FIRST PACIFIC COMPANY LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 00142)

Website: http://www.firstpacco.com

2006 Annual Results – Audited

FINANCIAL HIGHLIGHTS

- Profit attributable to equity holders of the parent increased by 59.7 per cent to US$164.5 million (HK$1,283.1 million) from US$103.0 million (HK$803.4 million) due principally to higher recurring profit contributions from Indofood and PLDT.
- Turnover increased by 24.6 per cent to US$2,474.8 million (HK$19,303.4 million) from US$1,986.1 million (HK$15,491.6 million), principally reflecting Indofood's increase in turnover and a strengthened rupiah.
- Recurring profit improved by 39.6 per cent to US$149.9 million (HK$1,169.2 million) from US$107.4 million (HK$837.7 million).
- Profit contribution from operations increased by 29.6 per cent to US$187.3 million (HK$1,460.9 million) from US$144.5 million (HK$1,127.1 million).
- Basic earnings per share increased by 59.4 per cent to U.S. 5.15 cents (HK40.17 cents) from U.S. 3.23 cents (HK25.19 cents).
- Equity attributable to equity holders of the parent increased by 52.2 per cent to US$582.7 million (HK$4,545.1 million) at 31 December 2006 from US$382.8 million (HK$2,985.8 million) at 31 December 2005.
- Consolidated gearing ratio improved to 0.77 time at 31 December 2006, compared with 1.12 times at 31 December 2005.
- A final dividend of U.S. 0.45 cent (HK3.50 cents) (2005: U.S. 0.26 cent or HK2.00 cents) per ordinary share has been recommended, making a total dividend per ordinary share equivalent to U.S. 0.70 cent (HK5.46 cents) (2005: U.S. 0.39 cent or HK3.00 cents) for the full year or a dividend payout ratio of 15% (2005: 11%) of recurring profit.

FIRST
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CONSOLIDATED PROFIT AND LOSS STATEMENT

For the year ended 31 December	Notes	**2006** **US$m**	2005 US$m	**2006*** **HK$m**	2005* HK$m
Turnover	2	**2,474.8**	1,986.1	**19,303.4**	15,491.6
Cost of sales		**(1,836.5)**	(1,511.7)	**(14,324.7)**	(11,791.3)
Gross profit		**638.3**	474.4	**4,978.7**	3,700.3
Gain/(loss) on divestment, dilution and disposal, net		**104.0**	(6.3)	**811.2**	(49.1)
Distribution costs		**(229.6)**	(175.0)	**(1,790.9)**	(1,365.0)
Administrative expenses		**(150.8)**	(128.3)	**(1,176.2)**	(1,000.8)
Other operating expenses, net		**(105.2)**	(29.8)	**(820.6)**	(232.5)
Net borrowing costs	3	**(106.4)**	(107.3)	**(829.9)**	(836.9)
Share of profits less losses of associated companies		**143.0**	137.7	**1,115.4**	1,074.1
Profit before taxation	4	**293.3**	165.4	**2,287.7**	1,290.1
Taxation	5	**(71.6)**	(26.6)	**(558.4)**	(207.5)
Profit for the year		**221.7**	138.8	**1,729.3**	1,082.6
Attributable to:					
Equity holders of the parent	6	**164.5**	103.0	**1,283.1**	803.4
Minority interest		**57.2**	35.8	**446.2**	279.2
		221.7	138.8	**1,729.3**	1,082.6
Ordinary share dividends	7				
Interim – U.S. 0.13 cent (HK1.00 cent) (2005: U.S. 0.13 cent (HK1.00 cent)) per share		**4.1**	4.1	**32.0**	32.0
Special – U.S. 0.12 cent (HK0.96 cent) (2005: Nil) per share		**3.9**	–	**30.4**	–
Proposed final – U.S. 0.45 cent (HK3.50 cents) (2005: U.S. 0.26 cent (HK2.00 cents)) per share		**14.4**	8.2	**112.3**	63.9
Total		**22.4**	12.3	**174.7**	95.9

For the year ended 31 December		**2006** **US¢**	2005 US¢	**2006*** **HK¢**	2005* HK¢
Earnings per share attributable to equity holders of the parent	8				
Basic		**5.15**	3.23	**40.17**	25.19
Diluted		**5.06**	3.17	**39.47**	24.73

CONSOLIDATED BALANCE SHEET

At 31 December	Notes	**2006** **US$m**	2005 US$m	**2006*** **HK$m**	2005* HK$m
Non-current assets					
Property and equipment		**716.8**	622.9	**5,591.0**	4,858.6
Plantations		**275.0**	169.0	**2,145.0**	1,318.2
Associated companies		**471.0**	381.7	**3,673.8**	2,977.3
Financial assets at fair value through profit or loss	9	**104.9**	–	**818.2**	–
Accounts receivable, other receivables and prepayments	10	**15.9**	11.7	**124.0**	91.2
Goodwill		**34.8**	32.7	**271.5**	255.1
Prepaid land premiums		**45.8**	34.5	**357.3**	269.1
Available-for-sale assets		**4.9**	2.7	**38.2**	21.1
Deferred tax assets		**20.3**	15.4	**158.3**	120.1
Other non-current assets		**106.5**	130.8	**830.7**	1,020.2
		1,795.9	1,401.4	**14,008.0**	10,930.9

Current assets					
Cash and cash equivalents		**327.7**	296.0	**2,556.1**	2,308.8
Pledged deposits and restricted cash		**31.3**	4.7	**244.1**	36.7
Available-for-sale assets		**102.1**	52.4	**796.4**	408.7
Accounts receivable, other receivables and prepayments	10	**259.5**	286.7	**2,024.1**	2,236.3
Inventories		**367.4**	303.0	**2,865.7**	2,363.4
Non-current assets held for sale		**–**	2.9	**–**	22.6
		1,088.0	945.7	**8,486.4**	7,376.5
Current liabilities					
Accounts payable, other payables and accruals	11	**300.5**	278.6	**2,343.9**	2,173.1
Short-term borrowings		**508.9**	345.0	**3,969.4**	2,691.0
Provision for taxation		**23.1**	11.2	**180.2**	87.4
Current portion of deferred liabilities and provisions		**16.6**	15.3	**129.5**	119.3
		849.1	650.1	**6,623.0**	5,070.8
Net current assets		**238.9**	295.6	**1,863.4**	2,305.7
Total assets less current liabilities		**2,034.8**	1,697.0	**15,871.4**	13,236.6
Equity					
Issued share capital		**32.0**	31.9	**249.6**	248.8
Other reserves		**975.5**	927.9	**7,608.9**	7,237.6
Accumulated losses		**(424.8)**	(577.0)	**(3,313.4)**	(4,500.6)
Equity attributable to equity holders of the parent		**582.7**	382.8	**4,545.1**	2,985.8
Minority interest		**450.1**	323.9	**3,510.7**	2,526.5
Total equity		**1,032.8**	706.7	**8,055.8**	5,512.3
Non-current liabilities					
Long-term borrowings		**647.0**	744.2	**5,046.6**	5,804.7
Deferred liabilities and provisions		**92.1**	92.7	**718.4**	723.1
Deferred tax liabilities		**163.3**	114.1	**1,273.7**	890.0
Derivative liability	12	**99.6**	39.3	**776.9**	306.5
		1,002.0	990.3	**7,815.6**	7,724.3
		2,034.8	1,697.0	**15,871.4**	13,236.6

