |
| Non-controlling interests | | **5,368.6** | 4,922.3 | **41,875.1** | 38,393.9 |
| **Total equity** | | **8,642.4** | 8,034.3 | **67,410.7** | 62,667.5 |
| **Non-current liabilities** | | | | | |
| Long-term borrowings | | **6,063.6** | 4,827.7 | **47,296.1** | 37,656.1 |
| Deferred liabilities, provisions and payables | | **1,636.8** | 1,374.0 | **12,767.0** | 10,717.2 |
| Deferred tax liabilities | | **333.7** | 257.6 | **2,602.9** | 2,009.3 |
| | | **8,034.1** | 6,459.3 | **62,666.0** | 50,382.6 |
| | | **16,676.5** | 14,493.6 | **130,076.7** | 113,050.1 |

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY - UNAUDITED

| | Equity attributable to owners of the parent | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| US$ millions | Issued share capital | Shares held for share award scheme | Share premium | Employee share-based compensation reserve | Other comprehensive (loss)/income (Note 10) | Differences arising from changes in equities of subsidiary companies | Reserves for assets classified as held for sale | Capital and other reserves | Contributed surplus | Retained earnings | Total | Non-controlling interests | **(Unaudited) Total equity** |
| Balance at 1 January 2016 | 42.7 | (6.0) | 1,779.7 | 70.5 | (623.2) | 369.5 | 25.7 | 12.4 | - | 1,398.9 | 3,070.2 | 4,264.2 | 7,334.4 |
| Profit for the period | - | - | - | - | - | - | - | - | - | 127.6 | 127.6 | 237.4 | 365.0 |
| Other comprehensive income/(loss) for the period | - | - | - | - | 57.4 | - | (8.3) | - | - | 1.3 | 50.4 | 120.6 | 171.0 |
| Total comprehensive income/(loss) for the period | - | - | - | - | 57.4 | - | (8.3) | - | - | 128.9 | 178.0 | 358.0 | 536.0 |
| Issue of shares upon the exercise of share options | - | - | 2.8 | (0.9) | - | - | - | - | - | - | 1.9 | - | 1.9 |
| Issue of shares under share award scheme | 0.1 | (2.8) | 2.7 | - | - | - | - | - | - | - | - | - | - |
| Shares vested under share award scheme | - | 0.6 | - | (0.6) | - | - | - | - | - | - | - | - | - |
| Transfer from share premium to contributed surplus | - | - | (1,785.2) | - | - | - | - | - | 1,785.2 | - | - | - | - |
| Reclassification | - | - | - | - | - | - | - | - | 173.8 | (173.8) | - | - | - |
| Cancellation of share options | - | - | - | (4.0) | - | - | - | - | - | 4.0 | - | - | - |
| Employee share-based compensation benefits | - | - | - | 6.4 | - | - | - | - | - | - | 6.4 | - | 6.4 |
| Acquisition, divestment and dilution of interests in subsidiary companies | - | - | - | - | 8.3 | 102.2 | - | 0.2 | - | - | 110.7 | 532.8 | 643.5 |
| Appropriation to statutory reserve funds | - | - | - | - | - | - | 0.1 | - | - | (0.1) | - | - | - |
| 2015 final dividend paid | - | - | - | - | - | - | - | - | - | (30.2) | (30.2) | - | (30.2) |
| Acquisition of subsidiary companies | - | - | - | - | - | - | - | - | - | - | - | 13.5 | 13.5 |
| Capital contributions from non-controlling shareholders | - | - | - | - | - | - | - | - | - | - | - | 17.7 | 17.7 |
| Dividends paid to non-controlling shareholders | - | - | - | - | - | - | - | - | - | - | - | (129.3) | (129.3) |
| Balance at 30 June 2016 | 42.8 | (8.2) | - | 71.4 | (557.5) | 471.7 | 17.5 | 12.6 | 1,959.0 | 1,327.7 | 3,337.0 | 5,056.9 | 8,393.9 |
| Balance at 1 January 2017 | 42.8 | (10.9) | 5.3 | 72.3 | (690.2) | 459.6 | - | 12.6 | 1,915.0 | 1,305.5 | 3,112.0 | 4,922.3 | **8,034.3** |
| Profit for the period | - | - | - | - | - | - | - | - | - | 133.1 | 133.1 | 261.8 | **394.9** |
| Other comprehensive income/(loss) for the period | - | - | - | - | 3.1 | - | - | - | - | 3.0 | 6.1 | (35.2) | **(29.1)** |
| Total comprehensive income for the period | - | - | - | - | 3.1 | - | - | - | - | 136.1 | 139.2 | 226.6 | **365.8** |
| Issue of shares upon the exercise of share options | 0.6 | - | 51.0 | (17.1) | - | - | - | - | - | - | 34.5 | - | **34.5** |
| Issue of shares under share award scheme | - | (0.1) | 0.1 | - | - | - | - | - | - | - | - | - | **-** |
| Shares vested under share award scheme | - | 6.0 | - | (5.3) | - | - | - | - | - | (0.7) | - | - | **-** |
| Cancellation of share options | - | - | - | (0.7) | - | - | - | - | - | 0.7 | - | - | **-** |
| Employee share-based compensation benefits | - | - | - | 5.2 | - | - | - | - | - | - | 5.2 | - | **5.2** |
| Acquisition, divestment and dilution of interests in subsidiary companies | - | - | - | - | - | 13.4 | - | - | - | - | 13.4 | (11.5) | **1.9** |
| 2016 final distribution paid | - | - | - | - | - | - | - | - | (30.5) | - | (30.5) | - | **(30.5)** |
| Acquisition of subsidiary companies | - | - | - | - | - | - | - | - | - | - | - | 414.1 | **414.1** |
| Disposal of subsidiary companies | - | - | - | - | - | - | - | - | - | - | - | (0.7) | **(0.7)** |
| Capital contributions from non-controlling shareholders | - | - | - | - | - | - | - | - | - | - | - | 3.3 | **3.3** |
| Dividends paid and declared to non-controlling shareholders | - | - | - | - | - | - | - | - | - | - | - | (185.5) | **(185.5)** |
| **Balance at 30 June 2017** | **43.4** | **(5.0)** | **56.4** | **54.4** | **(687.1)** | **473.0** | **-** | **12.6** | **1,884.5** | **1,441.6** | **3,273.8** | **5,368.6** | **8,642.4** |

| HK$ millions* | Equity attributable to owners of the parent | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Issued share capital | Shares held for share award scheme | Share premium | Employee share-based compensation reserve | Other comprehensive (loss)/income (Note 10) | Differences arising from changes in equities of subsidiary companies | Reserves for assets classified as held for sale | Capital and other reserves | Contributed surplus | Retained earnings | Total | Non-controlling interests | **(Unaudited) Total equity** |
| Balance at 1 January 2016 | 333.1 | (46.8) | 13,881.6 | 549.9 | (4,860.9) | 2,882.1 | 200.5 | 96.7 | - | 10,911.4 | 23,947.6 | 33,260.7 | 57,208.3 |
| Profit for the period | - | - | - | - | - | - | - | - | - | 995.3 | 995.3 | 1,851.7 | 2,847.0 |
| Other comprehensive income/(loss) for the period | - | - | - | - | 447.7 | - | (64.7) | - | - | 10.1 | 393.1 | 940.7 | 1,333.8 |
| Total comprehensive income/(loss) for the period | - | - | - | - | 447.7 | - | (64.7) | - | - | 1,005.4 | 1,388.4 | 2,792.4 | 4,180.8 |
| Issue of shares upon the exercise of share options | - | - | 21.8 | (7.0) | - | - | - | - | - | - | 14.8 | - | 14.8 |
| Issue of shares under share award scheme | 0.7 | (21.9) | 21.2 | - | - | - | - | - | - | - | - | - | - |
| Shares vested under share award scheme | - | 4.7 | - | (4.7) | - | - | - | - | - | - | - | - | - |
| Transfer from share premium to contributed surplus | - | - | (13,924.6) | - | - | - | - | - | 13,924.6 | - | - | - | - |
| Reclassification | - | - | - | - | - | - | - | - | 1,355.6 | (1,355.6) | - | - | - |
| Cancellation of share options | - | - | - | (31.2) | - | - | - | - | - | 31.2 | - | - | - |
| Employee share-based compensation benefits | - | - | - | 49.9 | - | - | - | - | - | - | 49.9 | - | 49.9 |
| Acquisition, divestment and dilution of interests in subsidiary companies | - | - | - | - | 64.7 | 797.2 | - | 1.6 | - | - | 863.5 | 4,155.8 | 5,019.3 |
| Appropriation to statutory reserve funds | - | - | - | - | - | - | 0.7 | - | - | (0.7) | - | - | - |
| 2015 final dividend paid | - | - | - | - | - | - | - | - | - | (235.6) | (235.6) | - | (235.6) |
| Acquisition of subsidiary companies | - | - | - | - | - | - | - | - | - | - | - | 105.3 | 105.3 |
| Capital contributions from non-controlling shareholders | - | - | - | - | - | - | - | - | - | - | - | 138.1 | 138.1 |
| Dividends paid to non-controlling shareholders | - | - | - | - | - | - | - | - | - | - | - | (1,008.5) | (1,008.5) |
| Balance at 30 June 2016 | 333.8 | (64.0) | - | 556.9 | (4,348.5) | 3,679.3 | 136.5 | 98.3 | 15,280.2 | 10,356.1 | 26,028.6 | 39,443.8 | 65,472.4 |
| Balance at 1 January 2017 | 333.8 | (85.0) | 41.3 | 564.0 | (5,383.6) | 3,584.9 | - | 98.3 | 14,937.0 | 10,182.9 | 24,273.6 | 38,393.9 | **62,667.5** |
| Profit for the period | - | - | - | - | - | - | - | - | - | 1,038.2 | 1,038.2 | 2,042.0 | **3,080.2** |
| Other comprehensive income/(loss) for the period | - | - | - | - | 24.2 | - | - | - | - | 23.4 | 47.6 | (274.6) | **(227.0)** |
| Total comprehensive income for the period | - | - | - | - | 24.2 | - | - | - | - | 1,061.6 | 1,085.8 | 1,767.4 | **2,853.2** |
| Issue of shares upon the exercise of share options | 4.7 | - | 397.8 | (133.4) | - | - | - | - | - | - | 269.1 | - | **269.1** |
| Issue of shares under share award scheme | - | (0.8) | 0.8 | - | - | - | - | - | - | - | - | - | **-** |
| Shares vested under share award scheme | - | 46.8 | - | (41.3) | - | - | - | - | - | (5.5) | - | - | **-** |
| Cancellation of share options | - | - | - | (5.5) | - | - | - | - | - | 5.5 | - | - | **-** |
| Employee share-based compensation benefits | - | - | - | 40.5 | - | - | - | - | - | - | 40.5 | - | **40.5** |
| Acquisition, divestment and dilution of interests in subsidiary companies | - | - | - | - | - | 104.5 | - | - | - | - | 104.5 | (89.7) | **14.8** |
| 2016 final distribution paid | - | - | - | - | - | - | - | - | (237.9) | - | (237.9) | - | **(237.9)** |
| Acquisition of subsidiary companies | - | - | - | - | - | - | - | - | - | - | - | 3,230.0 | **3,230.0** |
| Disposal of subsidiary companies | - | - | - | - | - | - | - | - | - | - | - | (5.5) | **(5.5)** |
| Capital contributions from non-controlling shareholders | - | - | - | - | - | - | - | - | - | - | - | 25.8 | **25.8** |
| Dividends paid and declared to non-controlling shareholders | - | - | - | - | - | - | - | - | - | - | - | (1,446.8) | **(1,446.8)** |
| **Balance at 30 June 2017** | **338.5** | **(39.0)** | **439.9** | **424.3** | **(5,359.4)** | **3,689.4** | **-** | **98.3** | **14,699.1** | **11,244.5** | **25,535.6** | **41,875.1** | **67,410.7** |

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS - UNAUDITED**

| For the six months ended 30 June | Notes | 2017 US$m | 2016 US$m | 2017 HK$m* | 2016 HK$m* |
|---|---|---|---|---|---|
| **Profit before taxation** | | | | | |
| From continuing operations | | **536.2** | 464.5 | **4,182.4** | 3,623.1 |
| From a discontinued operation | | **-** | 13.4 | **-** | 104.6 |
| Adjustments for: | | | | | |
| Finance costs | | **169.0** | 198.4 | **1,318.2** | 1,547.5 |
| Depreciation | 3 | **131.2** | 139.8 | **1,023.4** | 1,090.4 |
| Amortization of intangible assets | 3 | **46.3** | 42.5 | **361.1** | 331.5 |
| Loss on remeasurement of a previously held interest in a joint venture | 3 | **22.5** | - | **175.5** | - |
| Provision for impairment losses | 3 | **21.7** | 6.1 | **169.3** | 47.6 |
| Loss/(gain) on changes in fair value of biological assets | 3 | **6.4** | (7.1) | **49.9** | (55.4) |
| Employee share-based compensation benefit expenses | | **6.3** | 6.7 | **49.1** | 52.3 |
| Share of profits less losses of associated companies and joint ventures | | **(132.7)** | (125.1) | **(1,035.1)** | (975.8) |
| Preferred share dividend income from a joint venture | 3 | **(50.8)** | (25.9) | **(396.2)** | (202.0) |
| Gain on remeasurement of a previously held interest in an associated company | 3 | **(27.8)** | - | **(216.8)** | - |
| Interest income | | **(26.3)** | (33.5) | **(205.1)** | (261.3) |
| Foreign exchange and derivative gains, net | | **(17.5)** | (21.2) | **(136.5)** | (165.4) |
| Gain on divestment of interest in an associated company | 3 | **(14.6)** | - | **(113.9)** | - |
| (Reversal of provision)/provision for onerous contracts, net | 3 | **(3.5)** | 3.3 | **(27.3)** | 25.7 |
| Gain on sale of property, plant and equipment | 3 | **(0.6)** | - | **(4.7)** | - |
| Gain on disposal of available-for-sale assets | 3 | **-** | (2.6) | **-** | (20.3) |
| Others | | **28.7** | 30.9 | **223.8** | 241.1 |
| | | **694.5** | 690.2 | **5,417.1** | 5,383.6 |
| Increase in working capital | | **(129.2)** | (369.7) | **(1,007.8)** | (2,883.7) |
| Net cash generated from operations | | **565.3** | 320.5 | **4,409.3** | 2,499.9 |
| Interest received | | **25.2** | 34.6 | **196.7** | 269.9 |
| Interest paid | | **(152.2)** | (180.1) | **(1,187.2)** | (1,404.8) |
| Taxes paid | | **(142.7)** | (100.2) | **(1,113.1)** | (781.6) |
| **Net cash flows from operating activities** | | **295.6** | 74.8 | **2,305.7** | 583.4 |
| Proceeds from divestment of interests in associated companies | | **248.2** | - | **1,935.9** | - |
| Dividends received from associated companies | | **82.2** | 123.2 | **641.2** | 961.0 |
| Proceeds from redemption of preferred shares issued by a joint venture | | **69.9** | - | **545.2** | - |
| Proceeds from disposal of available-for-sale assets | | **59.5** | 50.6 | **464.1** | 394.7 |
| Preferred share dividends received from a joint venture | | **31.7** | - | **247.3** | - |
| Decrease/(increase) in pledged deposits and restricted cash | | **12.1** | (1.2) | **94.4** | (9.4) |
| Proceeds from disposal of property, plant and equipment | | **10.2** | 2.7 | **79.6** | 21.1 |
| Dividends received from available-for-sale assets | | **3.0** | 2.8 | **23.4** | 21.8 |
| Disposal of a subsidiary company | | **0.4** | - | **3.1** | - |
| Purchase of property, plant and equipment | | **(319.6)** | (189.8) | **(2,492.9)** | (1,480.4) |
| Investments in intangible assets | | **(150.9)** | (148.3) | **(1,177.0)** | (1,156.7) |
| Acquisition of subsidiary companies | | **(117.5)** | (25.1) | **(916.5)** | (195.8) |
| Increased investments in joint ventures | | **(42.1)** | (238.6) | **(328.4)** | (1,861.1) |
| Increase in time deposits with original maturity of more than three months | | **(16.6)** | (44.9) | **(129.5)** | (350.2) |
| Acquisition of available-for-sale assets | | **(14.1)** | (102.5) | **(110.0)** | (799.5) |
| Investments in associated companies | | **(8.3)** | (4.6) | **(64.8)** | (35.9) |
| Acquisition of a business | | **(3.8)** | (46.1) | **(29.6)** | (359.6) |
| Advances to a joint venture | | **(3.8)** | - | **(29.6)** | - |
| Increased investments in associated companies | | **(3.1)** | - | **(24.2)** | - |
| Investments in biological assets | | **(1.4)** | (0.1) | **(10.9)** | (0.8) |
| Increased investments in preferred shares issued by a joint venture | | **-** | (197.6) | **-** | (1,541.3) |
| **Net cash flows used in investing activities** | | **(164.0)** | (819.5) | **(1,279.2)** | (6,392.1) |
| Proceeds from new borrowings | | **1,386.0** | 1,098.2 | **10,810.8** | 8,566.0 |
| Proceeds from issue of shares under a long-term incentive plan | | **34.5** | 1.9 | **269.1** | 14.8 |
| Capital contributions from non-controlling shareholders | | **3.3** | 17.7 | **25.8** | 138.1 |
| Proceeds from issue of shares to non-controlling shareholders by subsidiary companies | | **1.1** | 471.7 | **8.6** | 3,679.2 |
| Borrowings repaid | | **(1,219.3)** | (887.5) | **(9,510.6)** | (6,922.5) |
| Dividends paid to non-controlling shareholders by subsidiary companies | | **(67.1)** | (129.3) | **(523.4)** | (1,008.5) |
| Distribution/dividend paid to shareholders | | **(30.5)** | (30.2) | **(237.9)** | (235.6) |
| Payments for concession fees payable | | **(14.0)** | (14.3) | **(109.2)** | (111.5) |
| Proceeds from divestment of interests in a subsidiary company | | **-** | 168.6 | **-** | 1,315.1 |
| Increased investments in a subsidiary company | | **-** | (0.6) | **-** | (4.7) |
| **Net cash flows from financing activities** | | **94.0** | 696.2 | **733.2** | 5,430.4 |
| **Net increase/(decrease) in cash and cash equivalents** | | **225.6** | (48.5) | **1,759.7** | (378.3) |
| Cash and cash equivalents at 1 January | | **1,611.2** | 1,450.0 | **12,567.4** | 11,310.0 |
| Exchange translation | | **0.4** | 31.2 | **3.1** | 243.4 |
| **Cash and cash equivalents at 30 June** | | **1,837.2** | 1,432.7 | **14,330.2** | 11,175.1 |
| **Representing** | | | | | |
| Cash and cash equivalents and short-term deposits as stated in the condensed consolidated statement of financial position | | **2,145.4** | 1,687.3 | **16,734.1** | 13,160.9 |
| Add cash and cash equivalents and short-term deposits attributable to a discontinued operation | | **-** | 634.5 | **-** | 4,949.1 |
| Less time deposits with original maturity of more than three months | | **(308.2)** | (888.9) | **(2,403.9)** | (6,933.4) |
| Less bank overdrafts | | **-** | (0.2) | **-** | (1.5) |
| **Cash and cash equivalents at 30 June** | | **1,837.2** | 1,432.7 | **14,330.2** | 11,175.1 |

* *The Company maintains its accounts and reports to its shareholders in United States dollars. The figures shown in Hong Kong dollars are for illustration only and are based on a fixed exchange rate of 7.8 Hong Kong dollars to one United States dollar.*

**Notes:-**

**1. Basis of preparation and impact of new and revised HKFRSs**

*(A) Basis of preparation*

The condensed interim consolidated financial statements have been prepared in accordance with HKAS 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (HKICPA) and the disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the Listing Rules) issued by The Stock Exchange of Hong Kong Limited (SEHK). The condensed interim consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the Group's 2016 audited financial statements.