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Equity attributable to equity holders of the parent										
	Issued share capital US$m	Share premium US$m	Share options issued US$m	Unrealized gains on available-for-sale assets US$m	Unrealized gains/(losses) on cash flow hedges US$m	Exchange reserve US$m	Capital reserve US$m	Accumulated losses US$m	Total US$m	Minority interest US$m	Total equity US$m
Balance at 1 January 2005	31.9	958.2	4.4	1.7	–	(59.8)	–	(675.2)	261.2	363.7	624.9
Changes in equity for 2005:											
Exchange differences on translating foreign operations	–	–	–	–	–	9.7	–	–	9.7	(17.8)	(8.1)
Unrealized gains on available-for-sale assets	–	–	–	4.7	–	–	–	–	4.7	3.7	8.4
Unrealized gains on cash flow hedges	–	–	–	–	4.0	–	–	–	4.0	–	4.0
Acquisition of minority interest	–	–	–	–	–	–	–	(0.7)	(0.7)	(23.3)	(24.0)
Net income and expense recognized directly in equity	–	–	–	4.7	4.0	9.7	–	(0.7)	17.7	(37.4)	(19.7)
Profit for the year	–	–	–	–	–	–	–	103.0	103.0	35.8	138.8
Total recognized income and expense for the year	–	–	–	4.7	4.0	9.7	–	102.3	120.7	(1.6)	119.1
Dilution of interest in an associated company	–	–	–	–	–	(0.8)	–	–	(0.8)	–	(0.8)
Acquisition of subsidiary companies	–	–	–	–	–	–	–	–	–	0.8	0.8
Change in attributable interests	–	–	–	–	–	–	–	–	–	(9.2)	(9.2)
Dividends paid to minority shareholders	–	–	–	–	–	–	–	–	–	(29.8)	(29.8)
Issue of shares upon the exercise of share options	–	0.9	(0.3)	–	–	–	–	–	0.6	–	0.6
Equity-settled share option arrangements	–	–	5.2	–	–	–	–	–	5.2	–	5.2
2005 Interim dividend	–	–	–	–	–	–	–	(4.1)	(4.1)	–	(4.1)
Balance at 31 December 2005	31.9	959.1	9.3	6.4	4.0	(50.9)	–	(577.0)	382.8	323.9	706.7
Changes in equity for 2006:											
Exchange differences on translating foreign operations	–	–	–	–	–	5.7	–	–	5.7	29.2	**34.9**
Unrealized gains on available-for-sale assets	–	–	–	45.5	–	–	–	–	45.5	3.7	**49.2**
Unrealized losses on cash flow hedges	–	–	–	–	(10.6)	–	–	–	(10.6)	–	**(10.6)**
Net income and expense recognized directly in equity	–	–	–	45.5	(10.6)	5.7	–	–	40.6	32.9	**73.5**
Profit for the year	–	–	–	–	–	–	–	164.5	164.5	57.2	**221.7**
Total recognized income and expense for the year	–	–	–	45.5	(10.6)	5.7	–	164.5	205.1	90.1	**295.2**
Divestment and dilution of interest in an associated company	–	–	–	–	–	2.5	–	–	2.5	–	**2.5**
Restructuring transactions among entities under common control	–	–	–	–	–	–	(2.6)	–	(2.6)	2.6	**–**
Acquisition of subsidiary companies	–	–	–	–	–	–	–	–	–	35.9	**35.9**
Shares issued to minority interest by a subsidiary company	–	–	–	–	–	–	–	–	–	2.5	**2.5**
Change in attributable interests	–	–	–	–	–	–	–	–	–	(2.4)	**(2.4)**
Dividends paid to minority shareholders	–	–	–	–	–	–	–	–	–	(2.5)	**(2.5)**
Issue of shares upon the exercise of share options	0.1	5.1	(1.6)	–	–	–	–	–	3.6	–	**3.6**
Equity-settled share option arrangements	–	–	3.6	–	–	–	–	–	3.6	–	**3.6**
2005 final dividend	–	–	–	–	–	–	–	(8.2)	(8.2)	–	**(8.2)**
2006 interim dividend	–	–	–	–	–	–	–	(4.1)	(4.1)	–	**(4.1)**
Balance at 31 December 2006	**32.0**	**964.2**	**11.3**	**51.9**	**(6.6)**	**(42.7)**	**(2.6)**	**(424.8)**	**582.7**	**450.1**	**1,032.8**

	Equity attributable to equity holders of the parent										
	Issued share capital HK$m*	Share premium HK$m*	Share options issued HK$m*	Unrealized gains on available-for-sale assets HK$m*	Unrealized gains/(losses) on cash flow hedges HK$m*	Exchange reserve HK$m*	Capital reserve HK$m*	Accumulated losses HK$m*	Total HK$m*	Minority interest HK$m*	Total equity HK$m*
Balance at 1 January 2005	248.8	7,474.0	34.3	13.3	–	(466.5)	–	(5,266.5)	2,037.4	2,836.9	4,874.3
Changes in equity for 2005:											
Exchange differences on translating foreign operations	–	–	–	–	–	75.7	–	–	75.7	(138.8)	(63.1)
Unrealized gains on available-for-sale assets	–	–	–	36.6	–	–	–	–	36.6	28.9	65.5
Unrealized gains on cash flow hedges	–	–	–	–	31.2	–	–	–	31.2	–	31.2
Acquisition of minority interest	–	–	–	–	–	–	–	(5.5)	(5.5)	(181.7)	(187.2)
Net income and expense recognized directly in equity	–	–	–	36.6	31.2	75.7	–	(5.5)	138.0	(291.6)	(153.6)
Profit for the year	–	–	–	–	–	–	–	803.4	803.4	279.2	1,082.6
Total recognized income and expense for the year	–	–	–	36.6	31.2	75.7	–	797.9	941.4	(12.4)	929.0
Dilution of interest in an associated company	–	–	–	–	–	(6.2)	–	–	(6.2)	–	(6.2)
Acquisition of subsidiary companies	–	–	–	–	–	–	–	–	–	6.2	6.2
Change in attributable interests	–	–	–	–	–	–	–	–	–	(71.8)	(71.8)
Dividends paid to minority shareholders	–	–	–	–	–	–	–	–	–	(232.4)	(232.4)
Issue of shares upon the exercise of share options	–	7.0	(2.4)	–	–	–	–	–	4.6	–	4.6
Equity-settled share option arrangements	–	–	40.6	–	–	–	–	–	40.6	–	40.6
2005 Interim dividend	–	–	–	–	–	–	–	(32.0)	(32.0)	–	(32.0)
Balance at 31 December 2005	248.8	7,481.0	72.5	49.9	31.2	(397.0)	–	(4,500.6)	2,985.8	2,526.5	5,512.3
Changes in equity for 2006:											
Exchange differences on translating foreign operations	–	–	–	–	–	44.5	–	–	44.5	227.6	**272.1**
Unrealized gains on available-for-sale assets	–	–	–	354.9	–	–	–	–	354.9	28.9	**383.8**
Unrealized losses on cash flow hedges	–	–	–	–	(82.7)	–	–	–	(82.7)	–	**(82.7)**
Net income and expense recognized directly in equity	–	–	–	354.9	(82.7)	44.5	–	–	316.7	256.5	**573.2**
Profit for the year	–	–	–	–	–	–	–	1,283.1	1,283.1	446.2	**1,729.3**
Total recognized income and expense for the year	–	–	–	354.9	(82.7)	44.5	–	1,283.1	1,599.8	702.7	**2,302.5**
Divestment and dilution of interest in an associated company	–	–	–	–	–	19.5	–	–	19.5	–	**19.5**
Restructuring transactions among entities under common control	–	–	–	–	–	–	(20.3)	–	(20.3)	20.3	**–**
Acquisition of subsidiary companies	–	–	–	–	–	–	–	–	–	280.0	**280.0**
Shares issued to minority interest by a subsidiary company	–	–	–	–	–	–	–	–	–	19.5	**19.5**
Change in attributable interests	–	–	–	–	–	–	–	–	–	(18.8)	**(18.8)**
Dividends paid to minority shareholders	–	–	–	–	–	–	–	–	–	(19.5)	**(19.5)**
Issue of shares upon the exercise of share options	0.8	39.8	(12.5)	–	–	–	–	–	28.1	–	**28.1**
Equity-settled share option arrangements	–	–	28.1	–	–	–	–	–	28.1	–	**28.1**
2005 final dividend	–	–	–	–	–	–	–	(63.9)	(63.9)	–	**(63.9)**
2006 interim dividend	–	–	–	–	–	–	–	(32.0)	(32.0)	–	**(32.0)**
Balance at 31 December 2006	**249.6**	**7,520.8**	**88.1**	**404.8**	**(51.5)**	**(333.0)**	**(20.3)**	**(3,313.4)**	**4,545.1**	**3,510.7**	**8,055.8**

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December	2006 US$m	2005 US$m	2006* HK$m	2005* HK$m
Profit before taxation	**293.3**	165.4	**2,287.7**	1,290.1
Adjustments for:				
Interest expenses	**124.0**	115.2	**967.2**	898.5
Depreciation	**67.2**	62.6	**524.2**	488.3
Foreign exchange and derivative losses, net	**49.7**	42.0	**387.7**	327.6
Impairment losses recognized	**28.3**	–	**220.8**	–
Decrease/(increase) in other non-current assets	**21.5**	(16.6)	**167.7**	(129.5)
Loss on sale of property and equipment	**3.3**	0.7	**25.7**	5.5
Equity-settled share option expense	**3.0**	5.2	**23.4**	40.6
Recognition of prepaid land premiums	**2.5**	4.2	**19.5**	32.8
Loss on changes in fair value of non-current assets held for sale	**0.6**	–	**4.7**	–
Share of profit less losses of associated companies	**(143.0)**	(137.7)	**(1,115.4)**	(1,074.1)
(Gain)/loss on divestment and dilution of interest in an associated company	**(96.9)**	6.3	**(755.8)**	49.1
Gain on changes in fair value of plantations	**(53.4)**	(12.3)	**(416.5)**	(95.9)
Interest income	**(17.6)**	(7.9)	**(137.3)**	(61.6)
(Increase)/decrease in accounts receivables, other receivables and prepayments (Non-current)	**(14.7)**	0.4	**(114.6)**	3.1
Gain on disposal of subsidiary companies	**(7.1)**	–	**(55.4)**	–
Dividend income from financial assets at fair value through profit or loss	**(2.2)**	–	**(17.2)**	–
Dividend income from available-for-sale assets	**(0.1)**	(1.0)	**(0.8)**	(7.8)
Others	**2.6**	(26.7)	**20.2**	(208.3)
	261.0	199.8	**2,035.8**	1,558.4
Decrease in accounts receivable, other receivables and prepayments (Current)	**44.9**	18.8	**350.2**	146.7
Increase in inventories	**(34.7)**	(41.0)	**(270.6)**	(319.8)
(Decrease)/increase in accounts payable, other payables and accruals	**(15.5)**	49.0	**(120.9)**	382.2
Net cash generated from operations[i]	**255.7**	226.6	**1,994.5**	1,767.5
Interest received	**14.6**	7.6	**113.9**	59.3
Interest paid	**(104.7)**	(101.6)	**(816.7)**	(792.5)
Tax paid	**(40.3)**	(42.4)	**(314.4)**	(330.7)
Net cash inflow from operating activities	**125.3**	90.2	**977.3**	703.6
Dividend received from an associated company	**62.5**	38.9	**487.5**	303.4
Sale of property and equipment	**4.7**	7.1	**36.6**	55.4
Sale/(purchase) of available-for-sale assets	**3.5**	(20.4)	**27.3**	(159.1)
Dividend received from financial assets at fair value through profit or loss	**2.2**	–	**17.2**	–
Acquisition of assets designated as financial assets at fair value through profit or loss	**(73.7)**	–	**(574.9)**	–
Purchase of property and equipment	**(43.7)**	(54.9)	**(340.9)**	(428.2)
Increased investment in an associated company	**(37.3)**	(57.3)	**(290.9)**	(446.9)
Acquisition of subsidiary companies	**(31.6)**	(6.2)	**(246.5)**	(48.4)
Investment in plantations	**(7.5)**	–	**(58.5)**	–
Disposal of subsidiary companies	**(0.8)**	–	**(6.2)**	–
Acquisition of associated companies	**–**	(17.6)	**–**	(137.3)
Deposits for acquisition and increased investments in subsidiary companies	**–**	(14.9)	**–**	(116.2)
Acquisition of convertible bonds	**–**	(5.2)	**–**	(40.6)
Increased investments in subsidiary companies	**–**	(4.9)	**–**	(38.2)
Loans to associated companies	**–**	(1.4)	**–**	(10.9)
Proceeds from termination of derivative transactions	**–**	96.3	**–**	751.1
Compensation received in connection with establishment of a joint venture	**–**	13.3	**–**	103.7

Net cash outflow from investing activities	**(121.7)**	(27.2)	**(949.3)**	(212.2)
Proceeds of new borrowings	**688.0**	601.0	**5,366.4**	4,687.8
Issue of shares upon the exercise of share options	**3.6**	0.6	**28.1**	4.6
Shares issued to minority interest by a subsidiary company	**2.5**	–	**19.5**	–
Borrowings repaid	**(637.0)**	(517.5)	**(4,968.6)**	(4,036.4)
(Increase)/decrease in pledged deposits and restricted cash	**(26.6)**	4.5	**(207.5)**	35.1
Dividends paid to shareholders	**(12.3)**	(4.1)	**(95.9)**	(32.0)
Dividends paid to minority interest by subsidiary companies	**(2.5)**	(29.8)	**(19.5)**	(232.4)
Net cash inflow from financing activities	**15.7**	54.7	**122.5**	426.7
Net increase in cash and cash equivalents	**19.3**	117.7	**150.5**	918.1
Cash and cash equivalents at 1 January	**296.0**	186.6	**2,308.8**	1,455.5
Exchange translation	**12.4**	(8.3)	**96.8**	(64.8)
Cash and cash equivalents at 31 December	**327.7**	296.0	**2,556.1**	2,308.8
Representing				
Cash and cash equivalents	**327.7**	296.0	**2,556.1**	2,308.8

(i) Changes in working capital are stated excluding movements due to acquisition and disposal of subsidiary companies.

** 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. Changes in accounting policies

Certain changes to Hong Kong Generally Accepted Accounting Principles (HK GAAP) have been implemented during 2006 as a consequence of the following new and revised Hong Kong Accounting Standards (HKASs), Hong Kong Financial Reporting Standards (HKFRSs) and Hong Kong (International Financial Reporting Interpretations Committee) – Interpretations (HK(IFRIC)-Ints) issued by the Hong Kong Institute of Certified Public Accountants (HKICPA), which became effective for accounting periods commencing on, or after, 1 January 2006:

HKAS 19 Amendment	"Actuarial Gains and Losses, Group Plans and Disclosures"
HKAS 21 Amendment	"Net Investment in a Foreign Operation"
HKAS 39 Amendment	"Cash Flow Hedge Accounting of Forecast Intragroup Transactions"
HKAS 39 Amendment	"The Fair Value Option"
HKAS 39 and HKFRS 4 Amendments	"Financial Guarantee Contracts"
HK(IFRIC)-Int 4	"Determining whether an Arrangement contains a Lease"

Except for HKAS 39 Amendment "The Fair Value Option", the adoption of the pronouncements listed above has had no material impact on the accounting policies of the Group and the methods of computation in the Group's Financial Statements. The adoption of HKAS 39 Amendment "The Fair Value Option" has resulted in the Group applying more restrictive criteria for designating financial instruments as financial assets/liabilities at fair value through profit or loss.

During the year, the Group designated 1.1 per cent interest in PLDT acquired during 2006 as financial assets at fair value through profit or loss. Please refer to Note 9 for details. The adoption has had no effect on both the profit attributable to equity holders of the parent for the years ended 31 December 2006 and 31 December 2005 and equity attributable to equity holders of the parent at 31 December 2006 and 31 December 2005.

2. Turnover and segmental information

For the year ended 31 December	**2006 US$m**	2005 US$m	**2006* HK$m**	2005* HK$m
Turnover				
Sale of goods and properties	**2,440.3**	1,946.3	**19,034.3**	15,181.2
Rendering of services	**34.5**	39.8	**269.1**	310.4
Total	**2,474.8**	1,986.1	**19,303.4**	15,491.6

Segmental information, relating to the Group's business and geographical segments, is analyzed as follows. Analysis by business segment is the Group's primary segment reporting format as this is more relevant to the Group when making operational and financial decisions.