*(B) Impact of revised HKFRSs*

During 2017, the Group has adopted the following revised Hong Kong Financial Reporting Standards (HKFRSs) (which include all HKFRSs, HKASs and Hong Kong (International Financial Reporting Interpretations Committee) – Interpretations) effective for annual periods commencing on or after 1 January 2017 issued by the HKICPA:

| | |
|---|---|
| HKAS 7 Amendments | "Disclosure Initiative" |
| HKAS 12 Amendments | "Recognition of Deferred Tax Assets for Unrealised Losses" |
| Annual Improvements to HKFRSs 2014-2016 | HKFRS 12 Amendments "Disclosure of Interests in Other Entities" |

The Group's adoption of the above pronouncements has had no effect on both the profit attributable to owners of the parent for the six-month periods ended 30 June 2017 and 30 June 2016 and the equity attributable to owners of the parent at 30 June 2017 and 31 December 2016.

**2. Turnover and operating segmental information**

| **For the six months ended 30 June** | **2017 US$m** | 2016 US$m | **2017 HK$m*** | 2016 HK$m* |
|---|---|---|---|---|
| **Turnover** | | | | |
| Sale of goods | **2,800.0** | 2,705.3 | **21,840.0** | 21,101.4 |
| Sale of electricity | **277.6** | 259.3 | **2,165.3** | 2,022.5 |
| Rendering of services | **494.9** | 471.4 | **3,860.2** | 3,676.9 |
| **Total** | **3,572.5** | 3,436.0 | **27,865.5** | 26,800.8 |

**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 the businesses of the Group are operating in Indonesia, the Philippines, Australasia and Singapore and the turnover information of continuing operations is based on the locations of the customers.

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 condensed interim consolidated financial statements. These assets and liabilities are allocated based on the operations of the segments and the physical locations of the assets.

The revenue, results and other information for the six months ended 30 June 2017 and 2016, and total assets and total liabilities at 30 June 2017 and 31 December 2016 regarding the Group's operating segments are as follows.

**By principal business activity – 2017**

| For the six months ended/at 30 June | Consumer Food Products US$m | Telecom-munications US$m | Infrastructure US$m | Natural Resources US$m | Head Office US$m | **2017 Total US$m** | **2017 Total HK$m*** |
|---|---|---|---|---|---|---|---|
| **Revenue** | | | | | | | |
| Turnover | 2,813.5 | - | 759.0 | - | - | **3,572.5** | **27,865.5** |
| **Results** | | | | | | | |
| Recurring profit | 85.0 | 77.7 | 63.0 | 6.1 | (63.1) | **168.7** | **1,315.9** |
| **Assets and Liabilities** | | | | | | | |
| Non-current assets (other than financial instruments and deferred tax assets) | | | | | | | |
| - Associated companies and joint ventures | 657.9 | 1,218.7 | 2,491.8 | 408.1 | - | **4,776.5** | **37,256.7** |
| - Others | 4,041.4 | - | 6,368.0 | - | 15.0 | **10,424.4** | **81,310.3** |
| | 4,699.3 | 1,218.7 | 8,859.8 | 408.1 | 15.0 | **15,200.9** | **118,567.0** |
| Other assets | 3,234.8 | - | 1,487.9 | - | 73.2 | **4,795.9** | **37,408.0** |
| Total assets | 7,934.1 | 1,218.7 | 10,347.7 | 408.1 | 88.2 | **19,996.8** | **155,975.0** |
| Borrowings | 2,164.0 | - | 3,840.6 | - | 1,606.1 | **7,610.7** | **59,363.4** |
| Other liabilities | 1,518.8 | - | 2,105.7 | - | 119.2 | **3,743.7** | **29,200.9** |
| Total liabilities | 3,682.8 | - | 5,946.3 | - | 1,725.3 | **11,354.4** | **88,564.3** |
| **Other Information – continuing operations** | | | | | | | |
| Depreciation and amortization | (112.3) | - | (66.5) | - | (5.0) | **(183.8)** | **(1,433.6)** |
| Loss on changes in fair value of biological assets | (6.4) | - | - | - | - | **(6.4)** | **(49.9)** |
| Impairment losses | (3.2) | - | (15.9) | (2.6) | - | **(21.7)** | **(169.3)** |
| Interest income | 20.0 | - | 3.4 | - | 2.9 | **26.3** | **205.1** |
| Finance costs | (55.0) | - | (69.5) | - | (44.5) | **(169.0)** | **(1,318.2)** |
| Share of profits less losses of associated companies and joint ventures | (6.7) | 79.7 | 54.7 | 5.0 | - | **132.7** | **1,035.1** |
| Taxation | (81.1) | - | (48.7) | - | (11.5) | **(141.3)** | **(1,102.2)** |
| Additions to non-current assets (other than financial instruments and deferred tax assets) | 305.9 | - | 1,890.5 | - | - | **2,196.4** | **17,131.9** |

**By geographical market – 2017**

| For the six months ended/at 30 June | Indonesia US$m | The Philippines US$m | Australasia US$m | Singapore US$m | Others US$m | **2017 Total US$m** | **2017 Total HK$m*** |
|---|---|---|---|---|---|---|---|
| **Revenue** | | | | | | | |
| Turnover | 2,473.4 | 626.7 | 7.0 | 290.4 | 175.0 | **3,572.5** | **27,865.5** |
| **Assets** | | | | | | | |
| Non-current assets (other than financial instruments and deferred tax assets) | 3,420.0 | 10,008.6 | 539.6 | 1,154.6 | 78.1 | **15,200.9** | **118,567.0** |

**By principal business activity – 2016**

| For the six months ended 30 June/at 31 December | Consumer Food Products US$m | Telecom-munications US$m | Infrastructure US$m | Natural Resources US$m | Head Office US$m | 2016 Total US$m | 2016 Total HK$m* |
|---|---|---|---|---|---|---|---|
| **Revenue** | | | | | | | |
| Turnover | 2,714.1 | - | 721.9 | - | - | 3,436.0 | 26,800.8 |
| **Results** | | | | | | | |
| Recurring profit | 84.0 | 78.4 | 59.3 | 4.5 | (68.4) | 157.8 | 1,230.8 |
| **Assets and Liabilities** | | | | | | | |
| Non-current assets (other than financial instruments and deferred tax assets) | | | | | | | |
| - Associated companies and joint ventures | 629.2 | 1,185.0 | 2,515.5 | 411.8 | - | 4,741.5 | 36,983.7 |
| - Others | 3,823.7 | - | 4,659.3 | - | 15.1 | 8,498.1 | 66,285.2 |
| | 4,452.9 | 1,185.0 | 7,174.8 | 411.8 | 15.1 | 13,239.6 | 103,268.9 |
| Other assets | 2,821.5 | - | 895.3 | - | 259.0 | 3,975.8 | 31,011.2 |
| Total assets | 7,274.4 | 1,185.0 | 8,070.1 | 411.8 | 274.1 | 17,215.4 | 134,280.1 |
| Borrowings | 1,876.0 | - | 2,472.9 | - | 1,759.5 | 6,108.4 | 47,645.5 |
| Other liabilities | 1,312.2 | - | 1,643.7 | - | 116.8 | 3,072.7 | 23,967.1 |
| Total liabilities | 3,188.2 | - | 4,116.6 | - | 1,876.3 | 9,181.1 | 71,612.6 |
| **Other Information – continuing operations** | | | | | | | |
| Depreciation and amortization | (116.1) | - | (65.1) | - | (7.8) | (189.0) | (1,474.2) |
| Gain on changes in fair value of biological assets | 7.1 | - | - | - | - | 7.1 | 55.4 |
| Impairment losses | (5.9) | - | (0.2) | - | - | (6.1) | (47.6) |
| Interest income | 21.9 | - | 4.5 | - | 1.4 | 27.8 | 216.8 |
| Finance costs | (63.8) | - | (73.0) | - | (49.6) | (186.4) | (1,453.9) |
| Share of profits less losses of associated companies and joint ventures | (8.3) | 55.2 | 74.1 | 4.1 | - | 125.1 | 975.8 |
| Taxation | (76.7) | - | (28.2) | - | (8.3) | (113.2) | (883.0) |
| Additions to non-current assets (other than financial instruments and deferred tax assets) | 159.8 | - | 673.8 | - | 0.1 | 833.7 | 6,502.9 |

**By geographical market – 2016**

| For the six months ended 30 June/at 31 December | Indonesia US$m | The Philippines US$m | Australasia US$m | Singapore US$m | Others US$m | 2016 Total US$m | 2016 Total HK$m* |
|---|---|---|---|---|---|---|---|
| **Revenue** | | | | | | | |
| Turnover | 2,354.9 | 643.3 | 5.8 | 270.7 | 161.3 | 3,436.0 | 26,800.8 |
| **Assets** | | | | | | | |
| Non-current assets (other than financial instruments and deferred tax assets) | 3,265.6 | 8,329.9 | 514.4 | 1,053.6 | 76.1 | 13,239.6 | 103,268.9 |

## 3. Profit before taxation from continuing operations

| For the six months ended 30 June | **2017 US$m** | 2016 US$m | **2017 HK$m*** | 2016 HK$m* |
|---|---|---|---|---|
| **Profit before taxation from continuing operations is stated after (charging)/crediting** | | | | |
| Cost of inventories sold | **(1,450.4)** | (1,472.6) | **(11,313.1)** | (11,486.3) |
| Employees' remuneration | **(394.1)** | (381.1) | **(3,074.0)** | (2,972.6) |
| Cost of services rendered | **(173.3)** | (162.9) | **(1,351.7)** | (1,270.6) |
| Depreciation | **(131.2)** | (139.8) | **(1,023.4)** | (1,090.4) |
| Amortization of intangible assets | **(46.3)** | (42.5) | **(361.1)** | (331.5) |
| Loss on remeasurement of a previously held interest in a joint venture | **(22.5)** | - | **(175.5)** | - |
| Impairment losses | | | | |
| - Associated companies and joint ventures(i) | **(11.4)** | - | **(88.9)** | - |
| - Goodwill(i) | **(6.5)** | - | **(50.7)** | - |
| - Inventories(ii) | **(3.7)** | (5.7) | **(28.9)** | (44.5) |
| - Accounts receivable(iii) | **(0.1)** | (0.4) | **(0.8)** | (3.1) |
| (Loss)/gain on changes in fair value of biological assets | **(6.4)** | 7.1 | **(49.9)** | 55.4 |
| Preferred share dividend income from a joint venture | **50.8** | 25.9 | **396.2** | 202.0 |
| Gain on remeasurement of a previously held interest in an associated company | **27.8** | - | **216.8** | - |
| Foreign exchange and derivative gains, net | **17.5** | 27.8 | **136.5** | 216.8 |
| Gain on divestment of interest in an associated company | **14.6** | - | **113.9** | - |
| Reversal of provision/(provision) for onerous contracts, net | **3.5** | (3.3) | **27.3** | (25.7) |
| Dividend income from available-for-sale assets | **1.9** | 1.7 | **14.8** | 13.3 |
| Gain on sale of property, plant and equipment | **0.6** | - | **4.7** | - |
| Gain on disposal of available-for-sale assets | **-** | 2.6 | **-** | 20.3 |

*(i) Included in other operating income, net*
*(ii) Included in cost of sales*
*(iii) Included in selling and distribution expenses*

## 4. Taxation

No Hong Kong profits tax (2016: Nil) has been provided as the Group had no estimated assessable profits (2016: Nil) arising in Hong Kong for the period. Taxation on assessable profits generated outside Hong Kong has been provided at the rates of taxation prevailing in the countries in which the Company's subsidiary companies operate.

| For the six months ended 30 June | **2017 US$m** | 2016 US$m | **2017 HK$m*** | 2016 HK$m* |
|---|---|---|---|---|
| **Subsidiary companies - overseas** | | | | |
| Current taxation | **131.5** | 129.5 | **1,025.7** | 1,010.1 |
| Deferred taxation | **9.8** | (16.3) | **76.5** | (127.1) |
| **Total** | **141.3** | 113.2 | **1,102.2** | 883.0 |

Included within share of profits less losses of associated companies and joint ventures is taxation of US$67.2 million (HK$524.2 million) (2016: US$66.0 million or HK$514.8 million) which is analyzed as follows.

| For the six months ended 30 June | **2017 US$m** | 2016 US$m | **2017 HK$m*** | 2016 HK$m* |
|---|---|---|---|---|
| **Associated companies and joint ventures - overseas** | | | | |
| Current taxation | **66.7** | 59.3 | **520.3** | 462.5 |
| Deferred taxation | **0.5** | 6.7 | **3.9** | 52.3 |
| **Total** | **67.2** | 66.0 | **524.2** | 514.8 |

5. **Profit attributable to owners of the parent**

The profit attributable to owners of the parent includes US$7.8 million (HK$60.8 million) of net foreign exchange and derivative gains (2016: US$9.5 million or HK$74.1 million), which represent the foreign exchange translation differences on the Group's unhedged foreign currency denominated net borrowings and payables and the changes in the fair values of derivatives, US$0.6 million (HK$4.7 million) of loss (2016: US$1.1 million or HK$8.6 million of gain) on changes in fair value of biological assets and US$42.8 million (HK$333.8 million) (2016: US$40.8 million or HK$318.2 million) of net non-recurring losses.

**Analysis of foreign exchange and derivative gains, net**

| For the six months ended 30 June | 2017 US$m | 2016 US$m | 2017 HK$m* | 2016 HK$m* |
|---|---|---|---|---|
| Foreign exchange and derivative gains, net | | | | |
| - Subsidiary companies | **17.5** | 21.2 | **136.5** | 165.4 |
| - Associated companies and joint ventures | **3.7** | 1.3 | **28.9** | 10.1 |
| Subtotal | **21.2** | 22.5 | **165.4** | 175.5 |
| Attributable to taxation and non-controlling interests | **(13.4)** | (13.0) | **(104.6)** | (101.4) |
| **Total** | **7.8** | 9.5 | **60.8** | 74.1 |

The non-recurring losses represent certain items, through occurrence or size, which are not considered as usual operating items. 1H17's non-recurring losses of US$42.8 million (HK$333.8 million) mainly represent Head Office's bond tender and debt refinancing costs (US$13.8 million or HK$107.6 million), Goodman Fielder's manufacturing network optimization costs (US$10.5 million or HK$81.9 million), MPIC's loss on remeasurement of its previously held 75.0% interest in Beacon Electric (US$9.5 million or HK$74.1 million), impairment provision for investment in AF Payments, Inc. (AFPI) (US$6.7 million or HK$52.3 million), PLDT's impairment provision for investment in Rocket Internet shares (US$2.8 million or HK$21.8 million) and Maynilad's manpower reduction costs (US$1.2 million or HK$9.4 million), partly offset by MPIC's gain on divestment of a 4.5% direct interest in Meralco (US$6.1 million or HK$47.6 million).

6. **Earnings per share attributable to owners of the parent**

The calculation of the basic earnings per share amounts is based on the profit for the period attributable to owners of the parent, and the weighted average number of ordinary shares of 4,298.6 million (2016: 4,271.8 million) in issue less shares held for a share award scheme of 11.0 million (2016: 6.9 million) during the period.

The calculation of the diluted earnings per share amounts is based on the profit for the period attributable to owners of the parent, adjusted to reflect the dilutive impact in respect of the exercise of share options issued by the Group's subsidiary companies. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the period, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of all dilutive share options of the Company during the period.