By principal business activity – 2006

	Telecom-munications US$m	Consumer Food Products US$m	Property and Transportation US$m	Head Office US$m	**2006 Total US$m**	**2006* Total HK$m**
Profit and loss						
Segment revenue – turnover	–	2,398.5	76.3	–	**2,474.8**	**19,303.4**
Segment results	–	265.5	(16.1)	7.3	**256.7**	**2,002.2**
Net borrowing costs					**(106.4)**	**(829.9)**
Share of profits less losses of associated companies	143.0	(0.4)	0.4	–	**143.0**	**1,115.4**
Profit before taxation					**293.3**	**2,287.7**
Taxation					**(71.6)**	**(558.4)**
Profit for the year					**221.7**	**1,729.3**
Assets and liabilities						
Segment assets	–	1,940.7	174.0	170.9	**2,285.6**	**17,827.7**
Associated companies	459.8	2.6	8.6	–	**471.0**	**3,673.8**
Unallocated assets					**127.3**	**992.9**
Total assets					**2,883.9**	**22,494.4**
Segment liabilities	–	277.8	56.9	174.1	**508.8**	**3,968.7**
Unallocated liabilities					**1,342.3**	**10,469.9**
Total liabilities					**1,851.1**	**14,438.6**
Other information						
Capital expenditure	–	38.6	5.6	2.1	**46.3**	**361.1**
Depreciation	–	62.9	4.1	0.2	**67.2**	**524.2**
Foreign exchange and derivative losses, net	–	–	0.7	59.4	**60.1**	**468.8**
Impairment losses recognized	–	6.4	10.8	11.1	**28.3**	**220.8**
Other non-cash expenses	–	1.6	7.7	14.1	**23.4**	**182.5**

By principal geographical market – 2006

	The Philippines US$m	Indonesia US$m	Others US$m	Head Office US$m	**2006 Total US$m**	**2006* Total HK$m**
Segment revenue – turnover	76.3	2,398.5	–	–	**2,474.8**	**19,303.4**
Segment assets	174.0	1,940.7	–	170.9	**2,285.6**	**17,827.7**
Associated companies	465.1	2.6	3.3	–	**471.0**	**3,673.8**
Unallocated assets					**127.3**	**992.9**
Total assets					**2,883.9**	**22,494.4**
Capital expenditure	5.6	38.6	–	2.1	**46.3**	**361.1**

By principal business activity – 2005

	Telecom-munications US$m	Consumer Food Products US$m	Property and Transportation US$m	Head Office US$m	2005 Total US$m	2005* Total HK$m
Profit and loss						
Segment revenue – turnover	–	1,923.4	62.7	–	1,986.1	15,491.6
Segment results	–	164.8	28.8	(58.6)	135.0	1,052.9
Net borrowing costs					(107.3)	(836.9)
Share of profits less losses of associated companies	141.8	(4.2)	0.1	–	137.7	1,074.1
Profit before taxation					165.4	1,290.1
Taxation					(26.6)	(207.5)
Profit for the year					138.8	1,082.6
Assets and liabilities						
Segment assets	–	1,578.8	116.4	199.7	1,894.9	14,780.2
Associated companies	364.4	3.5	13.8	–	381.7	2,977.3
Unallocated assets					70.5	549.9
Total assets					2,347.1	18,307.4
Segment liabilities	–	273.6	56.9	95.4	425.9	3,322.0
Unallocated liabilities					1,214.5	9,473.1
Total liabilities					1,640.4	12,795.1
Other information						
Capital expenditure	–	50.4	6.2	–	56.6	441.5
Depreciation	–	57.4	5.2	–	62.6	488.3
Foreign exchange and derivative losses, net	–	16.6	–	25.4	42.0	327.6
Other non-cash expenses	–	2.1	2.7	11.5	16.3	127.1

By principal geographical market – 2005

	The Philippines US$m	Indonesia US$m	Others US$m	Head Office US$m	2005 Total US$m	2005* Total HK$m
Segment revenue – turnover	62.7	1,923.4	–	–	1,986.1	15,491.6
Segment assets	116.4	1,578.8	–	199.7	1,894.9	14,780.2
Associated companies	363.9	3.5	14.3	–	381.7	2,977.3
Unallocated assets					70.5	549.9
Total assets					2,347.1	18,307.4
Capital expenditure	6.2	50.4	–	–	56.6	441.5

3. Net borrowing costs

For the year ended 31 December	2006 US$m	2005 US$m	2006* HK$m	2005* HK$m
Total borrowing costs	**124.0**	115.2	**967.2**	898.5
Less interest income	**(17.6)**	(7.9)	**(137.3)**	(61.6)
Net borrowing costs	**106.4**	107.3	**829.9**	836.9

4. Profit before taxation

For the year ended 31 December	2006 US$m	2005 US$m	2006* HK$m	2005* HK$m
Profit before taxation is stated after (charging)/crediting				
Cost of inventories sold	**(1,480.8)**	(1,182.1)	**(11,550.2)**	(9,220.4)
Employees' remuneration	**(237.2)**	(198.6)	**(1,850.2)**	(1,549.1)
Depreciation	**(67.2)**	(62.6)	**(524.2)**	(488.3)
Foreign exchange and derivative losses, net	**(49.7)**	(42.0)	**(387.7)**	(327.6)
Cost of services rendered	**(35.2)**	(52.7)	**(274.6)**	(411.1)
Impairment (included in other operating expenses)				
– Associated companies	**(19.2)**	–	**(149.8)**	–
– Goodwill	**(6.4)**	–	**(49.9)**	–
– Property and equipment	**(2.7)**	–	**(21.1)**	–
Operating lease rentals				
– Land and buildings	**(18.0)**	(11.8)	**(140.4)**	(92.0)
– Hire of plant and equipment	**(0.8)**	(0.8)	**(6.2)**	(6.2)
Restructuring provision	**(11.1)**	–	**(86.6)**	–
Doubtful debt provisions (included in distribution costs)	**(9.3)**	(4.8)	**(72.5)**	(37.4)
Loss on sale of property and equipment	**(3.3)**	(0.7)	**(25.7)**	(5.5)
Recognition of prepaid land premiums	**(2.5)**	(4.2)	**(19.5)**	(32.8)
Auditors' remuneration				
– Audit services	**(1.6)**	(1.2)	**(12.5)**	(9.4)
– Other services	**(0.8)**	(0.6)	**(6.2)**	(4.7)
Loss on changes in fair value of non-current assets held for sale	**(0.6)**	–	**(4.7)**	–
Gain/(loss) on divestment and dilution of interest in an associated company	**96.9**	(6.3)	**755.8**	(49.1)
Gain on changes in fair value of plantations	**53.4**	12.3	**416.5**	95.9
Gain on disposal of subsidiary companies	**7.1**	–	**55.4**	–
Dividend income from financial assets at fair value through profit or loss	**2.2**	–	**17.2**	–
Realized gain on sale of available-for-sale assets	**2.2**	5.6	**17.2**	43.7
Dividend income from available-for-sale assets	**0.1**	1.0	**0.8**	7.8
Excess over the cost of a business combination recognized as income (included in other operating expenses, net)	**–**	2.7	**–**	21.1

5. Taxation

No Hong Kong profits tax (2005: Nil) has been provided as the Group had no estimated assessable profits (2005: Nil) in Hong Kong for the year. Taxation on assessable profits generated outside Hong Kong has been provided at the rates of taxation prevailing in the countries in which the Company's subsidiary companies operate.

For the year ended 31 December	2006 US$m	2005 US$m	2006* HK$m	2005* HK$m
Subsidiary companies – Overseas				
Current taxation	**52.5**	28.9	**409.5**	225.4
Deferred taxation	**19.1**	(2.3)	**148.9**	(17.9)
Total	**71.6**	26.6	**558.4**	207.5

Included within the share of profits less losses of associated companies is the taxation of US$24.3 million (HK$189.5 million) (2005: US$19.2 million or HK$149.8 million) and which is analyzed as follows.

For the year ended 31 December	2006 US$m	2005 US$m	2006* HK$m	2005* HK$m
Associated companies – Overseas				
Current taxation	**44.1**	38.5	**344.0**	300.3
Deferred taxation	**(19.8)**	(19.3)	**(154.5)**	(150.5)
Total	**24.3**	19.2	**189.5**	149.8

6. **Profit attributable to equity holders of the parent**

The profit attributable to equity holders of the parent includes US$51.5 million (HK$401.7 million) (2005: US$18.5 million or HK$144.3 million) of net foreign exchange and derivative losses, which comprise US$82.7 million (HK$645.1 million) (2005: US$18.5 million or HK$144.3 million) of losses on the changes in the fair values of derivatives and translation of the unhedged foreign currency denominated borrowings, partly offset by a US$31.2 million (HK$243.4 million) (2005: Nil) gain on changes in the fair value of 1.1 per cent PLDT shares acquired by the Group in 2006 and designated as financial assets at fair value through profit or loss, and US$66.1 million (HK$515.6 million) (2005: US$14.1 million or HK$110.0 million) of net non-recurring gains.