The calculations of basic and diluted earnings per share are based on:

| | 2017 US$m | 2016 US$m | 2017 HK$m* | 2016 HK$m* |
|---|---|---|---|---|
| **Earnings** | | | | |
| Profit attributable to owners of the parent used in the basic earnings per share calculation | | | | |
| - From continuing operations | **133.1** | 121.9 | **1,038.2** | 950.8 |
| - From a discontinued operation | **-** | 5.7 | **-** | 44.5 |
| | **133.1** | 127.6 | **1,038.2** | 995.3 |
| Less: Dilutive impact in respect of the exercise of share options issued by the Group's subsidiary companies | **(0.1)** | (0.1) | **(0.8)** | (0.8) |
| Profit attributable to owners of the parent used in the diluted earnings per share calculation | **133.0** | 127.5 | **1,037.4** | 994.5 |
| Attributable to: | | | | |
| - Continuing operations | **133.0** | 121.8 | **1,037.4** | 950.0 |
| - A discontinued operation | **-** | 5.7 | **-** | 44.5 |
| | **133.0** | 127.5 | **1,037.4** | 994.5 |

| | Number of shares 2017 Millions | Number of shares 2016 Millions |
|---|---|---|
| **Shares** | | |
| Weighted average number of ordinary shares issued during the period | **4,298.6** | 4,271.8 |
| Less: Weighted average number of ordinary shares held for a share award scheme | **(11.0)** | (6.9) |
| Weighted average number of ordinary shares used in the basic earnings per share calculation | **4,287.6** | 4,264.9 |
| Add: Dilutive impact of share options on the weighted average number of ordinary shares | **1.4** | 2.5 |
| Weighted average number of ordinary shares used in the diluted earnings per share calculation | **4,289.0** | 4,267.4 |

**7. Ordinary share interim distribution**

At a meeting held on 30 August 2017, the Directors declared an interim cash distribution of HK8.00 cents (U.S. 1.03 cents) (2016: HK8.00 cents or U.S. 1.03 cents) per ordinary share, equivalent to a total amount of US$44.4 million (HK$346.3 million) (2016: US$44.0 million or HK$343.2 million).

**8. Accounts receivable, other receivables and prepayments**

Included in accounts receivable, other receivables and prepayments are accounts receivable of US$727.2 million (HK$5,672.2 million) (31 December 2016: US$523.4 million or HK$4,082.5 million) with an ageing profile based on invoice date as follows:

| | **At 30 June 2017 US$m** | At 31 December 2016 US$m | **At 30 June 2017 HK$m*** | At 31 December 2016 HK$m* |
|---|---|---|---|---|
| 0 to 30 days | **642.8** | 466.4 | **5,013.8** | 3,637.9 |
| 31 to 60 days | **38.7** | 19.3 | **301.9** | 150.6 |
| 61 to 90 days | **12.9** | 9.3 | **100.6** | 72.5 |
| Over 90 days | **32.8** | 28.4 | **255.9** | 221.5 |
| **Total** | **727.2** | 523.4 | **5,672.2** | 4,082.5 |

Indofood generally allows customers 30 to 60 days of credit. MPIC generally allows 15 to 30 days of credit for its power generation customers, 14 to 60 days of credit for its water and sewerage service customers, 45 to 60 days of credit for its bulk water supply customers and collects charges when services are rendered to its hospital customers, except for certain corporate customers which are allowed an average of 30 days of credit. PLP generally allows customers 30 days of credit.

**9. Accounts payable, other payables and accruals**

Included in accounts payable, other payables and accruals are accounts payable of US$504.5 million (HK$3,935.1 million) (31 December 2016: US$370.0 million or HK$2,886.0 million) with an ageing profile based on invoice date as follows:

| | **At 30 June 2017 US$m** | At 31 December 2016 US$m | **At 30 June 2017 HK$m*** | At 31 December 2016 HK$m* |
|---|---|---|---|---|
| 0 to 30 days | **430.3** | 330.5 | **3,356.3** | 2,577.9 |
| 31 to 60 days | **25.5** | 10.0 | **198.9** | 78.0 |
| 61 to 90 days | **11.3** | 8.1 | **88.2** | 63.2 |
| Over 90 days | **37.4** | 21.4 | **291.7** | 166.9 |
| **Total** | **504.5** | 370.0 | **3,935.1** | 2,886.0 |

**10. Other comprehensive (loss)/income attributable to owners of the parent**

| | Exchange reserve US$m | Unrealized gains on available-for-sale assets US$m | Unrealized (losses)/ gains on cash flow hedges US$m | Income tax related to cash flow hedges US$m | Actuarial losses on defined benefit pension plans US$m | Share of other comprehensive (loss)/income of associated companies and joint ventures US$m | **Total US$m** | **Total HK$m*** |
|---|---|---|---|---|---|---|---|---|
| Balance at 1 January 2016 | (511.7) | 52.3 | (32.6) | 5.0 | (17.5) | (118.7) | (623.2) | (4,860.9) |
| Other comprehensive income/(loss) for the period | 40.8 | 4.5 | 22.6 | (4.0) | (0.2) | (5.0) | 58.7 | 457.9 |
| Recycled to retained earnings | - | - | - | - | - | (1.3) | (1.3) | (10.2) |
| Acquisition, divestment and dilution of interests in subsidiary companies | 9.8 | - | - | - | - | (1.5) | 8.3 | 64.7 |
| Balance at 30 June 2016 | (461.1) | 56.8 | (10.0) | 1.0 | (17.7) | (126.5) | (557.5) | (4,348.5) |
| Balance at 1 January 2017 | (603.7) | 45.1 | 9.0 | (2.2) | (17.5) | (120.9) | **(690.2)** | **(5,383.6)** |
| Other comprehensive income/(loss) for the period | 4.2 | 8.0 | (16.2) | 2.9 | (0.1) | 7.3 | **6.1** | **47.6** |
| Recycled to retained earnings | - | - | - | - | - | (3.0) | **(3.0)** | **(23.4)** |
| **Balance at 30 June 2017** | **(599.5)** | **53.1** | **(7.2)** | **0.7** | **(17.6)** | **(116.6)** | **(687.1)** | **(5,359.4)** |

**11. Contingent liabilities**

(a) At 30 June 2017, except for US$56.3 million (HK$439.1 million) (31 December 2016: US$59.9 million or HK$467.2 million) of guarantees 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 (31 December 2016: 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 (the "Guidelines"), 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, claiming: (1) that the Philippine SEC Guidelines 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. ("BTFHI"), which owns 150 million voting preferred shares in PLDT, cannot be considered a Filipino-owned corporation, or the Petition. PLDT and Philippine SEC sought the dismissal of the Petition.

The Court, in its 22 November 2016 decision, dismissed the Petition and upheld the validity of SEC Memorandum Circular No. 8, Series of 2013, dated 20 May 2013, or 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 Gamboa. In categorically rejecting the petitioners' claim, the Court declared and stressed that its Gamboa 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.

## 12. Employee information

| **For the six months ended 30 June** | **2017 US$m** | 2016 US$m | **2017 HK$m*** | 2016 HK$m* |
|---|---|---|---|---|
| Employee remuneration (including Directors' remuneration) | **394.1** | 397.2 | **3,074.0** | 3,098.2 |

| Number of employees | **2017** | 2016 |
|---|---|---|
| At 30 June | **98,716** | 95,017 |
| Average for the period | **96,298** | 94,903 |

**13. Events after the reporting period**

(a) On 24 July 2017, the outstanding 7.375% guaranteed secured bonds with an aggregate face value of US$218.5 million (HK$1,704.3 million) were fully redeemed upon maturity by FPMH Finance Limited, a wholly-owned subsidiary company of the Company. No gain or loss is expected to be recorded by the Group in respect of the redemption of such bonds.

(b) On 24 July 2017, the Arbitral Tribunal (Tribunal) in Singapore, which handled the dispute between Maynilad and the Philippine Government on the water tariff adjustments for the rate rebasing period from 2013 to 2017, 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$67.4 million or HK$525.5 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 Metropolitan Waterworks and Sewerage System of the Philippine Government 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. Maynilad is now in discussion with Philippine Government on how to settle these claims. The financial effect of Maynilad's win in this arbitration will be subject to the outcome of Maynilad's discussion with the Philippine Government on the method of compensation and hence cannot be determined yet.

(c) On 16 February 2017, FP Natural Resources through its wholly-owned subsidiary company, First Pacific Natural Resources Holdings B.V., subscribed convertible notes of Pesos 524 million (US$10.4 million or HK$81.0 million) issued by RHI, which shall be convertible into 125 million new RHI common shares at a conversion price of Pesos 4.19 per share. In July 2017, FP Natural Resources Holdings B.V. converted these convertible notes into RHI common shares which increased FP Natural Resources and its Philippine affiliate First Agri Holdings Corporation's interest in RHI to 62.9% from 59.7%. The Group is expected to record a net credit amount of approximately US$2 million (HK$15.6 million) directly into equity in respect of this transaction.

**14. Approval of the condensed interim consolidated financial statements**

The condensed interim consolidated financial statements of the Company were approved and authorized for issue by the Board of Directors on 30 August 2017.

## REVIEW OF OPERATIONS

### FIRST PACIFIC

Below is an analysis of results by individual company.

**Contribution and profit summary**

| For the six months ended 30 June<br>US$ millions | Turnover<br>**2017** | <br>2016 | Contribution to Group profit[(i)]<br>**2017** | <br>2016 |
|---|---|---|---|---|
| Indofood | **2,675.4** | 2,540.9 | **77.2** | 76.6 |
| PLDT[(ii)] | **-** | - | **77.7** | 78.4 |
| MPIC | **481.4** | 462.6 | **66.9** | 70.2 |
| FPW[(iii)] | **-** | - | **6.6** | 7.2 |
| Philex[(ii)] | **-** | - | **6.1** | 4.5 |
| FPM Power | **277.6** | 259.3 | **(3.9)** | (10.9) |
| FP Natural Resources | **138.1** | 173.2 | **1.2** | 0.2 |
| **Contribution from operations[(iv)]** | **3,572.5** | 3,436.0 | **231.8** | 226.2 |
| Head Office items: | | | | |
| – Corporate overhead | | | **(13.0)** | (15.7) |
| – Net interest expense | | | **(43.2)** | (48.4) |
| – Other expenses | | | **(6.9)** | (4.3) |
| **Recurring profit[(v)]** | | | **168.7** | 157.8 |
| Foreign exchange and derivative gains[(vi)] | | | **7.8** | 9.5 |
| (Loss)/gain on changes in fair value of biological assets | | | **(0.6)** | 1.1 |
| Non-recurring items[(vii)] | | | **(42.8)** | (40.8) |
| **Profit attributable to owners of the parent** | | | **133.1** | 127.6 |

*(i) After taxation and non-controlling interests, where appropriate*
*(ii) Associated companies*
*(iii) Joint venture*
*(iv) Contribution from operations represents the recurring profit contributed to the Group by its operating companies.*
*(v) Recurring profit represents the profit attributable to owners of the parent excluding the effects of foreign exchange and derivative gains, loss/gain on changes in fair value of biological assets and non-recurring items.*
*(vi) Foreign exchange and derivative gains represent the gains on foreign exchange translation differences on the Group's unhedged foreign currency denominated net borrowings and payables 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. 1H17's non-recurring losses of US$42.8 million mainly represent Head Office's bond tender and debt refinancing costs (US$13.8 million), Goodman Fielder's manufacturing network optimization costs (US$10.5 million), MPIC's loss on remeasurement of its previously held 75.0% interest in Beacon Electric (US$9.5 million), impairment provision for investment in AFPI (US$6.7 million), PLDT's impairment provision for investment in Rocket Internet shares (US$2.8 million) and Maynilad's manpower reduction costs (US$1.2 million), partly offset by MPIC's gain on divestment of a 4.5% direct interest in Meralco (US$6.1 million). 1H16's non-recurring losses of US$40.8 million mainly represent PLDT's impairment provision for investment in Rocket Internet shares (US$29.3 million), MPIC's project expenses (US$4.3 million) and PLP's provision for onerous contracts (US$3.7 million).*

**Turnover up 4% to US$3.6 billion from US$3.4 billion**

- reflecting higher revenues at Indofood, MPIC and FPM Power
- partly offset by lower revenues at FP Natural Resources

**Recurring profit up 7% to US$168.7 million from US$157.8 million**

- reflecting higher contributions from Indofood, Philex and FP Natural Resources
- improved performance of FPM Power
- lower net interest expense
- partly offset by lower contributions from PLDT, MPIC and FPW

**Non-recurring losses up 5% to US$42.8 million from US$40.8 million**

- reflecting Head Office's bond tender and debt refinancing costs
- Goodman Fielder's costs for optimizing its manufacturing network
- MPIC's loss on remeasurement of its previously held 75.0% interest in Beacon Electric upon the acquisition of control
- impairment provision for investment in AFPI
- PLDT's impairment provision for investment in Rocket Internet shares
- Maynilad's manpower reduction costs
- partly offset by MPIC's gain on the divestment of a 4.5% direct interest in Meralco

**Reported profit up 4% to US$133.1 million from US$127.6 million**

- reflecting a higher recurring profit
- partly offset by lower foreign exchange and derivative gains, and higher non-recurring losses

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

| Closing exchange rates against U.S. dollar | **At 30 June 2017** | At 31 December 2016 | Six months change | At 30 June 2016 | One year change |
|---|---|---|---|---|---|
| Rupiah | **13,319** | 13,436 | +0.9% | 13,180 | -1.0% |
| Peso | **50.47** | 49.72 | -1.5% | 47.06 | -6.8% |
| A$ | **1.301** | 1.389 | +6.8% | 1.342 | +3.2% |
| S$ | **1.376** | 1.447 | +5.2% | 1.347 | -2.1% |

| Average exchange rates against U.S. dollar | **Six months ended 30 June 2017** | 12 months ended 31 December 2016 | Six months change | Six months ended 30 June 2016 | One year change |
|---|---|---|---|---|---|
| Rupiah | **13,326** | 13,322 | -0.0% | 13,414 | +0.7% |
| Peso | **50.05** | 47.67 | -4.8% | 47.00 | -6.1% |
| A$ | **1.320** | 1.347 | +2.0% | 1.360 | +3.0% |
| S$ | **1.394** | 1.382 | -0.9% | 1.375 | -1.4% |

During the period, the Group recorded net foreign exchange and derivative gains of US$7.8 million (1H16: US$9.5 million), which can be further analyzed as follows:

| **For the six months ended 30 June**<br>US$ millions | **2017** | 2016 |
|---|---|---|
| Head Office | **(3.0)** | (2.3) |
| Indofood | **1.5** | 0.1 |
| PLDT | **(0.3)** | 0.7 |
| MPIC | **1.7** | 1.1 |
| FPW | **0.1** | 0.2 |
| Philex | **(0.4)** | 0.1 |
| FPM Power | **8.2** | 9.1 |
| FP Natural Resources | **-** | 0.5 |
| **Total** | **7.8** | 9.5 |

## Capital Management

### Interim Distribution

First Pacific's Board of Directors, taking into consideration cash flow trends and following consistent prudent risk management practices, declared an interim distribution of HK8 cents (U.S. 1.03 cent) per share, unchanged from a year earlier. The interim distribution represent a 26% payout of the Group's 2017 first half recurring profit attributable to shareholders, higher than the committed payout ratio of 25%.

### Debt Profile

In January 2017, First Pacific, through bond tender offers for all of the outstanding bonds maturing in 2017 and an aggregate principal amount of up to US$200 million for the bonds maturing in 2020, bought back and cancelled approximately US$152.2 million in aggregate principal amount of bonds.

At 30 June 2017, net debt at the Head Office increased 2% to approximately US$1.5 billion while gross debt stood at approximately US$1.6 billion with an average maturity of approximately 3.2 years. Approximately 21% of the Head Office borrowings were floating rate bank loans while fixed rate bonds comprised the remainder. Unsecured debts accounted for approximately 67% of Head Office borrowings. The blended interest rate was approximately 5.1% per annum.

In June and July 2017, First Pacific bought back and cancelled approximately US$24.1 million and US$5.9 million, respectively, in aggregate principal amount of bonds due 2019 and 2023.

On 24 July 2017, First Pacific redeemed approximately US$218.5 million principal amount of bonds on their maturity.

The above-mentioned bond repurchases and redemptions were funded by internal available cash and bank borrowings.

As at 30 August 2017, the principal amount of the following bonds remains outstanding:

- US$378.5 million at 6.0% coupon with maturity on 28 June 2019
- US$312.2 million at 6.375% coupon with maturity on 28 September 2020
- US$358.8 million at 4.5% coupon with maturity on 16 April 2023

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

### Interest Cover

For the first half of 2017, Head Office recurring operating cash inflow before interest expense was US$42.4 million. Net cash interest expense declined 11% to US$40.7 million reflecting a lower average debt balance arising from bond repurchases and a lower average interest rate. For the 12 months ended 30 June 2017, the cash interest cover was approximately 1.9 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 exposure in respect of dividend income and payments in foreign currencies on a transactional basis.

## 2017 Outlook

Stronger financial and operating results by nearly all operating companies in the First Pacific Group are expected to signal a turnaround for First Pacific with full-year recurring profit set to rise for the first time since 2011. Improved results at the operating companies will likely lead to higher dividend receipts at First Pacific Head Office from 2018 going forward with 2017 dividend income representing a base from which future annual dividend receipts will grow. First Pacific management is hopeful of resetting its investment portfolio with proceeds of any asset sale to be directed towards share repurchases and balance sheet management.

## INDOFOOD

Indofood's contribution to the Group increased 1% to US$77.2 million (1H16: US$76.6 million) principally reflecting a slightly stronger average rupiah exchange rate against the U.S. dollar and an improved core net income.

| | |
|---|---|
| Core net income increased to Rupiah 2.2 trillion (US$167.4 million) from Rupiah 2.2 trillion (US$165.6 million) | ▪ reflecting better performance of Agribusiness, Consumer Branded Products ("CBP") and Distribution groups<br>▪ partly offset by a weaker performance of Bogasari group and the absence of contribution from China Minzhong Food Corporation Limited ("CMZ") |
| Net income up 2% to Rupiah 2.3 trillion (US$170.4 million) from Rupiah 2.2 trillion (US$166.3 million) | ▪ mainly reflecting a higher core net income |
| Consolidated net sales up 5% to Rupiah 35.7 trillion (US$2.7 billion) from Rupiah 34.1 trillion (US$2.5 billion) | ▪ driven by higher sales contributions from all groups except Bogasari<br>▪ sales contribution from CBP, Bogasari, Agribusiness and Distribution groups amounted to 50%, 21%, 21% and 8% of the total, respectively |
| Gross profit margin to 28.6% from 28.8% | ▪ reflecting higher cost of goods sold |
| Consolidated operating expenses down 2% to Rupiah 5.6 trillion (US$420.2 million) from Rupiah 5.8 trillion (US$432.4 million) | ▪ mainly due to higher salaries, wages and employee benefits, and advertising and promotion expenses<br>▪ partly offset by higher net other operating income due to a foreign exchange gain recorded in the period compared with a loss in the first half of 2016 |
| EBIT margin to 12.8% from 11.8% | ▪ lower operating expenses despite higher cost of goods sold |
| Net gearing at 0.22 times from 0.21 times at the end of 2016 | |

### Debt Profile

As at 30 June 2017, Indofood recorded gross debt of Rupiah 26.0 trillion (US$1.9 billion), up 16% from Rupiah 22.4 trillion (US$1.7 billion) as at 31 December 2016. Of this total, 47% matures within one year and the remainder matures between July 2018 and December 2027, while 63% was denominated in rupiah and the remaining 37% was denominated in foreign currencies.

### Additional Investments and Asset Disposal

In February 2017, under an agreement with Marvellous Glory Holdings Limited ("Marvellous BVI") in relation to Indofood's disposal of its 82.88% interest in CMZ to Marvellous BVI, Indofood fully exchanged the mandatory exchangeable bonds for approximately 29.94% of CMZ. On 26 April 2017, Indofood disposed of its 29.94% of CMZ to China Minzhong Holdings Limited ("CMZ BVI") for a consideration of S$235.5 million (US$169.9 million). Indofood received the first installment of S$82.4 million (US$59.5 million) in June 2017 and the remaining balance will be received in three installments with the last installment to take place in December 2018.

On 7 June 2017, Indofood's subsidiary PT Aston Inti Makmur entered into two conditional sale and purchase agreements with Mr. Anthoni Salim (the Chairman of the Board and a substantial shareholder of First Pacific) and his wholly-owned company PT Adithya Suramitra for the acquisition of six plots of land with a total area of 42,877 square meters where Indofood cooking oil and fats production facilities are located. The total consideration is Rupiah 2.2 trillion (US$164.1 million) and the transactions are expected to be completed no later than the end of December 2017.

### CBP

The CBP group comprises the Noodles, Dairy, Snack Foods, Food Seasonings, Nutrition & Special Foods and Beverages divisions. With over 50 plants located in key areas across Indonesia and around 40 leading product brands, CBP produces and markets a wide range of food and beverage products across Indonesia and exports to over 60 countries around the world.

Indofood's Noodles division is one of the world's largest producers of instant noodles with annual production capacity of around 18 billion packs, offering a wide range of instant noodles in various formats, as well as egg noodles and snack noodles.

Its Dairy division has an annual production capacity of more than 600,000 tonnes and is one of the largest dairy products manufacturers in Indonesia, producing sweetened condensed milk, creamer, UHT milk, sterilized bottled milk, pasteurized liquid milk, lactic acid beverages, powdered milk, ice cream and butter.

The Snack Foods division has an annual production capacity of over 45,000 tonnes, producing western and contemporized traditional snacks made from potato, cassava, soybean, corn and sweet potato, as well as various extruded snacks and a wide range of biscuits.

The Food Seasonings division has an annual production capacity of around 135,000 tonnes, manufacturing a wide range of culinary products, including instant seasonings, soy sauces, chili sauces and tomato sauces, as well as cordial syrup, instant porridge and ready-to-eat products.

The Nutrition & Special Foods division has an annual production capacity of around 25,000 tonnes, producing cereals, biscuits, puddings and snacks for infants and children, cereal snacks for children, cereal drinks for children and young adults, as well as milk for expectant and lactating mothers.

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

Sales by the CBP group rose 2% to Rupiah 18.1 trillion (US$1.4 billion), with the increase contributed by almost all divisions. The EBIT margin declined slightly to 14.7% from 14.9%.

Fast-moving consumer goods continued to grow but at a slower pace in the first half of 2017, and competition is also increasing across categories. CBP continued with its strategy of product innovation, launching around 50 new products including new categories such as instant cup noodles with real meat topping, corn chips and ready-to-eat products as well as flavor extensions in the period. CBP further strengthened its market position in most categories.

**Bogasari**

Bogasari produces wheat flour and pasta for domestic and international markets. Its sales declined 8% to Rupiah 9.2 trillion (US$690.9 million) reflecting a lower average selling price and a 1% decrease in sales volume. The EBIT margin decreased to 6.5% from 8.9%.

The flour industry in Indonesia remained stable in the first half of 2017. With an increasing preference by younger people for flour-based foods, per-capita flour consumption is expected to rise steadily in the medium term.

**Agribusiness**

The diversified and vertically integrated Agribusiness group is one of Indonesia's largest palm oil producers with leading businesses in branded edible oils and fats. It consists of two divisions: Plantations and Edible Oils & Fats ("EOF"), which operate through IndoAgri and its main operating subsidiaries, PT Salim Ivomas Pratama Tbk ("SIMP") and Lonsum in Indonesia. It also has equity investments in sugar and ethanol operations in Companhia Mineira de Açúcar e Álcool Participacoes ("CMAA") in Brazil and in RHI in the Philippines.

Sales increased 26% to Rupiah 8.4 trillion (US$631.7 million), reflecting stronger prices of CPO, palm kernel and rubber, and higher sales volumes of key crops. Sales volume of CPO, palm kernel related products, sugar and rubber increased 11%, 15%, 13% and 5% to approximately 431,000 tonnes, 102,000 tonnes, 20,000 tonnes and 6,400 tonnes respectively. The EBIT margin improved to 11.4% from 7.5%.

Plantations

In Indonesia, total planted area was 300,109 hectares of which oil palm accounts for 82% while rubber, sugar cane, timber, cocoa and tea account for the remaining 18%. Around 19% of oil palms are younger than seven years while overall, the oil palms have an average age of approximately 15 years. This division has a total annual processing capacity of 6.5 million tonnes of fresh fruit bunches ("FFB").

In the first half of 2017, CPO production increased 11% to 393,000 tonnes reflecting strong recovery in palm production from the impact of El Niño and higher share of more productive mature oil palms. As at 30 June 2017, the Roundtable on Sustainable Palm Oil ("RSPO") and Indonesia Sustainable Palm Oil ("ISPO") certified CPO production were approximately 422,000 tonnes and approximately 285,000 tonnes, respectively.

In Indonesia, total planted area of sugar cane decreased 4% from year-end 2016 to 12,718 hectares due to replanting in progress. Sugar production increased 45% to approximately 20,000 tonnes due to earlier start of the harvesting season compared to last year.

In Brazil, the planted area of sugar cane increased 1% from year-end 2016 to 54,503 hectares. IndoAgri's 50% share of CMAA contributed a profit of Rupiah 27 billion (US$2.0 million) as compared to a loss of Rupiah 118 billion (US$8.8 million) in the first half of 2016, reflecting CMAA's turnaround performance as a result of higher raw sugar production, as well as higher selling prices of raw sugars, ethanol and electricity.

EOF

This division manufactures cooking oils, margarines and shortenings with an annual refinery capacity of 1.4 million tonnes of CPO. Approximately 53% of this division's input needs is sourced from the Plantations division's CPO production.

In the first half of 2017, the EOF division recorded higher sales owing mainly to higher selling prices of edible oils and fats products, and higher sales volumes of its by-products.

The Agribusiness is prioritizing its capital expenditure on immature plantation and replanting, and expanding milling for organic growth. Downstream, it continues to expand its refinery facilities in order to capture the increasing demand for cooking oil and margarine.

**Distribution**

The Distribution group is a major component of Indofood's Total Food Solutions chain of operations as it has one of the most extensive distribution networks in Indonesia.

Distribution's sales rose 2% to Rupiah 2.8 trillion (US$208.0 million) mainly benefiting from higher sales by the CBP business. The EBIT margin improved to 4.5% from 4.0%.

The Distribution group continues to strengthen its distribution network, serving over 500,000 registered retail outlets in Indonesia to increase Indofood's product penetration and high product availability in retail outlets. It also offers product distribution for external customers.

**2017 Outlook**

Continuing economic growth with modest inflation in 2017 will be the main factor in a steady increase in domestic private consumption in Indonesia. Potential increases in commodity prices may further boost economic growth. Improvement in the domestic economy and higher commodity prices, particularly for CPO, will enhance Indofood's performance.

## PLDT Inc.

PLDT contributed profit of US$77.7 million to the Group (1H16: US$78.4 million), representing approximately 34% (1H16: 35%) of First Pacific's aggregate contribution from operations for the period, reflecting the continued strong upward momentum in the Home and Enterprise businesses and the stabilization of the Consumer business segment following the continued shift to data and digital services among consumers. Continued investment in capital expenditure has significantly improved PLDT's networks and service offers, and supporting the growth of its data and broadband businesses.

**Consolidated core net income down 2% to Pesos 17.4 billion (US$348.2 million) from Pesos 17.7 billion (US$376.6 million)**

- reflecting higher consolidated EBITDA, higher depreciation and financing costs, a lower gain on the sale of the remaining 25% interest in Beacon Electric to MPIC
- partly offset by a lower provision for income tax
- excluding gains from asset sales and EBITDA adjustments including Pesos 1.5 billion (US$30.0 million ) of manpower reduction program ("MRP") expenses, recurring core income rose by 1% to Pesos 11.9 billion (US$237.8 million)

**Reported net income up 33% to Pesos 16.5 billion (US$330.0 million) from Pesos 12.5 billion (US$265.2 million)**

- reflecting a significantly lower impairment of the investment in Rocket Internet

**Consolidated service revenues down 6% to Pesos 75.4 billion (US$1.5 billion) from Pesos 80.6 billion (US$1.7 billion)**

- reflecting higher revenues from data, broadband and digital platforms
- offset by lower revenues from cellular SMS and international and domestic voice services
- combined revenues from data, broadband and digital platforms rose 11%, representing 46% of the consolidated service revenues
- by business unit, Home and Enterprise service revenues up 12% and 11%, respectively; while Individual, and International and Carrier services revenues were down 16% and 23%, respectively
- data and broadband remained the growth drivers, accounting for 62%, 65% and 38% of the Home, Enterprise and Individual segments' service revenues
- combined revenues from Home and Enterprise accounted for 46% of the consolidated service revenues

**EBITDA up 4% to Pesos 32.0 billion (US$639.4 million) from Pesos 30.8 billion (US$ 655.3 million)**

- reflecting lower subsidies and provisions
- partly offset by lower service revenues and higher cash operating expenses of Pesos 1.0 billion (US$20.0 million) which includes Pesos 1.5 billion (US$30.0 million) in relation to MRP
- EBITDA for the fixed line business grew 8% to Pesos 14.2 billion (US$283.7 million); while EBITDA for the wireless business up by 1% year-on-year to Pesos 17.1 billion (US$341.7 million)
- Excluding the Pesos 1.5 billion (US$30.0 million) in MRP expenses, consolidated EBITDA is 9% higher at Pesos 33.5 billion (US$669.3 million), while fixed line EBITDA is 19% higher at Pesos 15.7 billion (US$313.7 million)

**EBITDA margin to 42% from 38%**

- mainly due to lower subsidies and provisions
- wireless EBITDA margin improved to 38% from 32% in the same period of 2016; while fixed line EBITDA margin decreased to 38% from 39%
- excluding impact of the MRP, consolidated EBITDA margin at 44%, and fixed line EBITDA margin at 43%

### Capital Expenditure

From 2011 to 2016, PLDT spent approximately Pesos 217.2 billion (US$4.6 billion) in capital expenditure.

In the first half of 2017, capital expenditure stood at Pesos 5.7 billion (US$113.9 million) which was mainly deployed for fixed and mobile networks' capacity, quality and coverage enhancement including the ongoing rollout of 4G and 3G coverage using low-band spectrum. PLDT reached 3.1 million fiber home passed as at 30 June 2017.

Capital expenditure guidance for 2017 had been revised to Pesos 38 billion from Pesos 46 billion reflecting the anticipated timing of project completions for the year, with the balance to be carried into 2018. Included in the capital expenditure for 2017 are projects that would support the growth of the PLDT group's fixed and wireless data and broadband businesses, including additional capacity and resilience of the backhaul/transport network.

### Debt Profile

As at 30 June 2017, PLDT's consolidated net debt was US$2.8 billion compared with US$2.9 billion at 31 December 2016, while total gross debt declined to US$3.5 billion from US$3.7 billion, of which 23% was denominated in U.S. dollars. Only 9% of the total debt was unhedged after taking into account the available U.S. dollar cash on hand and currency hedges allocated for debt. 87% of the total debts are due to mature beyond 2018. Post interest rate swaps, 91% of the total debt are fixed-rate borrowings. The average pre-tax interest cost declined to 4.3% from 4.4% for the full year of 2016.

PLDT is rated investment grade by Fitch Ratings, Moody's Investors Service and Standard and Poor's Financial Services, unchanged from year-end 2016.

**Capital Management**

Interim Dividend

PLDT's dividend policy is to pay 60% of core net income as regular dividends. The PLDT Board of Directors approved an interim dividend of Pesos 48 (US$0.95) per share payable on 8 September 2017 to shareholders on record as of 25 August 2017.

**Asset Disposals**

On 22 May 2017, PLDT, through its indirect subsidiary PLDT Global Investments Corporation ("PGIC"), announced that it agreed to sell its remaining 18.32% interest in a business process outsourcing ("BPO") business, SPi Global Holdings, Inc. ("SPi"), to the Partners Group. The transaction, which valued SPi at US$330 million of enterprise value, is expected to close in the third quarter of 2017.

On 27 June 2017, PLDT's subsidiary, PLDT Communications and Energy Ventures, Inc. ("PCEV"), completed the disposal of the remaining 25% interest in Beacon Electric to MPIC for a consideration of Pesos 21.8 billion (US$435.6 million). PCEV had received Pesos 12.0 billion (US$239.8 million) in cash with the balance of Pesos 9.8 billion (US$195.8 million) to be received in equal annual installments until June 2021. Proceeds from the sale will be mainly used for debt reduction and network upgrade and expansion.

**Fixed Line**

Fixed line service revenues (net of interconnection costs) rose 11% to Pesos 34.2 billion (US$683.3 million). The higher revenues from local exchange carrier and data services (Home broadband, Enterprise data and leased lines, data center and IT) were partly offset by lower ILD and NLD revenues due to continued decline in call volumes.

Fixed line data and broadband service revenues rose 17% year-on-year to Pesos 21.4 billion (US$427.6 million) while LEC revenues rose 6% to Pesos 10.2 billion (US$203.8 million), representing 63% and 30% of fixed line service revenues, respectively. ILD and NLD revenues continued to decline registering a 14% reduction to Pesos 2.6 billion (US$51.9 million).

The number of PLDT fixed line subscribers increased 7% from 30 June 2016 to 2.5 million of which 62% had broadband subscriptions.

**Wireless**

Wireless service revenues (net of interconnection costs) declined 15% to Pesos 41.4 billion (US$827.2 million), reflecting decreases in mobile voice and SMS revenues offsetting increases in revenues from mobile data and digital platforms. Revenues from mobile voice, SMS and combined wireless data and digital platform services represented 37%, 27% and 36% of total wireless service revenues, respectively. While higher smartphone penetration of the subscriber base accelerates growth of the use of mobile internet and new digital services such as over-the-top ("OTT") communications and mobile financial services, it, however, exerts downward pressure on legacy voice and SMS revenues.

The PLDT group's combined mobile subscriber base declined 14% from 30 June 2016 to 58.7 million. Beginning in the second quarter of 2017, the prepaid subscriber base excludes subscribers who did not reload within 90 days vis-à-vis 120 days previous cut-off, resulting in a decrease of subscribers. On the other hand, wireless home broadband subscribers were down 3% to 0.3 million as a result of efforts to migrate/upgrade subscribers to fixed line services.

Prepaid subscribers remained high at 96% of the PLDT group's total mobile subscriber base, while postpaid accounted for the remaining 4%.

PLDT has the largest number of home broadband subscribers in the Philippines, with a combined fixed line and wireless broadband subscriber base of 1.8 million at the end of June 2017, up 14% year-on-year. As at 30 June 2017, smartphone ownership rose to about 52% of PLDT's mobile subscriber base, with 60% of those owning smartphones paying for data. Mobile internet usage grew 78% in volume terms during the period.

**Service Revenues by Business Unit**

Home service revenues up 12% to Pesos 15.8 billion (US$315.7 million), representing 22% of the consolidated service revenues resulting from an increase in subscribers. Greater demand for home broadband mainly driven by greater consumption of video content in customers' homes.

Enterprise service revenues up 11% to Pesos 16.8 billion (US$335.7 million), representing 24% of the consolidated service revenues. Robust revenue growth is manifested across all key industry verticals, including banking and financial services, the outsourcing industry, IT and gaming industry, government/public sector, and small and medium enterprises; where PLDT's growth outpaced that of the industry.