Analysis of foreign exchange and derivative losses

For the year ended 31 December	**2006 US$m**	2005 US$m	**2006* HK$m**	2005* HK$m
Foreign exchange and derivative (losses)/gains				
– Subsidiary companies	**(49.7)**	(42.0)	**(387.7)**	(327.6)
– Associated companies	**7.4**	19.0	**57.8**	148.2
Subtotal	**(42.3)**	(23.0)	**(329.9)**	(179.4)
Attributable to taxation and minority interest	**(9.2)**	4.5	**(71.8)**	35.1
Total	**(51.5)**	(18.5)	**(401.7)**	(144.3)

The non-recurring gains of US$66.1 million (HK$515.6 million) for 2006 mainly comprise a gain on divestment of the Group's interest in PLDT of US$58.2 million (HK$454.0 million) on settlement of certain Head Office's Exchangeable Notes with PLDT shares and a gain on dilution upon the conversion of PLDT's convertible preference shares of US$38.7 million (HK$301.9 million), partly offset by impairment provisions for certain of the Group's assets. The non-recurring gains of US$14.1 million (HK$110.0 million) for 2005 mainly comprise PLDT's net non-recurring items (which represent recognition of Piltel's deferred tax assets less accelerated depreciation on the fixed line network due to Next Generation Network upgrade) of US$9.8 million (HK$76.4 million), goodwill compensation received by Indofood in connection with the establishment of a joint venture entity of US$4.8 million (HK$37.4 million), Metro Pacific's adjustments made to amounts owed to Pacific Plaza Towers contractor, partly offset by a loss on dilution of the Group's interest in PLDT of US$6.3 million (HK$49.1 million).

Included within the profit attributable to equity holders of the parent for the year ended 31 December 2006 is a profit of US$32.8 million (HK$255.8 million) (2005: US$350.8 million or HK$2,736.2 million) attributable to the Company.

7. **Ordinary share dividends**

	Per ordinary share				**Total**			
For the year ended 31 December	**2006 US¢**	2005 US¢	**2006 * HK¢**	2005 * HK¢	**2006 US$m**	2005 US$m	**2006 * HK$m**	2005 * HK$m
Interim	**0.13**	0.13	**1.00**	1.00	**4.1**	4.1	**32.0**	32.0
Special	**0.12**	–	**0.96**	–	**3.9**	–	**30.4**	–
Proposed final	**0.45**	0.26	**3.50**	2.00	**14.4**	8.2	**112.3**	63.9
Total	**0.70**	0.39	**5.46**	3.00	**22.4**	12.3	**174.7**	95.9

In connection with the listing and subsequent share placement (refer to Note 15(A)) carried out by Indofood Agri Resources Ltd. (IndoAgri), a subsidiary company of Indofood, in early 2007, the Company was required, under Practice Note 15 (PN15) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (Listing Rules), to subscribe and distribute a certain number of new IndoAgri shares to its shareholders. For the purpose of meeting the requirement of PN15, the Company subscribed for 5,070,000 IndoAgri shares which represented 1.5 per cent of the total number of the placement shares and declared a special dividend, payable to shareholders by way of a distribution in specie on the basis of three IndoAgri shares for every 2,000 ordinary shares of the Company held by them. Each qualified shareholder holding 2,000 ordinary shares or more of the Company might elect to receive cash in lieu of the distributable IndoAgri shares as calculated by making reference to the IndoAgri placement price of 1.25 Singapore dollars (U.S. 81.67 cents or HK$6.37) per share. The special dividend was distributed to the shareholders on 28 March 2007.

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming Annual General Meeting.

8. **Earnings per share attributable to equity holders of the parent**

The calculation of basic earnings per share amount is based on the profit for the year attributable to equity holders of the parent of US$164.5 million (HK$1,283.1 million) (2005: US$103.0 million or HK$803.4 million), and the weighted average number of 3,193.0 million (2005: 3,186.7 million) ordinary shares in issue during the year.

The calculation of diluted earnings per share is based on: (i) the profit for the year attributable to equity holders of the parent of US$164.5 million (HK$1,283.1 million) (2005: US$103.0 million or HK$803.4 million) reduced by US$0.3 million (HK$2.3 million) (2005: US$0.9 million or HK$7.0 million) in respect of the dilutive impact from the conversion of share options issued by its associate PLDT and nil (2005: US$0.3 million or HK$2.3 million) in respect of the Company's option of increasing its interest in its associate Level Up, and (ii) a share base equal to the aggregate of the weighted average number of 3,193.0 million (2005: 3,186.7 million) ordinary shares in issue during the year (as used in the basic earnings per share calculation) and the weighted average of 49.1 million (2005: 28.4 million) ordinary shares assumed to have been issued at no consideration on the deemed exercise of all share options of the Company during the year.

The impact upon full conversion of the Head Office's Exchangeable Notes, MPIC's warrants and the outstanding share option of Level Up has not been taken into account in calculating the diluted earnings per share because their anti-dilutive effect on the basic earnings per share for the year would actually increase the earnings per share.

9. **Financial assets at fair value through profit or loss**

The amount represents the fair value, determined based on a quoted market price, of 1.1 per cent interest in PLDT acquired by the Group during the year and designated as financial assets at fair value through profit or loss to partially offset against the exposure arising from changes in the fair value of the option element embedded in the Head Office's Exchangeable Notes. The Directors consider that such a designation is appropriate since the change in value of such assets will have a strong correlation with any change in the fair value of the option embedded in the Exchangeable Notes.

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

Included in the accounts receivable, other receivables and prepayments are trade receivables of US$173.1 million (HK$1,350.2 million) (2005: US$173.3 million or HK$1,351.7 million), with an ageing profile as below.

At 31 December	2006 US$m	2005 US$m	2006* HK$m	2005* HK$m
0 to 30 days	**148.4**	148.5	**1,157.5**	1,158.3
31 to 60 days	**4.8**	8.8	**37.4**	68.6
61 to 90 days	**2.8**	6.0	**21.9**	46.8
Over 90 days	**17.1**	10.0	**133.4**	78.0
Total	**173.1**	173.3	**1,350.2**	1,351.7

Indofood allows export customers 60 days of credit and local customers an average of 30 days of credit. MPIC collects contract receivables related to property sales by installments over periods ranging between one to five years.

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

Included in the accounts payable, other payables and accruals are trade payables of US$135.1 million (HK$1,053.8 million) (2005: US$172.7 million or HK$1,347.1 million), with an ageing profile as below.

At 31 December	2006 US$m	2005 US$m	2006* HK$m	2005* HK$m
0 to 30 days	**129.0**	160.8	**1,006.2**	1,254.2
31 to 60 days	**0.4**	1.7	**3.1**	13.3
61 to 90 days	**0.7**	1.3	**5.5**	10.2
Over 90 days	**5.0**	8.9	**39.0**	69.4
Total	**135.1**	172.7	**1,053.8**	1,347.1

12. **Derivative liability**

Derivative liability represents the fair value of the option embedded in the Exchangeable Notes issued by First Pacific Finance Limited, a wholly-owned subsidiary company of the Company.

The exchangeable option of the Exchangeable Notes qualified as an embedded derivative under HKAS 39 "Financial Instruments: Recognition and Measurement". Upon the initial recognition, the fair value of the option of US$13.9 million (HK$108.4 million) is identified and accounted for separately from the fair value of the bond instrument. The fair value of the option liability was remeasured to US$99.6 million (HK$776.9 million) (2005: US$39.3 million or HK$306.5 million) on a mark-to-market basis at 31 December 2006. The increase during the year primarily reflects an increase in PLDT share price, partly offset by an amount realized upon partial settlement of the Exchangeable Notes.

13. **Contingent liabilities**

At 31 December 2006, neither the Group nor the Company had any significant contingent liabilities (2005: Nil).