Individual service revenues down 16% to Pesos 29.6 billion (US$591.4 million) reflecting the continuing shift from traditional SMS and voice services to data services, this segment accounting for 41% of the consolidated service revenues. The negative momentum in revenues has been stemmed with quarter-on-quarter declines having slowed down starting from the second half of 2016, with sequential growth recorded in the second quarter of 2017.

International and carrier service revenues down 23% to Pesos 8.3 billion (US$165.8 million), representing 12% of the consolidated service revenues.

Combined Home and Enterprise service revenues accounted for 46% of the consolidated service revenues, higher than the 41% contribution from the Individual segment.

Data and broadband remain the growth drivers of the Home, Enterprise and Individual segments, accounting for 62%, 65% and 38% of its service revenues in the first half of 2017, respectively. They increased to 63% and 34% of the fixed line and wireless service revenues (net of interconnection costs) from 59% and 29%, respectively, in the first half of 2016.

**2017 Outlook**

PLDT has made steady progress in the first half of this year in stabilizing its overall business and positioning the group to return to growth, largely on the back of data and broadband services. PLDT's Home and Enterprise business units are leading the way, in growing for at least six consecutive quarters already, because they have succeeded in executing their digital shift much earlier. PLDT is now focused intently on doing the same for its Wireless Consumer business. The interim results have lent greater confidence in maintaining the guidance for full year recurring core income (before exceptional items) at Pesos 21.5 billion.

## MPIC

MPIC's infrastructure portfolio as at 30 August 2017 comprises the following assets offering a wide range of services:

### Power distribution and generation

- 45.5% in Manila Electric Company ("Meralco") through its direct interest and wholly-owned subsidiary Beacon Electric Assets Holdings Inc. ("Beacon Electric")
- 62.4% in Global Business Power Corporation ("GBPC") through Beacon Electric and Meralco

### Toll roads

- 99.9% in MPTC which in turn owns:
  - 75.6% in NLEX Corporation (formerly Manila North Tollways Corporation)
  - 73.0% in Tollways Management Corporation ("TMC")
  - 100.0% in Cavitex Infrastructure Corporation ("CIC")
  - 100.0% in MPCALA Holdings, Inc. ("MPCALA")
  - 100.0% in Cebu Cordova Link Expressway Corporation ("CCLEC")
  - 44.9% in CII Bridges and Roads Investment Joint Stock Co. ("CII B&R") in Vietnam
  - 29.4% in Don Muang Tollway Public Company Limited ("DMT") in Thailand

### Water production, distribution and sewage management

- 52.8% in Maynilad Water Services, Inc. ("Maynilad")
- 100.0% in MetroPac Water Investments Corporation ("MWIC") which in turn owns:
  - 80.0% of Metro Iloilo Bulk Water Supply Corporation ("MIBWSC")
  - 65.0% in Eco-System Technologies International, Inc. ("ESTII")
  - 49.0% in Watergy Business Solutions, Inc. ("WBSI")
  - 27.0% in Laguna Water District Aquatech Resources Corporation ("LARC")
  - 19.9% in Cebu Manila Water Development, Inc. ("CMWD")

### Hospitals

- 60.1% interest in Metro Pacific Hospital Holdings, Inc. ("MPHHI") which in turn owns:
  - 100.0% in Colinas Verdes Hospital Managers Corporation, the operator of Cardinal Santos Medical Center ("CSMC")
  - 100.0% in East Manila Hospital Managers Corporation, the operator of Our Lady of Lourdes Hospital ("OLLH")
  - 100.0% in Metro Pacific Zamboanga Hospital Corporation, the operator of West Metro Medical Center ("WMMC")
  - 93.0% in Marikina Valley Medical Center Inc. ("MVMC")
  - 85.6% in Asian Hospital, Inc. ("AHI") which owns 100.0% of Asian Hospital and Medical Center
  - 78.0% in Riverside Medical Center, Inc. ("RMCI")
  - 65.0% in Delgado Clinic Inc. ("DCI"), the owner and operator of the Dr. Jesus C. Delgado Memorial Hospital ("JDMH")
  - 51.0% in Central Luzon Doctors' Hospital Inc. ("CLDH")
  - 51.0% in De Los Santos Medical Center Inc. ("DLSMC")
  - 51.0% in Sacred Heart Hospital of Malolos Inc. ("SHHM")
  - 50.0% in Metro Sanitas Corporation, owner of 51.0% of The Megaclinic, Inc. ("Megaclinic")
  - 35.2% in Davao Doctors Hospital, Inc. ("DDH")
  - 32.9% in Medical Doctors, Inc. ("MDI"), owner and operator of Makati Medical Center
  - 20.0% in Manila Medical Services Inc. ("MMSI"), owner and operator of Manila Doctors Hospital ("MDH")

### Rail

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

### Logistics

- 100.0% in MetroPac Logistics Company, Inc. which owns 76.0% of MetroPac Movers, Inc. ("MMI") which in turns owns 90.0% of PremierLogistics, Inc. ("PLI")

MPIC's contribution to the Group decreased 5% to US$66.9 million (1H16: US$70.2 million), reflecting a lower average economic shareholding in MPIC to 42.0% in the period from 50.0% in the first half of 2016, higher MPIC financing costs and a 6% depreciation of the average peso exchange rate against the U.S. dollar, partly offset by higher contributions from its power and toll roads businesses.

Consolidated core net income up 17% to Pesos 7.8 billion (US$155.8 million) from Pesos 6.6 billion (US$141.4 million)

- reflecting a higher ownership in and preferred share dividend income from power businesses, and strong growth at all toll roads businesses
- power, toll roads, water, hospitals, and rail and others accounted for 55%, 21%, 19%, 3% and 2%, respectively, of MPIC's consolidated profit contribution from operations
- a 26% increase in contribution from the power business to Pesos 5.3 billion (US$105.7 million) resulting from a higher average shareholding in Meralco, a full first-half contribution from GBPC and higher preferred share dividend income from Beacon Electric
- a 14% rise in contribution from the toll roads business to Pesos 2.0 billion (US$40.7 million) reflecting strong traffic growth on all toll roads
- a 2% increase in contribution from the water businesses to Pesos 1.8 billion (US$36.8 million)

- reflecting a contribution from MWIC compared with a loss in the first half of 2016, and an increase in the billed volume at Maynilad offset by a lower average effective tariff
- a 24% increase in contribution from hospitals to Pesos 308 million (US$6.2 million) reflecting higher outpatient revenues and contributions from newly-acquired hospitals
- a 23% decline in contribution from rail to Pesos 123 million (US$2.5 million) reflecting higher operational costs in line with an increased in number of light rail vehicles ("LRVs") despite growth in the average daily ridership
- partly offset by higher MPIC head office interest and operating expenses

Consolidated reported net income up 12% to Pesos 7.8 billion (US$156.3 million) from Pesos 7.0 billion (US$148.5 million)

- reflecting a higher core net income, partly offset by a lower non-core income
- non-core income in the first half of 2017 mainly related to the gain realized from the placement of Meralco shares, offset by refinancing costs, project expenses and expenses in relation to Maynilad's manpower reduction program

Revenues up 11% to Pesos 24.1 billion (US$481.4 million) from Pesos 21.7 billion (US$462.6 million)

- reflecting revenue growth at all operating companies

**Debt Profile**

As at 30 June 2017, MPIC reported consolidated debt of Pesos 166.3 billion (US$3.3 billion), up 71% from Pesos 97.0 billion (US$2.0 billion) as at 31 December 2016. Of the total, 96% was denominated in pesos. Fixed-rate loans accounted for 98% of the total and the average pre-tax interest cost was approximately 6.1%.

**Interim Dividend**

MPIC's Board of Directors declared an interim dividend of Peso 0.0345 (U.S. 0.07 cent) per share payable on 26 September 2017 to shareholders on record as at 1 September 2017, 8% higher than the interim dividend in 2016. This interim dividend represents a payout ratio of 14% of core net income.

**Additional Investments and Asset Placement**

On 24 January 2017, MMI signed an agreement for PLI to acquire certain logistics-related assets and businesses of Ace Logistics, Inc. ("Ace") for a consideration of Pesos 280 million (US$5.6 million). The transaction was completed in April 2017. Ace is involved in logistics, trucking, freight forwarding, customs brokerage and domestic shipping businesses in the Philippines.

On 31 January 2017, MPHHI completed an agreement to invest approximately Pesos 134 million (US$2.7 million) of cash into DCI through a subscription to preferred shares representing approximately 65% of the total expanded capital stock of DCI. DCI is the owner and operator of the JDMH in Quezon City.

On 27 March 2017, a consortium consisting of MPIC, Covanta Energy, LLC and Macquarie Group, Ltd. was granted an Original Proponent Status by the Quezon City Government for a 42 megawatt energy from waste project. MPIC is expected to invest approximately Peso 4.0 billion (US$79.3 million) as its share in the project.

On 6 June 2017, MPIC's subsidiary GBPC entered into an agreement with Alsons Consolidated Resources, Inc. ("ACR") to acquire 50% of ACR's coal generation assets in Mindanao for a consideration of approximately Pesos 4.3 billion (US$85.2 million). The transaction is subject to fulfillment of certain conditions.

On 13 June 2017, MPIC completed the placement of approximately 4.5% of Meralco shares to third-party investors at Pesos 250 per share (US$5.0). The total consideration of the placing was Peso 12.7 billion (US$253.7 million) and the net proceeds was used to partly fund the acquisition of the remaining 25.0% interest of Beacon Electric. Post the placement of Meralco shares, MPIC owns directly approximately 10.5% in Meralco.

On 27 June 2017, MPIC completed the acquisition of the remaining 25.0% interest in Beacon Electric from PLDT Communications and Energy Ventures, Inc. ("PCEV") which is a subsidiary of PLDT Inc. The consideration was Pesos 21.8 billion (US$435.6 million). MPIC has paid Pesos 12.0 billion (US$239.8 million) in cash to PCEV and the balance of Pesos 9.8 billion (US$195.8 million) is to be paid in annual installments until June 2021. Following the transaction, Beacon Electric became a wholly-owned subsidiary of MPIC.

**Power**

In the first half of 2017, MPIC increased its power portfolio through the acquisition of the remaining 25.0% interest in Beacon Electric. It increased its effective interest in Meralco to 45.5% from 41.2% and in GBPC to 62.4% from 47.8% from 31 December 2016.

Meralco's operating performance remained strong, driven by higher energy sales and growth in its customer base. The volume of electricity sold rose 3% to 20,338 gigawatt hours, with commercial, industrial and residential demand recording 4%, 3% and 3% increases, respectively. Revenues increased 9% to Pesos 141.0 billion (US$2.8 billion), reflecting a 3% growth in energy sales, a 4% increase in the number of customers and a 13% increase in pass-through generation charges. Capital expenditure rose 29% to Pesos 5.3 billion (US$105.9 million) for improving critical loading of existing facilities, capacity expansion and additional customer connections. System loss continues to improve and reached a record low of 6.1%.

During the period, GBPC's volume of electricity sold rose 13% to 2,027 gigawatt hours. Revenues increased 26% to Pesos 10.8 billion (US$215.8 million) driven mainly by adding new commercial operations. Core income declined 30% to Pesos 922 million (US$18.4 million) reflecting the expiration of the income tax holiday of certain business units in late 2016 and early 2017.

As at 30 June 2017, Meralco had a combined power generating capacity of 1,659 megawatts from its generation investments. Meralco PowerGen Corporation ("Meralco PowerGen"), Meralco's wholly-owned power generation subsidiary, is developing several power projects in the Philippines with a total planned capacity of 4,088 megawatts through San Buenaventura Power, Redondo Peninsula Energy, Atimonan One Energy, St. Raphael Power and Mariveles Power Generation Corporation.

GBPC's power assets currently have generating capacity of 859 megawatts. GBPC has an approximately 1,100 megawatts planned power generation capacity under different stage of development.

### Toll Roads

MPTC operates North Luzon Expressway ("NLEX"), Manila-Cavitex Toll Expressway ("CAVITEX"), Subic Clark Tarlac Expressway ("SCTEX") and the Subic Freeport Expressway in the Philippines, and has investments in CII B&R in Vietnam and DMT in Thailand.

In the first half 2017, revenues rose 9% to Pesos 6.5 billion (US$129.9 million) driven by traffic growth on all roads. Reported net income rose 134% to Pesos 3.6 billion (US$71.9 million), reflecting a non-cash accounting gain related to the remeasurement of TMC after MPTC gained control over TMC. On 17 April 2017, NLEX Corporation and TMC proposed to merge TMC with NLEX Corporation, with NLEX Corporation as the surviving corporation. The Merger is subject to approval by the Philippine Securities and Exchange Commission and is expected to be completed around the third quarter of 2017. The Merger is expected to improve cost efficiency and access to capital for MPTC.

Capital expenditure decreased 7% to Pesos 2.2 billion (US$44.0 million) mainly reflecting completion of expansion projects such as toll plaza expansions, NLEX road widening project and new exits during the first half of 2017. MPTC plans to spend Pesos 130.5 billion (US$2.6 billion) in the Philippines over the next five years for expansion of existing roads and construction of new road projects, with expected completion between late 2017 and 2021.

The entitled tariff adjustments for NLEX, CAVITEX and SCTEX have been delayed since 2012. MPTC continues its discussion with the regulator to resolve the long-lasting tariff issue which has hurt MPTC's ability to finance its road construction projects.

### 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 the first half 2017, Maynilad's average non-revenue water rose to 32.2% from 29.3% due to abnormal water production as adversely impacted by El Nino in 2016. Revenues rose 1% to Pesos 10.2 billion (US$203.8 million), reflecting a 2% increase in billed water volume to 253 million cubic meters and a 4% increase in billed customers to 1.3 million, partly offset by an 1% decline in the average tariff due to lower consumption per connection as a result of cooler temperatures.

On 29 December 2014, Maynilad's water tariff under the rate rebasing for the period from 2013 to 2017 received a favorable award in arbitration proceedings in the Philippines. However, the Metropolitan Waterworks and Sewerage System ("MWSS") of the Philippines has not yet acted on the arbitration award. Maynilad subsequently proceeded to arbitration in Singapore and the final hearing was completed in December 2016. On 24 July 2017, the three-person Arbitral Tribunal (the "Tribunal") unanimously upheld the validity of Maynilad's claim against the Undertaking Letter issued by the Republic of the Philippines ("the Republic"), through the Department of Finance, to compensate Maynilad for the delayed implementation of its relevant tariffs for the above mentioned rebasing period.

The Tribunal ordered the Republic to reimburse Maynilad Pesos 3.4 billion (US$67.4 million) for losses from 11 March 2015 to 31 August 2016, without prejudice to any rights that Maynilad may have to seek recourse against MWSS for losses incurred from 1 January 2013 to 10 March 2015. Further, the Tribunal ruled that Maynilad is entitled to recover from the Republic its losses from 1 September 2016. In case a disagreement on the amount of such losses arises, Maynilad may revert to the Tribunal for further determination. Maynilad will coordinate and cooperate with the Philippine Government to find the most efficient way to implement the judgment.

Despite the delay in the tariff increase it is entitled to, Maynilad remains committed to enhancing its services to customers. In the first half of 2017, it repaired 12,692 leaking pipes, installed 15 kilometers of water pipes and expanded its distribution line to 7,652 kilometers. Drinking water supply and sewerage coverage were 93% and 15% of the concession area's population, respectively. Capital expenditure rose 35% to Pesos 4.9 billion (US$97.9 million) for upgrading and constructing reservoirs and pumping stations, laying of new primary pipes, and construction of wastewater treatment facilities.

MWIC provides bulk water supply services to water districts in Cebu and Iloilo, and delivers treated water to residents in Laguna. The capacity will increase to 390 million liters of water per day when MWIC's water infrastructure projects are fully developed.

On 14 August 2017, MWIC signed a joint venture agreement with the Cagayan de Oro Water District ("COWD") for the formation of a joint venture company to undertake the supply of treated bulk water to address the requirements of Cagayan de Oro City. The project has a term of 30 years and renewable for another 20 years, and involves the supply of up to 100 million liters of treated bulk water per day. COWD currently serves a population of more than 700,000 residents and has approximately 85,000 service connections.

### Hospitals

MPIC's Hospital division comprises 13 full-service hospitals and MegaClinic, a mall-based diagnostic and surgical center, and has indirect ownership in two healthcare colleges in Davao and Bacolod.

MPIC is the largest private provider of premier hospital services in the Philippines with 2,873 beds and 7,710 accredited doctors as at 30 June 2017. Revenues rose 15% to Pesos 10.6 billion (US$211.8 million) in the first six months of 2017, reflecting contributions from two newly-acquired hospitals and higher contributions from existing hospitals driven by increased patient revenues. The number of outpatients rose 14% to 1.5 million and inpatients rose 8% to 79,484.

The Hospital division aims to expand its portfolio to 5,000 beds and enhance healthcare services via implementing synergies across its hospital network, expanding coverage and capacity, upgrading facilities, and establishing a central laboratory. Specialty healthcare facility investments will include an oncology center, greenfield specialist hospitals and non-hospital based primary care centers in partnership with Sanitas International.

### Rail

LRMC commenced operation of LRT1 in September 2015, in a concession which runs until 2047. In the first half of 2017, revenues increased 3% to Pesos 1.5 billion (US$30.0 million) reflecting a 6% growth in LRT1's average daily ridership to 429,915 and a 14% increase in LRVs to 104 from July 2016 to June 2017.

Projects for rail replacement, lining and leveling are progressing as scheduled. Up to July 2017, 87% of a total of 26 kilometers of existing tracks had been replaced with remaining rail tracks to be completed by 2017. Other enhancement projects including the newly approved LRT1 structural restoration project, ongoing improvements for stations and depots, and the unification of the central station are expected to be completed by 2019. These projects will significantly enhance passenger safety and operational efficiency.

### Logistics

This newly added business recorded a contribution of Pesos 34 million (US$0.7 million) to MPIC. MMI plans to expand its logistics business by acquiring existing logistics businesses and expanding its customer base across the Philippines.

### 2017 Outlook

While there are signs of progress in disputes with regulators over contracted tariff levels in our more regulated businesses, uncertainty remains. However, continuing strong economic growth is lifting the financial results of all MPIC's businesses such that management confidently forecasts a rise in core net profit in fiscal 2017 to Pesos 13.3 billion.

## FPW/GOODMAN FIELDER

FPW's contribution to the Group decreased 8% to US$6.6 million (1H16: US$7.2 million), largely due to a lower profit contribution from the Papua New Guinea operation.

In the first half of 2017, Goodman Fielder's core net income declined 14% to A$17.8 million (US$13.5 million), sales rose 7% to A$1.0 billion (US$776.3 million) and normalized EBIT fell 25% to A$43.1 million (US$32.7 million). Capital expenditure rose 77% to A$62.3 million (US$47.2 million).

### International Business

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

Sales from the international business rose 2% on healthy growth in most markets, largely offset by a weaker performance in Papua New Guinea. Sales contributions from China, Fiji and New Caledonia were strong.

In Papua New Guinea, sales declined 19% because of lower sales volumes and lower prices. After addressing operational issues from 2016, recovery will stem from improved promotional execution of flour, better utilization of mills, expansion of the rice business, and continued focus on cost savings in logistics and overheads.

In the first half of 2017, the sales volume of Meadow Fresh UHT milk in China and Southeast Asia rose 41%.

In addition to UHT milk, Goodman Fielder also increased exports of whipping cream, yoghurt, butter and cheese products to the food service and retail markets across China and Southeast Asia and Pacific.

### New Zealand Business

Goodman Fielder has 14 manufacturing facilities in New Zealand producing a wide range of high quality dairy, baked and grocery products. It also exports Meadow Fresh UHT milk to the international market.

In the first half of 2017, New Zealand sales rose 10% mainly reflecting growth in the dairy (cheese, yoghurts and creams) and grocery (butter, spreads and convenience meals) businesses.

New products launched in the first half of 2017 including MacKenzie Craft Loaf and Muffin Splits, a reformulation and brand update of Nature's Fresh Bread Loaf, and a relaunch of Irvines' Pies with improved product quality and new packaging. In addition, Puhoi Valley Cheese, Cow's Milk Feta and Cellar Range Washed Rind Cheese secured category wins in the New Zealand Champion Cheese Awards. Puhoi Valley received five gold, five silver and eight bronze awards overall.

As part of Goodman Fielder's optimization strategy for its manufacturing network, it plans to consolidate production and an additional A$150 million (US$115.3 million) worth of capital investments to expand and to enhance efficiencies of its Quality Bakers Auckland and Meadow Fresh Christchurch sites. The project will create 85 new jobs, involving the relocation of the production of pies from its Irvines' facility at Wiri to its Palmerston North facility and the removal of production of garlic bread and other baked goods from its Hot Plate bakery at East Tamaki to Quality Bakers Auckland.

### Australia Business

In Australia, Goodman Fielder's branded products under Meadow Lea, Praise, White Wings, Pampas, Helga's, Wonder White, Vogel's, Meadow Fresh, Edmonds and Irvines labels remain popular with strong market shares.

Sales rose 7% reflecting growth in both the grocery and baking businesses. A new enhanced logistics arrangement is proving effective with Goodman Fielder's daily fresh business.

New products launched in the first half of 2017 including Helga's Thick Cut White and Mixed Grain Loaf, La Famiglia Turkish Garlic Bread, a new range of recipes for White Wings Cake in a Cup (Product of the Year), Pampas Chocolate Crust Pastry, and White Wings Vanilla Cupcake Icing. Upcoming product launch in the second half of 2017 include One Night In Mexico and Deli Style Olive Oil Dressings.

The optimization plan for bread manufacturing facilities at Southeast Queensland and Western Australia commenced early this year and is ongoing. The total number of baking production plants in Australia is expected to be reduced by three to 11 by the end of 2017.

### Debt Profile

As at 30 June 2017, Goodman Fielder's net debt increased 9% to A$559.4 million (US$430.0 million) with maturity ranging from 2017 to 2020, with 27% of total borrowings at a fixed rate. Fixed-rate borrowings are denominated in U.S. dollars and hedged to A$167.9 million. Australian dollar and New Zealand dollar floating-rate borrowings are funded by a diverse panel of domestic and international banks. Interest expense in the first half of 2017 fell 5% to A$16.2 million (US$12.3 million).

### 2017 Outlook

Healthy economic fundamentals in most of Goodman Fielder's markets indicate positive momentum to drive sales and earnings growth across the Australia, New Zealand and International markets. ASEAN and China markets will receive greater attention for Goodman Fielder's export activity while local manufacturing operations in Fiji and New Caledonia are expected to see earnings growth from improved business performance. Recent challenges in Papua New Guinea have been addressed with profitability expected to improve in the second half of 2017 and beyond.

## PHILEX

Philex's natural resources portfolio as at 30 August 2017 comprises:

### Philex for metal-related assets

- 100% in Padcal mine
- 100% in Silangan Mindanao Exploration Co., Inc. ("SMECI")
- 100% in Silangan Mindanao Mining Co., Inc.
- 100% in Philex Gold Philippines, Inc.
- 99.0% in Lascogon Mining Corporation
- 5% in Kalayaan Copper Gold Resources, Inc.

### PXP Energy Corporation ("PXP")* for energy- and hydrocarbon-related assets

- 75.4% † in Forum Energy Limited ("Forum") which owns 70.0% of Service Contract ("SC") 72, and a 2.3% interest in the Galoc oil field (SC 14C-1) which is in the production stage, both of these assets are located in the West Philippine Sea
- 53.4% in Pitkin Petroleum Limited which owns 25% of Peru Block Z-38, an oil and gas exploration asset located in offshore Peru
- 50.0% in SC 75 and 70.0% in SC 74, both located in Northwest Palawan

** 19.8% held by Philex, 25.0% held by First Pacific and 7.7% held by Two Rivers Pacific Holdings Corporation, a Philippine affiliate of First Pacific.*
*† 71.0% held directly by PXP and 8.0% held by PXP's 55.0%-owned subsidiary FEC Resources, Inc., for a total effective interest of 75.4% held by PXP.*

Philex's contribution to the Group increased 36% to US$6.1 million (1H16: US$4.5 million) reflecting realized higher copper prices. The average realized price of gold decreased slightly to US$1,258 per ounce, while the average realized copper price rose 24% to US$2.65 per pound.

Total ore milled decreased 12% to 4.1 million tonnes, due primarily to low mine delivery, brought about by equipment availability issues, limited capacities of ore passes at lower mining levels and bouldery ore in newly commissioned draw points. During the period, gold grade averaged 0.399 gram per tonne (1H16: 0.406 grams per tonne) and copper grade averaged at 0.199% copper (1H16: 0.206%). As a result of lower metal grades and tonnage milled, gold production fell 13% to 43,251 ounces and copper production fell 14% to 15.0 million pounds.

During the period, Philex repaid US$8.0 million of its outstanding debts. As at 30 June 2017, it had Pesos 461 million (US$9.1 million) of cash and cash equivalents and Pesos 9.5 billion (US$187.9 million) of borrowings comprising convertible notes issued by SMECI and short-term bank loans.

| | |
|---|---|
| Core net income down 3% to Pesos 748 million (US$14.9 million) from Pesos 774 million (US$16.5 million) | ▪ reflecting lower tonnage and metal grades<br>▪ partly offset by higher realized copper prices |
| Net income down 8% to Pesos 719 million (US$14.4 million) from Pesos 779 million (US$16.6 million) | ▪ reflecting a lower core net income |
| Revenue down 1% to Pesos 4.8 billion (US$95.1 million) from Pesos 4.8 billion (US$101.9 million) | ▪ reflecting lower metal output due to lower tonnage and metal grades<br>▪ partly offset by higher realized copper prices and favorable foreign exchange rates<br>▪ revenues from gold, copper and silver contributed 57%, 42% and 1% of the total, respectively |
| EBITDA up 7% to Pesos 1.8 billion (US$36.0 million) from Pesos 1.7 billion (US$36.2 million) | ▪ reflecting a lower cash production cost resulting from lower renegotiated power rates and reduced cost of contracted work |
| Operating cost per tonne of ore milled up 15% to Pesos 851 (US$17.0) from Pesos 741 (US$15.8) | ▪ arising from higher depreciation and amortization costs due to higher amortization of newly commissioned draw-points, despite lower cash production cost |
| Capital expenditure (including exploration costs) down 8% to Pesos 1.1 billion (US$22.0 million) from Pesos 1.2 billion (US$25.5 million) | ▪ reflecting lower capital expenditure for the Silangan project and lower expenses for other mineral exploration projects |

The mine life of Philex's major operating metal asset Padcal mine was extended to 2022 in October 2015 with additional resources and reserves declared.

### Silangan Project

The gold and copper mine development project is located in Surigao del Norte, Northeastern Mindanao in the Philippines. The project has secured from the Department of Environment and Natural Resources ("DENR") and currently maintains all major permits including environmental compliance certification ("ECC") for surface mining, a tree-cutting permit and approval by DENR of the amended Declaration of Mining Project Feasibility for surface mining. The project's definitive feasibility study is undergoing its final stages for the phase 1 development plan. A supplementary pre-feasibility study for the remaining resource is ongoing. The project has not yet commenced operation, although community development and environment enhancement programs are continuing in compliance with the ECC conditions and in compliance with environmental, social and governance ("ESG") commitments to the local communities.

Meanwhile, DENR Administrative Order ("DAO") 2017-10 banning the use of the open-pit mining method in the Philippines is still in effect. Under the Philippine Mining Act of 1995, open-pit mining is allowed in the country.

Philex is now in the process of selecting financial advisors to assist in inviting potential equity/strategic partners and project financiers.

### PXP

During the period, petroleum revenues declined 11% to Pesos 53 million (US$1.1 million) as a result of lower oil output in the Galoc oil field, despite higher crude oil prices. Costs and expenses fell 14% to Pesos 78 million (US$1.6 million) reflecting lower crude oil output and containment of overhead expenses.

### SC 72

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

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

### SC 75

The property covered by SC 75 is located in Northwest Palawan. It has been under force majeure since 27 December 2015. Upon the lifting of the force majeure, PXP will have 18 months to obtain 1,000 square kilometers of 3D seismic data for sub-phase 2.

PXP is in discussions with the Philippine Department of Energy ("DOE") on the possible lifting of force majeure for both SC 72 and SC 75.

### Others

SC 74 Linapacan Block, SC 14C-1 Galoc, SC 14C-2 West Linapacan and Peru Block Z-38 are in different stages of data processing and interpretation, and drilling preparation.

### 2017 Outlook

The current regulatory environment remains challenging and unpredictable, which largely dictates the pace of development of the Silangan project. In addition, production at the existing Padcal mine will be challenged by existing mine delivery constraints and ore quality. Nonetheless, Philex continues to pursue the completion of the Silangan project's definitive feasibility study and continues to explore vicinities within and around the Padcal mine to further extend its mine life to beyond 2022, amid uncertainties in the local mining industry.

## FPM POWER/PLP

First Pacific through a 60/40-owned entity with Meralco PowerGen holds a 70% interest in PLP. PLP is the first power plant in Singapore fully fueled by liquefied natural gas, equipped with efficient facilities for power generation. The plant's fuel is provided by Shell Gas (formerly known as BG Group) under a long-term agreement through SLNG Terminal developed by the Singaporean Government.

First Pacific's share of FPM Power's loss narrowed by 64% to US$3.9 million, reflecting a lower loss at PLP.

In the first half of 2017, the plant's system availability remained high at 95.1% and the heat rate exceeded its target level by 2.0%.

During the period, the volume of electricity sold increased 3% to 2,413 gigawatt hours, of which 89% was for retail, vesting contracts, futures and contracts for differences sales, and the remaining 11% was for pool market sales. PLP's generation market share for the period was approximately 10%.

| | |
|---|---|
| Core net loss down 38% to S$35.6 million (US$25.5 million) from S$57.1 million (US$41.5 million) | ▪ reflecting a higher contribution from improved margins resulting from an improved heat rate due to higher generation<br>▪ a gain from contracts for differences sales to other generation companies |
| Net loss down 47% to S$28.9 million (US$20.7 million) from S$54.9 million (US$39.9 million) | ▪ reflecting a lower core net loss<br>▪ a lower provision of onerous contract |
| Revenues up 9% to S$386.9 million (US$277.5 million) from S$356.5 million (US$259.3 million) | ▪ reflecting a higher average selling price per unit of electricity sold following a rebound of the oil price and a higher volume of electricity generated and sold |
| Operating expenses down 6% to S$10.8 million (US$7.7 million) from S$11.5 million (US$8.4 million) | ▪ reflecting lower depreciation expenses |
| EBITDA to a profit of S$14.0 million (US$10.0 million) from a loss of S$11.9 million (US$8.7 million) | ▪ reflecting higher contributions from improved margins<br>▪ a gain from contracts for differences sales to other generation companies |

### Debt Profile

As at 30 June 2017, FPM Power's net debt stood at US$492.3 million while gross debt stood at US$546.4 million with 8% of debts maturing within one year and the remaining debts maturing from 2018 up to 2021. All of the borrowings were floating-rate bank loans, with 69% effectively changed to fixed rate borrowings through interest rate swap arrangements.

### 2017 Outlook

Competition in Singapore's power generation market is expected to remain strong for the rest of the year owing to continuing oversupply. PLP will continue developing its partnership with its gas supplier and leverage its efficiency advantage and operational flexibility to improve performance.

## FP NATURAL RESOURCES/ RHI/FCMI

### Additional Investment

On 14 July 2017, FP Natural Resources, through its wholly-owned subsidiary, completed the conversion of approximately Pesos 524 million (US$10.4 million) of convertible notes issued by Roxas Holdings, Inc. ("RHI") to 125 million common shares of RHI at a price of Pesos 4.19 (U.S. 8 cents) per share. After the conversion, FP Natural Resources and its Philippine affiliate First Agri Holdings Corporation's aggregate economic interest in RHI increased to 62.9% from 59.7%.

### Review of Operations

First Pacific and its indirect agribusiness subsidiary IndoAgri, through a 70/30-owned entity FP Natural Resources and a Philippine affiliate have an aggregate 62.9% interest in RHI and 100.0% in First Coconut Manufacturing Inc. ("FCMI").

In the first half of 2017, FP Natural Resources' contribution to the Group increased 5 times to US$1.2 million (1H16: US$0.2 million), reflecting a higher average ownership in RHI and a higher core net income at RHI. RHI recorded a profit contribution of US$2.2 million (1H16: US$1.3 million) while the share of loss at FCMI was US$1.0 million (1H16: loss of US$1.0 million).

### RHI

Together with its associate Hawaiian-Philippine Company, Inc. ("HPC"), RHI is one of the largest integrated sugar producers in the Philippines, accounting for 18% of domestic sugar production. It has three sugar mills, one in Batangas and two in Negros Occidental, with combined milling capacity of 36,000 tonnes of sugar cane per day. Its refinery facility in Batangas has capacity of 18,000 LKg per day (one LKg is a unit of measure that is equal to one 50-kilogram bag of sugar). RHI also has two ethanol plants in Negros Occidental with daily production capacity of 285,000 liters.

RHI's sugar business milled 2.6 million tonnes of cane for the period, up 39% from the same period of last year. During the period, RHI sold 1.3 million LKg (1H16: 1.4 million LKg) of refined sugar, 1.2 million LKg (1H16: 1.1 million LKg) of raw sugar and 111,757 LKg (1H16: 50,279 LKg) of premium raw sugar. Sales volume of ethanol declined to 34.7 million liters (1H16: 39.0 million liters) on lower demand from local oil companies.

Core net income up 33% to Pesos 287 million (US$5.7 million) from Pesos 215 million (US$4.6 million)

- reflecting lower unit manufacturing cost resulting from mill operating efficiencies and improved partnership with planters
- increase in cane milled and sugar produced
- partly offset by lower average selling prices of all products, and decreased sales volume of refined sugar and ethanol

Reported net income up 46% to Pesos 287 million (US$5.7 million) from Pesos 197 million (US$4.2 million)

- reflecting a higher core net income

Revenue down 16% to Pesos 6.5 billion (US$129.4 million) from Pesos 7.8 billion (US$164.9 million)

- owing to lower average selling prices of all products and a decline in ethanol sales volume

Operating expenses down 3% to Peso 444 million (US$8.9 million) from Pesos 456 million (US$9.7 million)

- driven by cost-control initiatives

EBITDA up 18% to Pesos 1.0 billion (US$20.0 million) from Pesos 873 million (US$18.6 million)

- resulting from improved gross margins despite lower average selling prices

EBITDA margin to 15.9% from 11.3%

- propelled by a higher EBITDA

Debt Profile

As at 30 June 2017, long-term debt of RHI stood at Pesos 5.2 billion (US$102.2 million) with maturities ranging from May 2018 to August 2024 at an annual interest of approximately 4.5%. Short-term debt stood at Pesos 5.7 billion (US$113.3 million) with an average interest of approximately 3.9%.

### FCMI

In the first half of 2017, supply of copra remained under pressure as the harvest was adversely impacted by El Niño. Coconut oil is primarily used for food, cosmetics and pharmaceutical purposes and coconut by-products remain highly in demand due to their health and nutritional benefits. However, the higher average selling price of crude coconut oil was accompanied by a significant increase in the cost of copra. FCMI sold 4,459 tonnes and 563 tonnes of crude/cochin coconut oil and white refined, bleached and deodorized ("RBD") coconut oil, respectively.