14. **Employee information**

For the year ended 31 December	2006 US$m	2005 US$m	2006* HK$m	2005* HK$m
Employees' remuneration (including Directors' remuneration)	**237.2**	198.6	**1,850.2**	1,549.1

Number of employees	2006	2005
At 31 December	**50,087**	46,693
Average for the year	**48,382**	47,881

15. **Subsequent events**

(A) On 8 January 2007, the Company obtained the approval from its shareholders to complete the listing of Indofood's oil palm plantations and edible oils and fats businesses through a reverse takeover of IndoAgri (formerly known as ISG Asia Limited and CityAxis Holding Limited, a company listed on the Singapore Exchange Securities Trading Limited (SGX – ST) Dealing and Automated Quotation System). The reverse takeover was completed on 23 January 2007. A provisional estimate of the goodwill that will arise (subject to further assessment of the fair value of share of identified assets acquired and liabilities and contingent liabilities assumed) from the acquisition of IndoAgri amounts to approximately US$8 million (HK$62 million).

Upon completion of the reverse takeover, Indofood's 83.8 per cent-owned subsidiary, Indofood Singapore Holdings Pte Ltd (ISHPL), became the majority shareholder of IndoAgri owning a controlling interest of approximately 98.7 per cent of the enlarged issued share capital of IndoAgri. To comply with the SGX-ST's rules on shareholding spread and distribution requirements, IndoAgri carried out a placement of 338.0 million new shares at a price of 1.25 Singapore dollars per share (which raised gross proceeds of approximately US$270.8 million (HK$2,112.2 million)) in February 2007. The placement shares represent approximately 25 per cent of the enlarged share capital of IndoAgri after the placement. Following the placement, ISHPL's effective interest in IndoAgri was diluted from approximately 98.7 per cent to approximately 74.0 per cent.

The Group is expected to record a dilution gain of approximately US$50 million (HK$390 million) in 2007 in respect of IndoAgri's share placement.

(B) On 10 January 2007, DMCI-MPIC Water Company Inc. (DMCI-MPIC), a 50.0 per cent owned joint venture company of MPIC, acquired a 84.0 per cent equity interest in Maynilad Water Services, Inc. (Maynilad Water) for a total consideration of US$25.7 million (HK$200.5 million) (accompanied by estimated transaction costs of US$17.6 million or HK$137.3 million and an arbitration cost of US$2.5 million or HK$19.5 million). In addition, DMCI-MPIC (i) repaid on behalf of Maynilad Water US$31.0 million (HK$241.8 million) of financial assistance previously provided by Metropolitan Waterworks and Sewerage System (MWSS) to Maynilad Water, (ii) will contribute additional equity to Maynilad Water for funding its requirement for its capital expenditure and repayment to its existing creditors which amounts to US$444.7 million (HK$3,468.7 million) over a period of three years and (iii) established a performance bond in an amount of US$12.0 million (HK$93.6 million) in respect of Maynilad Water's obligations under the concession. Maynilad Water holds an exclusive concession, granted by MWSS on behalf of the Philippine Government, to provide water and sewerage services in the area of West Metro Manila. Since DMCI-MPIC is a jointly-controlled entity, the Group adopted proportionate consolidation in accounting for the financial results and financial position of its investment in DMCI-MPIC. The provisional impact of this acquisition on the financial position of the Group based on the existing carrying amounts of Maynilad Water's assets and liabilities (subject to further assessment of the fair value of share of identifiable assets acquired and liabilities and contingent liabilities assumed) is summarized as follows:

	US$m	HK$m*
50 per cent share of consideration		
Cash and cash equivalents	22.9	178.6
50 per cent share of net assets		
Property and equipment	62.1	484.4
Deferred tax assets	2.3	17.9
Other non-current assets	135.8	1,059.2
Cash and cash equivalents	20.0	156.0
Available-for-sale assets (Current)	8.3	64.7
Accounts receivable, other receivables and prepayments (Current)	23.2	181.0
Accounts payable, other payables and accruals	(56.5)	(440.7)
Short-term borrowings	(13.7)	(106.9)
Long-term borrowings	(75.0)	(585.0)
Deferred liabilities and provisions	(73.2)	(570.9)
Minority interest	(5.3)	(41.3)
Total share of net assets acquired at fair value	28.0	218.4
Excess over the cost of a business combination to be recognized as income	5.1	39.8

(C) On 28 February 2007, after obtaining the approval from the Company's shareholders at a special general meeting, the Group completed the acquisition of an approximately 46 per cent additional interest in Philippine Telecommunications Investment Corporation (PTIC), which represents approximately a 6.4 per cent interest in PLDT, for a total consideration of approximately Pesos 25.2 billion (US$510.6 million or HK$3,982.7 million). The acquisition was made in the context of a public auction by the Philippine Government of its approximately 46 per cent interest in PTIC with the Group exercising the "right to match" the highest bid received in the auction. After the acquisition, PTIC becomes a wholly-owned subsidiary company of the Company. PTIC holds PLDT shares representing approximately 13.8 per cent of PLDT's issued common share capital.

(D) On 9 March 2007, PT Salim Ivomas Pratama, a 64.2 per cent owned subsidiary company of Indofood, completed the acquisition of a 60 per cent interest in several plantation companies owning approximately 85,500 hectares of plantation land for a consideration of Rupiah 125 billion (US$13.8 million or HK$108.4 million) from Rascal Holdings Limited, a company owned by the Chairman of the Company. The provisional impact of this acquisition on the financial position of the Group (subject to further assessment of fair value of the share of identifiable assets acquired and liabilities and contingent liabilities assumed) is summarized as follows:

	Fair value recognized on acquisition		Carrying amounts immediately before the acquisition	
	US$m	**HK$m***	**US$m**	**HK$m***
Consideration				
Cash and cash equivalents	13.8	107.6		
Net assets				
Property and equipment	3.2	25.0	2.6	20.3
Plantations	15.4	120.1	11.4	88.9
Prepaid land premiums	9.6	74.9	1.0	7.8
Deferred tax assets	0.2	1.6	0.2	1.6
Cash and cash equivalents	0.3	2.3	0.3	2.3
Accounts receivable, other receivables and prepayments (Current)	1.0	7.8	1.0	7.8
Inventories	0.6	4.7	0.6	4.7
Accounts payable, other payables and accruals	(5.6)	(43.7)	(5.6)	(43.7)
Short-term borrowings	(0.1)	(0.8)	(0.1)	(0.8)
Deferred tax liabilities	(4.0)	(31.2)	–	–
Total net assets	20.6	160.7	11.4	88.9
Minority interest	(8.2)	(64.0)		
Total share of net assets acquired at fair value	12.4	96.7		
Goodwill	1.4	10.9		

* *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.*

REVIEW OF OPERATIONS

Below is an analysis of results by individual company.

Contribution Summary

For the year ended 31 December US$ millions	Turnover 2006	 2005	Contribution to Group profit[(i)] 2006	 2005 (Restated)[(ii)]
PLDT[(iii)]	**–**	–	**138.2**	122.4
Indofood	**2,398.5**	1,923.4	**54.7**	29.6
MPIC/Metro Pacific	**76.3**	62.7	**(3.7)**	(6.0)
Level Up[(iii)]	**–**	–	**(1.9)**	(1.5)
From operations	**2,474.8**	1,986.1	**187.3**	144.5
Head Office items:				
– Corporate overhead			**(13.7)**	(11.5)
– Net interest expense			**(22.9)**	(20.3)
– Other expenses			**(0.8)**	(5.3)
Recurring profit			**149.9**	107.4
Foreign exchange and derivative losses[(iv)]			**(51.5)**	(18.5)
Non-recurring items[(v)]			**66.1**	14.1
Profit attributable to equity holders of the parent			**164.5**	103.0

(i) After taxation and minority interest, where appropriate.

(ii) To conform with the Group's current year results presentation, the Group has restated its 2005 profit contribution from PLDT from US$132.2 million to US$122.4 million, which reflects the reclassification of recognized Piltel's deferred tax assets and accelerated depreciation on fixed line network due to Next Generation Network (NGN) upgrade as non-recurring items. Accordingly, the Group's non-recurring items for 2005 is restated from US$4.3 million to US$14.1 million. Such restatements have no effect on the Group's 2005 profit attributable to equity holders of the parent.

(iii) Associated companies.