During the period, FCMI's revenue rose 12% to Pesos 436 million (US$8.7 million), while core loss remained at Pesos 70 million (US$1.4 million) reflecting continued high raw material cost due to shortage of copra supply.

### Debt Profile

As at 30 June 2017, FCMI had no outstanding debt.

### 2017 Outlook

At RHI, improved supply of cane will alleviate a brake on revenue growth while better cost controls will improve margins. With expected more stable cane supplies and a stronger grip on costs, improved operating and financial results are more likely. FCMI will focus on securing consistent supply of copra at a lower cost and improving operational efficiency of its production facilities.

## FINANCIAL REVIEW

## LIQUIDITY AND FINANCIAL RESOURCES

### NET DEBT AND GEARING

***(A) Head Office Net Debt***

The increase in net debt mainly reflects the payments for interest expenses and the Company's 2016 final distribution, partly offset by dividend income received. The Head Office's borrowings at 30 June 2017 comprise bonds of US$1,267.7 million (with an aggregate face value of US$1,273.9 million) which are due for redemption between July 2017 and April 2023 and bank loans of US$338.4 million (with an aggregate principal amount of US$347.0 million) which is due for repayment between November 2018 and March 2022. The bonds due in July 2017 with an aggregate face value of US$218.5 million were fully redeemed upon maturity on 24 July 2017.

**Changes in Head Office net debt**

| US$ millions | Borrowings | Cash and cash equivalents[i] | Net debt |
|---|---|---|---|
| At 1 January 2017 | 1,759.5 | (248.2) | 1,511.3 |
| Movement | (153.4) | 180.7 | 27.3 |
| **At 30 June 2017** | **1,606.1** | **(67.5)** | **1,538.6** |

*(i) Includes pledged deposits and restricted cash as at 30 June 2017 of US$9.1 million (31 December 2016: US$11.7 million).*

**Head Office free cash flow[ii]**

| **For the six months ended 30 June**<br>US$ millions | **2017** | 2016 |
|---|---|---|
| Dividend and fee income[iii] | **123.6** | 132.7 |
| Less: Indofood dividend received on 6 July 2017[iii] | **(68.6)** | - |
| Cash dividend and fee income | **55.0** | 132.7 |
| Head Office overhead expense | **(12.6)** | (12.6) |
| Net cash interest expense | **(40.7)** | (45.7) |
| **Net cash inflow from operating activities** | **1.7** | 74.4 |
| (Net investments)[iv]/net proceeds on sale of an investment[v] | **(10.1)** | 168.6 |
| Financing activities | | |
| - Distribution/dividends paid | **(30.5)** | (30.2) |
| - Repayment of loans, net | **(173.7)** | (13.3) |
| - Others, mainly proceeds from issuance of shares upon the exercise of share options | **34.5** | 1.8 |
| **(Decrease)/increase in cash and cash equivalents** | **(178.1)** | 201.3 |
| Cash and cash equivalents at 1 January | **236.5** | 102.6 |
| **Cash and cash equivalents at 30 June** | **58.4** | 303.9 |

*(ii) Excludes pledged deposits and restricted cash as at 30 June 2017 of US$9.1 million (30 June 2016: US$11.5 million and 1 January 2016: US$11.5 million).*

*(iii) Includes Indofood's 2016 final dividend of US$68.6 million which was received on 6 July 2017. Indofood's 2015 final dividend of US$49.7 million was received on 28 June 2016.*

*(iv) 1H17's net investments principally represents the subscription of convertible notes issued by RHI.*

*(v) 1H16's net proceeds on sale of an investment represents the net proceeds from the sale of 1.3 billion common shares in MPIC.*

***(B) Group Net Debt and Gearing***

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

**Consolidated**

| | **At 30 June 2017** | | | At 31 December 2016 | | |
|---|---|---|---|---|---|---|
| US$ millions | **Net debt[i]** | **Total equity** | **Gearing[ii] (times)** | Net debt[i] | Total equity | Gearing[ii] (times) |
| Head Office | **1,538.6** | **1,963.4** | **0.78x** | 1,511.3 | 2,016.7 | 0.75x |
| Indofood | **721.1** | **3,400.8** | **0.21x** | 674.3 | 3,349.2 | 0.20x |
| MPIC | **2,449.8** | **4,250.7** | **0.58x** | 1,492.9 | 3,775.5 | 0.40x |
| FPM Power | **492.3** | **316.6** | **1.55x** | 470.2 | 344.8 | 1.36x |
| FP Natural Resources | **197.9** | **201.9** | **0.98x** | 189.3 | 201.2 | 0.94x |
| Group adjustments[iii] | **-** | **(1,491.0)** | **-** | - | (1,653.1) | - |
| **Total** | **5,399.7** | **8,642.4** | **0.62x** | 4,338.0 | 8,034.3 | 0.54x |
| **Associated companies and joint venture** | | | | | | |
| PLDT | **2,803.4** | **2,437.5** | **1.15x** | 2,942.7 | 2,183.0 | 1.35x |
| FPW | **429.6** | **995.3** | **0.43x** | 368.6 | 952.8 | 0.39x |
| Philex | **178.7** | **474.0** | **0.38x** | 185.4 | 470.6 | 0.39x |

*(i) Includes short-term deposits, pledged deposits and restricted cash*

*(ii) Calculated as net debt divided by total equity*

*(iii) Group adjustments mainly represents elimination of goodwill arising from acquisitions prior to 1 January 2001 against the Group's retained earnings and other standard consolidation adjustments to present the Group as a single economic entity.*

Head Office's gearing increased which reflects its payments for interest expenses and the Company's 2016 final distribution.

Indofood's gearing increased because of an increase in its net debt, which mainly reflects its payments for capital expenditure, partly offset by its operating cash inflow, the first installment received from its disposal of the remaining 29.9% interest in CMZ and an increase in its equity reflecting its profit recorded during the period.

MPIC's gearing increased mainly reflecting an increase in its net debt as a result of its consolidation of Beacon Electric and GBPC upfront payment for its acquisition of the remaining 25.0% interest in Beacon Electric from PCEV, payments for capital expenditure by Maynilad and MPTC, partly offset by the proceeds from its divestment of a 4.5% interest in Meralco, operating cash inflow and the depreciation of the peso against the U.S. dollar during the period, despite a growth of its equity as a result of profit recorded during the period and consolidation of Beacon Electric, partly offset by the depreciation of the peso against the U.S. dollar during the period.

FPM Power's gearing increased mainly because of an increase in its net debt as a result of the appreciation of the S$ against the U.S. dollar during the period, partly offset by its operating cash inflow, coupled with a decrease in its equity reflecting its unrealized losses on cash flow hedges recorded during the period.

FP Natural Resources' gearing increased because of an increase in its net debt as a result of RHI's payments for capital expenditure and operating cash outflow, partly offset by the receipt of advances from First Pacific for its subscription of RHI's convertible notes and the depreciation of the peso against the U.S. dollar.

The Group's gearing increased to 0.62 times which reflects a higher net debt level mainly as a result of MPIC's consolidation of Beacon Electric and GBPC and Indofood's payments for capital expenditure, partly offset by MPIC's proceeds from divestment of a 4.5% interest in Meralco, despite an increase in the Group's equity as a result of MPIC's consolidation of Beacon Electric and the Group's profit recorded during the period.

PLDT's gearing decreased because of a decrease in its net debt mainly reflecting its receipt of upfront payment from MPIC for its disposal of the remaining 25.0% interest in Beacon Electric and a growth of its equity reflecting its profit recorded during the period, partly offset by dividends paid. FPW's gearing increased mainly because of an increase in its net debt reflecting its payments for capital expenditure and the appreciation of the A$ against the U.S. dollar, partly offset by its operating cash inflow, despite a growth of FPW's equity as a result of the appreciation of the A$ against the U.S. dollar. Philex gearing decreased mainly because of a decrease in its net debt reflecting its operating cash inflow and the depreciation of the peso against the U.S. dollar during the period, partly offset by its payments for capital expenditure.

**MATURITY PROFILE**

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

**Consolidated**

| US$ millions | Carrying amounts At 30 June 2017 | Carrying amounts At 31 December 2016 | Nominal values At 30 June 2017 | Nominal values At 31 December 2016 |
|---|---|---|---|---|
| Within one year | **1,547.1** | 1,280.7 | **1,562.8** | 1,283.4 |
| One to two years | **1,324.6** | 953.8 | **1,334.0** | 958.6 |
| Two to five years | **2,274.1** | 2,040.6 | **2,276.6** | 2,051.4 |
| Over five years | **2,464.9** | 1,833.3 | **2,457.0** | 1,839.9 |
| **Total** | **7,610.7** | 6,108.4 | **7,630.4** | 6,133.3 |

The change in the Group's debt maturity profile from 31 December 2016 to 30 June 2017 mainly reflects a shift in long-term borrowings among the different maturity periods for Head Office, Indofood and MPIC, Head Office's repurchase of bonds and net new borrowings, Indofood's refinancing of Rupiah 2.0 trillion (US$150.2 million) of its bonds matured in May 2017 with new bonds issued with the same amount which mature in May 2022 and MPIC's consolidation of Beacon Electric and GBPC.

**Associated companies and joint venture**

| | PLDT | | | | FPW | | | | Philex | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Carrying amounts | | Nominal values | | Carrying amounts | | Nominal values | | Carrying amounts | | Nominal values | |
| US$ millions | **At 30 June 2017** | At 31 December 2016 | **At 30 June 2017** | At 31 December 2016 | **At 30 June 2017** | At 31 December 2016 | **At 30 June 2017** | At 31 December 2016 | **At 30 June 2017** | At 31 December 2016 | **At 30 June 2017** | At 31 December 2016 |
| Within one year | **293.8** | 669.2 | **297.3** | 673.2 | **388.5** | 306.8 | **388.8** | 307.1 | **54.0** | 62.0 | **54.0** | 62.0 |
| One to two years | **204.2** | 294.8 | **206.5** | 297.3 | **-** | 0.5 | **-** | 0.5 | **-** | - | **-** | - |
| Two to five years | **1,211.9** | 1,216.3 | **1,216.2** | 1,220.9 | **143.1** | 142.7 | **143.1** | 143.0 | **-** | - | **-** | - |
| Over five years | **1,758.8** | 1,541.2 | **1,761.1** | 1,542.8 | **-** | - | **-** | - | **133.8** | 132.6 | **142.7** | 144.8 |
| **Total** | **3,468.7** | 3,721.5 | **3,481.1** | 3,734.2 | **531.6** | 450.0 | **531.9** | 450.6 | **187.8** | 194.6 | **196.7** | 206.8 |

The change in PLDT's debt maturity profile from 31 December 2016 to 30 June 2017 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 change in FPW's debt maturity profile from 31 December 2016 to 30 June 2017 mainly reflects its new short-term borrowings to finance its working capital. The decrease in Philex's debt mainly reflects loan repayments.

**CHARGES ON GROUP ASSETS**

At 30 June 2017, certain bank and other borrowings were secured by the Group's property, plant and equipment, accounts receivable, pledged deposits, cash and cash equivalents and inventories amounting to a net book value of US$2,176.9 million (31 December 2016: US$1,336.2 million), receipts from future toll collections and funds in the related accounts of CIC and the Group's interests of 12.0% (31 December 2016: 12.0%) in PLDT, 35.5% (31 December 2016: 35.6%) in MPIC, 56.0% in GBPC (31 December 2016: Nil), 13.1% (31 December 2016: Nil) in Meralco, 100% (31 December 2016: 100%) in CIC, 100% (31 December 2016: 100%) in AIF Toll Road Holdings (Thailand) Limited, 25.9% (31 December 2016: 25.9%) in DMT, 70.0% (31 December 2016: 70.0%) in PLP and 93.7% (31 December 2016: 93.7%) in San Carlos Bioenergy, Inc.

## FINANCIAL RISK MANAGEMENT

**FOREIGN CURRENCY RISK**

***(A) Company risk***

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

The Company actively reviews the potential benefits of hedging based on forecast dividend flows and enters into hedging arrangements (including the use of forward exchange contracts) for managing its foreign currency exposure in respect of dividend income and payments in foreign currency on a transactional basis. However, the Company does not actively seek to hedge risks arising on the translation of foreign currency denominated investments due to (i) the non-cash nature of such exposure until the values of the investments are realized and (ii) the high costs associated with such hedging. Accordingly, the Company is exposed to the impact of foreign currency fluctuations on the translated U.S. dollar value of its foreign currency denominated investments.

With the exception of the Head Office, the principal components of the Group's net asset value (NAV) mainly relate to investments denominated in the rupiah and the peso. Accordingly, any change in these currencies, against their respective 30 June 2017 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) | 28.4 | 5.11 |
| PLDT | (i) | 19.7 | 3.54 |
| MPIC | (i) | 16.7 | 3.01 |
| Philex | (i) | 4.1 | 0.73 |
| PXP | (i) | 0.3 | 0.06 |
| FP Natural Resources | (ii) | 0.9 | 0.15 |
| Head Office - Other assets | (iii) | 1.0 | 0.18 |
| **Total** | | **71.1** | **12.78** |

*(i) Based on quoted share prices at 30 June 2017 applied to the Group's economic interests*

*(ii) Based on quoted share prices of RHI at 30 June 2017 applied to the Group's effective economic interest and the value of other assets measured at cost*

*(iii) Based on the investment cost in SMECI's convertible notes*

***(B) Group risk***

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

**NET DEBT BY CURRENCY**

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

**Consolidated**

| US$ millions | US$ | Rupiah | Peso | S$ | Others | **Total** |
|---|---|---|---|---|---|---|
| Total borrowings | 2,367.9 | 1,223.1 | 3,384.5 | 546.5 | 88.7 | **7,610.7** |
| Cash and cash equivalents[(i)] | (518.1) | (763.0) | (854.4) | (53.8) | (21.7) | **(2,211.0)** |
| **Net debt** | 1,849.8 | 460.1 | 2,530.1 | 492.7 | 67.0 | **5,399.7** |
| Representing: | | | | | | |
| Head Office | 1,561.2 | (0.1) | (10.9) | - | (11.6) | **1,538.6** |
| Indofood | 224.0 | 460.2 | - | (2.9) | 39.8 | **721.1** |
| MPIC | 69.0 | - | 2,341.9 | - | 38.9 | **2,449.8** |
| FPM Power | (3.2) | - | - | 495.6 | (0.1) | **492.3** |
| FP Natural Resources | (1.2) | - | 199.1 | - | - | **197.9** |
| **Net debt** | 1,849.8 | 460.1 | 2,530.1 | 492.7 | 67.0 | **5,399.7** |

**Associated companies and joint venture**

| US$ millions | US$ | Peso | A$ | NZ$ | Others | **Total** |
|---|---|---|---|---|---|---|
| **Net debt** | | | | | | |
| PLDT | 573.9 | 2,234.5 | - | - | (5.0) | **2,803.4** |
| FPW | 139.7 | (0.7) | 135.0 | 189.2 | (33.6) | **429.6** |
| Philex | 54.0 | 124.7 | - | - | - | **178.7** |

*(i) Includes short-term deposits, pledged deposits and restricted cash*

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

| US$ millions | Total US$ exposure | Hedged amount | Unhedged amount | Profit effect of 1% change in currency | **Group net profit effect** |
|---|---|---|---|---|---|
| Head Office[(i)] | 1,561.2 | - | 1,561.2 | - | **-** |
| Indofood | 224.0 | - | 224.0 | 2.2 | **0.8** |
| MPIC | 69.0 | - | 69.0 | 0.7 | **0.2** |
| FPM Power | (3.2) | - | (3.2) | - | **-** |
| FP Natural Resources | (1.2) | - | (1.2) | - | **-** |
| PLDT | 573.9 | (147.6) | 426.3 | 4.3 | **0.8** |
| FPW | 139.7 | (142.7) | (3.0) | - | **-** |
| Philex | 54.0 | - | 54.0 | 0.5 | **0.2** |
| **Total** | **2,617.4** | **(290.3)** | **2,327.1** | **7.7** | **2.0** |

*(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.