(iv) 2006's foreign exchange and derivative losses include a US$89.7 million (2005: US$25.4 million) loss on revaluation of option element embedded in Head Office's Exchangeable Notes, partly offset by a US$31.2 million (2005: Nil) gain on changes in the fair value of 1.1 per cent PLDT shares acquired by the Group in 2006 and designated as financial assets at fair value through profit or loss and US$7.0 million (2005: US$6.9 million) gains on foreign exchange translation differences on the Group's unhedged foreign currency denominated borrowings and derivative contracts.

(v) 2006's non-recurring gains of US$66.1 million mainly comprise a gain on divestment of the Group's interest in PLDT of US$58.2 million on settlement of certain Head Office's Exchangeable Notes with PLDT shares and a gain on dilution upon conversion of PLDT's convertible preference shares of US$38.7 million, partly offset by impairment provisions for certain of the Group's assets. 2005's non-recurring gains of US$14.1 million mainly comprise PLDT's net non-recurring items (which represent recognition of Piltel's deferred tax assets less accelerated depreciation on the fixed line network due to NGN upgrade) of US$9.8 million, goodwill compensation received by Indofood in connection with the establishment of a joint venture entity of US$4.8 million and Metro Pacific's adjustments made to amounts owed to Pacific Plaza Towers contractor, partly offset by a loss on dilution of the Group's interest in PLDT of US$6.3 million.

During the year, the Group's turnover increased by 24.6 per cent to US$2,474.8 million (2005: US$1,986.1 million), principally reflecting an increase in Indofood's turnover and a strengthened rupiah. The Group's businesses improved their operating performance in 2006, recording profit contributions totaling US$187.3 million (2005: US$144.5 million), an increase of 29.6 per cent. Recurring profit also increased by 39.6 per cent to US$149.9 million from US$107.4 million in 2005. The Group recorded US$51.5 million (2005: US$18.5 million) net foreign exchange and derivative losses and US$66.1 million (2005: US$14.1 million) of net non-recurring gains. As a result, the Group recorded a net profit for 2006 of US$164.5 million, a 59.7 per cent improvement over 2005's net profit of US$103.0 million.

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

Exchange rates against the U.S. dollar At 31 December	2006	2005	One year change
Closing			
Peso	**49.06**	53.09	+8.2%
Rupiah	**9,020**	9,830	+9.0%

Exchange rates against the U.S. dollar For the year ended 31 December	2006	2005	One year change
Average			
Peso	**51.16**	54.99	+7.5%
Rupiah	**9,148**	9,756	+6.6%

In 2006, the Group recorded net foreign exchange and derivative losses of US$51.5 million (2005: US$18.5 million), which may be further analyzed as follows:

US$ millions	2006	2005
Head Office	**(59.4)**	(25.4)
PLDT	**4.7**	12.8
Indofood	**3.8**	(6.1)
Others	**(0.6)**	0.2
Total	**(51.5)**	(18.5)

FIRST PACIFIC

- Principle investments, PLDT and Indofood, have performed above expectations
- First Pacific has increased activity and contact with the investment community over the last twelve months
- Completed the reorganization and recapitalization of Metro Pacific with the relisting on Philippine Stock Exchange on 15 December 2006
- The company has raised in excess of US$1 billion at competitive rates to fund acquisitions over the last twelve months

In February 2007, First Pacific completed the acquisition of an additional approximately 46 per cent interest in Philippine Telecommunications Investment Corporation from the Philippine Government for a consideration of Pesos 25.2 billion (approximately US$510.6 million). This represented approximately 6.4 per cent interest in PLDT, thereby raising the company's shareholding in PLDT to approximately 29 per cent. The transaction was financed with a combination of US$90.6 million from internal resources and US$420 million of borrowings.

PLDT has been a strategic investment of the Group since 1998. It has reported outstanding performances over the last few years and is a major earnings and dividend contributor to the Group. The Group will continue to benefit from the strong performance of PLDT.

Indofood has achieved significant sales volume growth across all of its divisions and this has resulted in a significant improvement in net income, an improvement in operating return and a strengthening of its balance sheet.

The Group made an investment in infrastructure sector through its subsidiary MPIC. MPIC partnered with DMCI Holdings, Inc. and won an auction of an 84 per cent interest in Maynilad Water Services, Inc. for a total consideration of US$532.8 million from the Philippine Government. The transaction was completed in January 2007.

2007 Outlook

First Pacific has focused on enhancing the operational and financial performance of its key operating businesses over the last few years. The improved results in 2006 are the product of this intense and concentrated effort. It is anticipated that 2007 performance will also be stronger.

The emerging markets in Asia continue to present opportunities in the telecoms, consumer food products and infrastructure sectors. These opportunities will be pursued and evaluated and with a continuing positive outlook for the financial markets, a variety of financial options will be available to support targeted investments.

More specifically, the economic outlook for both the Philippines and Indonesia is encouraging and we anticipate that PLDT, Indofood and MPIC will build on the achievements of the last twelve months and continue to expand their businesses and match, if not exceed, their performance targets for 2007.

PLDT

Philippine Long Distance Telephone Company (PLDT) is the leading telecommunications service provider in the Philippines. It has common shares listed on the Philippine Stock Exchange and American Depositary Receipts (ADRs) listed on the New York Stock Exchange. It has one of the largest market capitalizations among Philippine listed companies. Through its three principal business groups, PLDT offers a wide range of telecommunications services: Wireless (principally through wholly-owned subsidiary company Smart Communications, Inc.); Fixed Line (principally through PLDT); and Information and Communications Technology (principally through wholly-owned subsidiary company ePLDT). PLDT has developed the Philippines' most extensive fiber optic backbone, cellular, fixed line and satellite networks.

PLDT's operations are principally denominated in peso, which averaged Pesos 51.16 (2005: 54.99) to the U.S. dollar. Its financial results are prepared under Philippine Generally Accepted Accounting Principles (Philippine GAAP) and reported in peso. First Pacific's financial results are prepared under Hong Kong GAAP and reported in U.S. dollar. Despite the Philippine GAAP and Hong Kong GAAP being based largely on International Financial Reporting Standards (IFRSs), certain adjustments still need to be made to PLDT's reported peso results to ensure full compliance with Hong Kong GAAP. An analysis of these adjustments follows.

Peso millions	**2006**	2005 (Restated)
Net income under Philippine GAAP[(i)]	**35,116**	34,112
Preference dividends[(ii)]	**(456)**	(1,427)
Net income attributable to common shareholders	**34,660**	32,685
Differing accounting treatments[(iii)]		
– Reclassification of non-recurring items	**(2,559)**	(2,207)
– Others	**(1,081)**	(336)
Intragroup items[(iv)]	**300**	300
Adjusted net income under Hong Kong GAAP	**31,320**	30,442
Foreign exchange and derivative gains[(v)]	**(1,042)**	(2,859)
PLDT's net income as reported by First Pacific	**30,278**	27,583

US$ millions		
Net income at prevailing average rates for 2006: Pesos 51.16 and 2005: Pesos 54.99	**591.8**	501.6
Contribution to First Pacific Group profit, at an average shareholding of 2006: 23.4% and 2005: 24.4%	**138.2**	122.4

(i) PLDT has restated its recurring income for 2005 from Pesos 31,253 million to Pesos 29,046 million after reclassifying Pesos 7.3 billion deferred tax assets and benefits (recognized after Piltel has established a history of taxable profits) and Pesos 5.1 billion additional accelerated depreciation expenses due to migration to NGN as non-recurring items.

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

(iii) Differences in accounting treatment under Philippine GAAP, compared with Hong Kong GAAP. The principal adjustments include:

- *Reclassification of non-recurring items: Certain items, through occurrence or size, are not considered usual, operating items which are reallocated and presented separately. In 2006, Pesos 5.5 billion (2005: Pesos 7.3 billion) deferred tax assets and benefits, Pesos 3.5 billion (2005: Nil) reversal of provisions for an onerous contract relating to ACeS satellite, Pesos 5.1 billion (2005: Pesos 5.1 billion) additional accelerated depreciation expenses due to migration to NGN and Pesos 1.4 billion (2005: Nil) asset impairment provisions were excluded and presented separately as non-recurring items.*

(iv) These are standard consolidation adjustments to ensure that transactions between Group companies are eliminated to present the Group as a single economic entity.