**INTEREST RATE RISK**

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

**Consolidated**

| US$ millions | Fixed interest rate borrowings[(i)] | Variable interest rate borrowings[(i)] | Cash and cash equivalents[(ii)] | **Net debt** |
|---|---|---|---|---|
| Head Office | 1,267.7 | 338.4 | (67.5) | **1,538.6** |
| Indofood | 299.2 | 1,649.2 | (1,227.3) | **721.1** |
| MPIC | 3,169.0 | 125.2 | (844.4) | **2,449.8** |
| FPM Power | 376.2 | 170.2 | (54.1) | **492.3** |
| FP Natural Resources | 136.5 | 79.1 | (17.7) | **197.9** |
| **Total** | 5,248.6 | 2,362.1 | (2,211.0) | **5,399.7** |
| **Associated companies and joint venture** | | | | |
| PLDT | 3,181.4 | 287.3 | (665.3) | **2,803.4** |
| FPW | 142.7 | 388.9 | (102.0) | **429.6** |
| Philex | 133.8 | 54.0 | (9.1) | **178.7** |

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

*(ii) Includes short-term deposits, pledged deposits and restricted cash*

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

| US$ millions | Variable interest rate borrowings | Profit effect of 1% change in interest rates | **Group net profit effect** |
|---|---|---|---|
| Head Office | 338.4 | 3.4 | **3.4** |
| Indofood | 1,649.2 | 16.5 | **6.2** |
| MPIC | 125.2 | 1.3 | **0.4** |
| FPM Power | 170.2 | 1.7 | **0.6** |
| FP Natural Resources | 79.1 | 0.8 | **0.2** |
| PLDT | 287.3 | 2.9 | **0.5** |
| FPW | 388.9 | 3.9 | **1.4** |
| Philex | 54.0 | 0.5 | **0.2** |
| **Total** | **3,092.3** | **31.0** | **12.9** |

## ADJUSTED NAV PER SHARE

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

| US$ millions | Basis | **At 30 June 2017** | At 31 December 2016 |
|---|---|---|---|
| Indofood | (i) | **2,838.5** | 2,593.0 |
| PLDT | (i) | **1,968.1** | 1,516.7 |
| MPIC | (i) | **1,674.2** | 1,771.2 |
| Philex | (i) | **406.8** | 394.6 |
| PXP | (i) | **32.8** | 37.0 |
| FPW | (ii) | **554.0** | 554.0 |
| FPM Power | (iii) | **230.0** | 230.0 |
| FP Natural Resources | (iv) | **86.1** | 50.1 |
| Head Office – Other assets | (v) | **99.9** | 101.4 |
| – Net debt | | **(1,538.6)** | (1,511.3) |
| **Total Valuation** | | **6,351.8** | 5,736.7 |
| **Number of Ordinary Shares in Issue** (millions) | | **4,336.1** | 4,281.7 |
| Value per share – U.S. dollars | | **1.46** | 1.34 |
| – HK dollars | | **11.43** | 10.45 |
| Company's closing share price (HK$) | | **5.76** | 5.42 |
| Share price discount to HK$ value per share (%) | | **49.6** | 48.1 |

*(i) Based on quoted share prices applied to the Group's economic interests*

*(ii) Represents investment costs*

*(iii) Represents carrying amounts*

*(iv) Mainly represents RHI (based on quoted share price applied to the Group's effective economic interest) and the Group's economic interest in other assets (measured at cost)*

*(v) Represents investment costs in SMECI's convertible notes*

**PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

During the six months ended 30 June 2017, the Company made tender offers inviting holders of the US$300 million 7.375% Guaranteed Secured Bonds due July 2017 issued by FPMH Finance Limited (2017 Bonds) and the US$400 million 6.375% Guaranteed Secured Bonds due September 2020 issued by FPT Finance Limited (2020 Bonds) to tender their Bonds for purchase by the Company for cash (Tender Offer). The purchase price for the two Bonds under the Tender Offer was 103.25% of the principal amount of the 2017 Bonds and 109.00% of the principal amount of the 2020 Bonds, respectively. On expiration deadline of the Tender Offer, the Company received valid tenders for an aggregate principal amount of US$68.98 million in respect of the 2017 Bonds and US$83.21 million in respect of the 2020 Bonds, which were accepted by the Company for purchase, with settlement completed on 18 January 2017. These purchased Bonds were subsequently cancelled.

In addition, the Company repurchased US$8.13 million (Six months ended 30 June 2016: US$13.0 million) of the US$400 million 4.5% Guaranteed Bonds due April 2023 issued by FPC Treasury Limited, at an aggregate consideration of US$8.43 million (Six months ended 30 June 2016: US$13.3 million). These repurchased bonds were subsequently cancelled.

On 24 July 2017, being the maturity date of the 2017 Bonds, the issuer redeemed US$218.50 million in aggregate principal amount of the 2017 Bonds (being all the Bonds outstanding), which Bonds were subsequently cancelled and delisted from the Singapore Exchange Securities Trading Limited.

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 period.

**CORPORATE GOVERNANCE**

**Corporate Governance Practices**

First Pacific is committed to building and maintaining high standards of corporate governance. The Company's Corporate Governance Committee, comprised of a majority of Independent Non-executive Directors (INEDs) and chaired by an INED, was delegated with the responsibility for supervision of the Company's corporate governance functions. The Committee carried out a review of its corporate governance practices in respect of the six months period ended 30 June 2017 to ensure its compliance with the Listing Rule requirements. This Committee is also tasked with the responsibility to oversee the process of Environmental, Social and Governance (ESG) reporting, in compliance with the Listing Rule requirements. With the approval of the Corporate Governance Committee, the Company's first ESG report was published on the websites of the SEHK and the Company in mid-July 2017.

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 will be updated regularly following relevant amendments to the Listing Rules.

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

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

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

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

The Company does not issue quarterly financial results as most of our major operating units based in the Philippines, Indonesia and Singapore already issue quarterly reports. As such, we believe that the relevant information is already available in the public domain.

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

The Company does not have an internal audit department. However, the Group has multiple listed companies in the Philippines, Indonesia and Singapore, as well as a joint venture company in Australia, each of which has its own internal audit and/or risk management functions to monitor 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 throughout the six months ended 30 June 2017.

**Connected Transactions**

During the six months ended 30 June 2017, the INEDs agreed with the Directors in relation to the following connected transactions and approved the disclosure of those transactions in the form of published announcements:

- 28 March 2017 announcement: the Company announced that Metro Pacific Tollways Development Corporation (MPTDC) entered into the 14% share sale and purchase agreement (SPA) with Egis Road Operation S.A. (Egis) on 27 December 2016 to acquire the 14% interest in Tollways Management Corporation (TMC) for a cash consideration of Pesos 884.7 million (equivalent to approximately US$17.7 million or HK$137.9 million), with the beneficial ownership of the 14% TMC shares vested in MPTDC at that time. On 27 March 2017, MPTDC entered into the 7% SPA with Egis to acquire a further 7% interest in TMC for Pesos 442.3 million (equivalent to approximately US$8.8 million or HK$68.9 million), with the beneficial ownership of the 7% TMC shares vested in MPTDC upon completion of the transaction on 4 April 2017. Prior to the 14% acquisition and the 7% acquisition, MPTDC held approximately 46% interest in TMC, which, together with the 14% acquisition and 7% acquisition, would increase its beneficial shareholding in TMC to approximately 67%.

  As at the date of the announcement, MPTDC is a subsidiary of the Group. Egis Investment Partners Philippines, Inc. owns NLEX Corporation as to 10%. Egis Investment is in turn owned as to approximately 54% by Egis and as to approximately 46% by MPTDC. Accordingly, Egis and Egis Investment are able to control the exercise of 10% of the voting power of NLEX Corporation at a general meeting of NLEX Corporation and are therefore substantial shareholders of NLEX Corporation. The Group has an approximately 55% voting interest and an approximately 42% economic interest in MPIC, which in turn owns MPTC as to approximately 99.9%. MPTC wholly owns MPTDC, which in turn directly and indirectly has an aggregate effective interest in approximately 75.6% of the total number of NLEX Corporation common shares in issue. Accordingly, NLEX Corporation is a subsidiary of the Group and Egis is a substantial shareholder of a subsidiary of the Group. Egis is therefore a connected person of the Company. The 14% acquisition and the 7% acquisition are therefore, connected transactions for the Company under the Listing Rules.

- 17 April 2017 announcement: the Company announced that NLEX Corporation and TMC, indirect subsidiaries of the Group, entered into a plan of merger and articles of merger, pursuant to which TMC would merge with and into NLEX Corporation, with NLEX Corporation as the surviving corporation. NLEX Corporation is the concessionaire for both the North Luzon Expressway (NLEX) and the Subic-Clark-Tarlac Expressway projects. TMC is engaged in the operation and maintenance of the NLEX and the Subic-Clark-Tarlac Expressway. The merger shall take effect 15 days from and after the approval by the Philippine Securities and Exchange Commission (PSE) of the articles of merger and the issuance of the certificate of filing of the articles of merger. It is anticipated that the merger would be completed around the third quarter of 2017. Upon completion, the TMC Shareholders participating in the merger shall transfer all of their respective TMC common shares to NLEX Corporation in exchange for 2.7 NLEX Corporation common shares for every 1 TMC common share (or such other exchange ratio as may be approved by the PSE).

  The Group has an approximately 55% voting interest and an approximately 42% economic interest in MPIC, which in turn owns MPTC as to approximately 99.9%. MPTC wholly owns MPTDC, which in turn has an aggregate effective interest in approximately 75.6% of the total number of NLEX Corporation common shares in issue and beneficially owns approximately 67% of the issued share capital of TMC. Accordingly, TMC and NLEX Corporation are indirect subsidiaries of the Group. Egis Investment owns 10% of NLEX Corporation and is, therefore, a substantial shareholder of NLEX Corporation and a connected person of the Company under the Listing Rules. Egis Investment is owned as to approximately 54% by Egis, which is, therefore, also a connected person of the Company under the Listing Rules. The merger includes the acquisition by NLEX Corporation, a subsidiary of the Group, of TMC common shares from Egis, a substantial shareholder of NLEX Corporation and a connected person of the Company under the Listing Rules. The merger is, therefore, a connected transaction for the Company under the Listing Rules.

- 26 April 2017 announcement: the Company announced that Indofood and China Minzhong Holdings Limited (CMZ BVI) entered into a sale and purchase agreement, pursuant to which Indofood has agreed to sell, and CMZ BVI has agreed to purchase, 196,249,971 shares in China Minzhong Food Corporation Limited (CMZ), representing approximately 29.94% of its issued share capital, at a price of S$1.20 (equivalent to approximately US$0.87 or HK$6.79) per CMZ Share, for an aggregate consideration of S$235,499,965 (equivalent to approximately US$169.9 million or HK$1.3 billion), to be settled in cash in four instalments within 18 months from 26 June 2017. Immediately following completion of the CMZ Share Sale on 26 April 2017, Indofood has ceased to own any shares in CMZ.

  CMZ BVI is beneficially wholly-owned by Mr. Lin Guo Rong, Executive Chairman and Chief Executive Officer of CMZ. CMZ was a subsidiary of Indofood before the Offer and ceased to be a subsidiary of Indofood and the Company upon settlement of the consideration in respect of the CMZ Shares tendered by Indofood in acceptance of the Offer on 16 December 2016. Therefore, Mr. Lin Guo Rong is a connected person of the Company at the subsidiary level, and CMZ BVI, being an associate of Mr. Lin Guo Rong, is also a connected person of the Company at the subsidiary level. The CMZ Share Sale is a transaction with a person connected only at the subsidiary level and is therefore, a connected transaction for the Company under the Listing Rules.

- 7 June 2017 announcement: the Company announced that on 7 June 2017, PT Aston Inti Makmur (AIM), a subsidiary of Indofood, entered into two conditional sale and purchase agreements with Mr. Anthoni Salim (Mr. Salim) and PT Adithya Suramitra, a company wholly owned by Mr. Salim (ADS), respectively, for the purchase of six plots of land with a total area of 42,877 $m^2$ at a price of Rupiah 51 million (equivalent to approximately US$3,827 or HK$29,851) per $m^2$, for an aggregate consideration of Rupiah 2,186,727 million (equivalent to approximately US$164.1 million or HK$1,279.9 million). The price of Rupiah 51 million (equivalent to approximately US$3,827 or HK$29,851) per $m^2$ was determined after arm's length negotiations on normal commercial terms with reference to the valuation of Rupiah 50.8 million (equivalent to approximately US$3,812 or HK$29,734) per $m^2$ provided by an independent valuer.

The purchased lands are currently used by PT Salim Ivomas Pratama Tbk (SIMP), a subsidiary of Indofood, for its cooking oil production facilities, pursuant to a licence agreement with Mr. Salim and a lease agreement with ADS. Having received an offer from an independent third party to acquire the purchased lands for commercial development, Mr. Salim and ADS gave a priority offer to the Indofood Group as the existing lessee to acquire the purchased lands, for purpose of ensuring the continuity of SIMP's cooking oil production operations.

Mr. Salim is the Chairman of the Board, a substantial shareholder of the Company and the President Director and Chief Executive Officer of Indofood. ADS is a company in which Mr. Salim has an aggregate effective interest of 100% and an associate of Mr. Salim. Therefore, both Mr. Salim and ADS are connected persons of the Company and the acquisition constitutes a connected transaction for the Company.

- 14 June 2017 announcement: the Company announced that, on 13 June 2017, MPIC and PLDT Communications and Energy Ventures, Inc. (PCEV) entered into the Beacon Acquisition Agreement, pursuant to which MPIC agreed to purchase, and PCEV agreed to sell, the Beacon Acquisition Shares, representing a 25% economic interest in Beacon Electric Asset Holdings, Inc. (Beacon Electric), for an aggregate purchase price of Pesos 21.8 billion (equivalent to approximately US$435.6 million or HK$3.4 billion). Following completion of the Beacon Electric acquisition, the financial results of Beacon Electric would be consolidated (instead of being equity-accounted for) in the financial statements of the Group. The Beacon Electric acquisition will align the Group's portfolio towards a more appropriate strategic ownership mix, with the interests in Beacon Electric and Meralco to be held by the Group's flagship infrastructure company (MPIC), rather than by PLDT, which is principally engaged in telecommunications and related businesses.

  As at the date of the announcement, Beacon Electric is an equity-accounted for joint venture of the Group because, although MPIC holds 75% of the issued share capital of Beacon Electric, pursuant to a voting agreement MPIC is only entitled to exercise 50% of the voting rights in respect of Beacon Electric (PCEV is entitled to exercise the remaining 50%). However, as MPIC holds more than half of Beacon Electric's issued share capital, Beacon Electric is treated as a subsidiary of MPIC for the purposes of the Listing Rules (notwithstanding the existence of the voting agreement). PCEV, as the holder of 25% of Beacon Electric's issued share capital, is a connected person of the Company and the Beacon Electric acquisition is, therefore, a connected transaction for the Company under Chapter 14A of the Listing Rules.

- 30 June 2017 announcement: the Company announced that MPCALA Holdings, Inc. (MPCALA) and D.M. Consunji, Inc. (Consunji) entered into the construction contract, pursuant to which Consunji has agreed to construct and complete the Civil Works for the Laguna Segment of the Cavite-Laguna Expressway in the Philippines, in accordance with the terms of the construction contract. The contract price for the project is Pesos 7.2 billion (equivalent to approximately US$142.7 million or HK$1.1 billion), inclusive of taxes, subject to adjustments as provided for in the construction contract. The contract price was determined after arm's length negotiations between MPCALA and Consunji and was based on normal commercial terms with reference to the expertise, experience and market position of Consunji, and the complexity, design, quality and quantity of the works for the project, and the allocation of risks under the construction contract.

  The Group has an approximately 55% voting interest and an approximately 42% economic interest in MPIC, which in turn indirectly owns MPCALA as to approximately 99.9%. Accordingly, MPCALA is a subsidiary of the Group. The Group has an approximately 51.3% interest in Maynilad Water Holdings Company Inc. (MWHC), the holding company of Maynilad Water Services, Inc., which holds an exclusive concession granted by Metropolitan Waterworks and Sewerage System on behalf of the Philippine government, to provide water and sewerage services in the area of West Metro Manila. DMCI Holdings Inc. (DMCI), being the remaining 27.2% shareholder of MWHC, is a connected person of the Company. Consunji is a subsidiary of DMCI and is, therefore, a connected person of the Company. Accordingly, the entering into of the construction contract constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

**Risk Management and Internal Control**

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.

During the six months ended 30 June 2017, the Audit and Risk Management Committee reviewed and advised that:

- The risk management and internal controls systems of the Group function are effective and are designed to provide reasonable assurance that material assets are protected, business risks attributable to the Group are identified and monitored, material transactions are executed in accordance with management's authorization and the financial statements are reliable for publication and compliant with all relevant laws and regulations.

- There are processes in place for identifying, evaluating and managing the material business risks faced by the Group. Such processes are incorporated in all the Group's businesses.

- There are adequate resources, qualified and experienced staff, training programs and budget for the Group's accounting and financial reporting function.

**REVIEW STATEMENT BY THE AUDIT AND RISK MANAGEMENT COMMITTEE**

The Audit and Risk Management Committee has reviewed the 2017 interim results, including the accounting policies and practices adopted by the Group. The Audit and Risk Management Committee also has discussed financial reporting, auditing, risk management and internal control matters with the Company's management and its external auditors.

**INTERIM DISTRIBUTION**
The Board has declared an interim distribution of HK8.0 cents (U.S. 1.03 cents) per ordinary share. It is expected that the interim distribution will be paid in cash in a currency to be determined based on the registered address of each shareholder on the Company's Register of Members as follows: Hong Kong dollars for shareholders with registered addresses in Hong Kong, Macau and PRC, Sterling pounds for shareholders with registered addresses in the United Kingdom and U.S. dollars for shareholders with registered addresses in all other countries. It is expected that the warrants will be dispatched to shareholders on or about Wednesday, 27 September 2017.

**CLOSURE OF REGISTER OF MEMBERS**
The Register of Members will be closed from Thursday, 14 September 2017 to Monday, 18 September 2017, both days inclusive, during which period no transfer of shares will be registered. The ex-entitlement date will be Tuesday, 12 September 2017. In order to qualify for the interim distribution, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong Branch Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Wednesday, 13 September 2017. The interim distribution will be paid to shareholders whose names appear on the Register of Members on Monday, 18 September 2017 and the payment date will be on or about Wednesday, 27 September 2017.

**RESULTS ANNOUNCEMENT AND INTERIM REPORT**
This interim results announcement is published on the website of the Company (www.firstpacific.com) and the website of SEHK (www.hkexnews.hk). The 2017 interim report containing all the information required by the Listing Rules will be mailed to shareholders and made available on the above websites before the end of September 2017.

On behalf of the Board of Directors
**First Pacific Company Limited**
**Manuel V. Pangilinan**
*Managing Director and Chief Executive Officer*

Hong Kong, 30 August 2017

As at the date of this announcement, the Board of the Company comprises the following Directors:

***Executive Directors:***
Manuel V. Pangilinan, *Managing Director and CEO*
Edward A. Tortorici
Robert C. Nicholson

***Non-executive Directors:***
Anthoni Salim, *Chairman*
Benny S. Santoso
Tedy Djuhar
Ambassador Albert F. del Rosario

***Independent Non-executive Directors:***
Prof. Edward K.Y. Chen, *GBS, CBE, JP*
Margaret Leung Ko May Yee, *SBS, JP*
Philip Fan Yan Hok
Madeleine Lee Suh Shin