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

PLDT's profit contribution to the Group increased by 13 per cent to US$138.2 million (2005 restated: US$122.4 million) representing 74 per cent of First Pacific's aggregate profit contribution from operations of subsidiary and associated companies in 2006.

In peso terms, PLDT's consolidated net income increased by 3 per cent to Pesos 35.1 billion (US$686.1 million). The positive impact from the reversal of Pesos 3.5 billion (US$68.4 million) (2005: Nil) provisions made to ACeS related contracts was offset by an additional net depreciation expense of Pesos 5.1 billion (US$99.7 million) (2005: Pesos 5.1 billion; US$92.7 million) in relation to the upgrading of the existing fixed line network to NGN, lower net foreign exchange gains of Pesos 1.0 billion (US$19.5 million) (2005: Pesos 2.9 billion; US$52.7 million), asset impairment charges of Pesos 1.4 billion (US$27.4 million) (2005: Nil) for Mabuhay's satellite and debt investments made by ePLDT, and lower recognition of deferred tax assets amounting to Pesos 5.5 billion (US$107.5 million) (2005: Pesos 7.3 billion; US$132.8 million).

Core net income increased by 9 per cent to Pesos 31.5 billion (US$615.7 million) reflecting improvements in the key areas of the business. Consolidated service revenues increased to Pesos 125.1 billion (US$2,446.2 million) (2005: Pesos 121.1 billion; US$2,201.3 million) mainly due to higher revenue contributions from its Wireless and Information and Communications Technology (ICT) units and partly offset by the 7 per cent appreciation of the peso on PLDT Group's U.S. dollar linked revenues. Consolidated EBITDA improved to Pesos 79.6 billion (US$1,555.9 million) (2005: Pesos 77.2 billion; US$1,403.9 million) and EBITDA margin was stable at 64 per cent of service revenues.

Consolidated free cash flow remained strong at Pesos 33.7 billion (US$658.7 million) (2005: Pesos 51.2 billion; US$931.1 million) despite consolidated capital expenditure rising by 41 per cent to Pesos 21.1 billion (US$412.4 million) (2005: Pesos 15.0 billion; US$272.8 million) as a result of the development of the 3G network and upgrading to 150,000 IP-based Next Generation Network (NGN) lines.

Consolidated debt was reduced by US$362 million (2005: US$713 million). At the end of 2006, total debt and net debt were reduced to US$1.8 billion and US$1.2 billion respectively. Net debt to EBITDA and net debt to free cash flow ratios improved to 0.7 time and 1.6 times respectively.

As a result of PLDT's initiatives to transform to next generation communication services, the contribution of its total wireless and fixed line data services and ICT business increased to 45 per cent of consolidated service revenues in 2006 compared with 40 per cent in 2005. Consolidated data and ICT revenues grew by 18 per cent to Pesos 56.4 billion (US$1,102.4 million) which more than compensated for the decline in traditional voice revenues.

PLDT declared a final dividend of Pesos 50 (US$1) per share for the year. Total dividends for 2006 reached Pesos 100 (US$2) (2005: Pesos 70; US$1.3) per share, equivalent to a 60 per cent payout of its consolidated core earnings.

Wireless: Smart's and Piltel's consolidated wireless service revenues increased by 5 per cent to Pesos 78.4 billion (US$1,532.4 million) (2005: Pesos 74.7 billion; US$1,358.4 million) principally from the sustained growth in data revenue and the subscriber base. Consolidated wireless EBITDA increased by 5 per cent to Pesos 50.3 billion (US$983.2 million) (2005: Pesos 48.0 billion; US$872.9 million) resulting from Smart's control of cash operating expenses, while EBITDA margins remained stable at 64 per cent.

Smart continued its multi-segment approach and introduced various innovative and competitive top-up packages to stimulate usage and to improve network efficiency. Text promotions were led by *All Text* packages – *All Text 10 Bonus* offers 15 messages without expiration at Pesos 12 (US$0.2) while *All Text 20* allowed 100 on-network messages for Pesos 20 (US$0.4) in one day; voice promotions included *Tipid Talk* which allows a subscriber to make four calls of up to 30 seconds each for local on-network calls for one day at Pesos 10 (US$0.2). In 2006, PLDT's cellular networks served 238 billion (2005: 96 billion) text messages which is equivalent to approximately 650 million per day. Smart's current cellular network is capable of handling 1 billion text messages per day.

In addition to the *Smart 25*[8] and *All Text* series packages and promotions, Smart introduced an expanded version of *All Text – LAHATxt*, a top-up service which offers a bundle of text messages to all networks. These offers are expected to further improve usage and customer loyalty.

Smart and Piltel's *Talk 'N Text* combined GSM subscriber base grew by 3.8 million to 24.2 million (31 December 2005: 20.4 million) representing approximately 58 per cent of the total cellular market in the Philippines. PLDT's cellular subscriber base further increased to over 25 million at the end of February 2007. At the end of 2006, the cellular penetration rate in the Philippines was approximately 48 per cent.

Smart's wireless broadband service *Smart Bro's* subscriber base increased by 96,000 to about 122,000 as at year end. Its extensive broadband network is supported by approximately 2,500 related base stations located all over the Philippines which provide high speed access to internet services.

During 2006, Smart launched its 3G service on the widest 3G network in the Philippines. Its 3G services enables Smart-to-Smart video calls, video streaming, high-speed Internet browsing, video clip downloading, ring tones, visual ringers and games at rates in line with its existing 2G services.

The future revenue growth of the wireless business is no longer limited to the domestic market. As part of GSM Association's global mobile money transfer program, Smart plans to launch a range of more affordable remittance services in the Middle East and Europe through its existing mobile-based financial services platform.

Fixed Line: Fixed Line service revenues slightly decreased, in pesos terms, to Pesos 49.1 billion (US$959.7 million) (2005: Pesos 49.7 billion; US$903.8 million) resulting from the reduction in revenues of the local exchange and international long distance call service revenues partly due to the 7 per cent year-on-year appreciation of the peso, slightly offset by the increase in corporate data and residential digital subscriber line (DSL) data services revenues. Fixed Line EBITDA slightly decreased to Pesos 28.4 billion (US$555.1 million) (2005: Pesos 28.6 billion; US$520.1 million). EBITDA margins remain stable at 58 per cent.

PLDT's retail DSL and *Vibe* dial-up Internet service accelerated growth with consolidated revenues significantly improving by 32 per cent to Pesos 3.5 billion (US$68.4 million) (2005: Pesos 2.7 billion; US$49.1 million) which accounted for 68 per cent of PLDT Group's broadband and internet revenues. In 2006, retail DSL's broadband subscribers grew by 44,000 to 133,000 while *Vibe* dial-up internet service subscribers increased by 30,000 to 297,000.

PLDT plans to accelerate the upgrading of its Fixed Line facilities to NGN while continuing to promote Smart's wireless broadband offering in areas currently not covered by PLDT fixed line facilities. PLDT Group's comprehensive approach to promote broadband allowed its total broadband and internet revenues to increase by 49 per cent to Pesos 5.2 billion (US$101.6 million) as the combined retail DSL and wireless broadband subscriber base doubled to 265,000. The upgrade to NGN enables PLDT to expand its fixed line coverage and enhance its capability to provide a wider range of data and other next generation communication services.

Information and Communications Technology (ICT): ePLDT service revenues more than doubled to Pesos 6.5 billion (US$127.1 million) (2005: Pesos 3.0 billion; US$54.6 million) resulting from an increase in capacity utilization and billable hours of the call center group Ventus and the consolidation of SPi Technologies, Inc. (SPi) which was acquired by ePLDT in July 2006. Ventus's growth continued in 2006 and call centers contributed Pesos 2.6 billion (US$50.8 million) or 40 per cent to ePLDT's service revenues. The call center group now employs 6,300 staff members and operates 5,600 seats in eight locations.

In July 2006, PLDT expanded its business portfolio to the global business process outsourcing (BPO) market by acquiring the full ownership of SPi for a consideration of US$135 million. SPi is ranked as the world's second largest pure-play BPO service provider and the ninth largest independent BPO company. Recently, it ranked fourth of the global "Top Best BPO Providers" and in the top five of "Top Leaders in Human Capital Development" by CMP/Cybermedia. It has operations in 19 locations in North America, Europe and Asia with its principal businesses being in the healthcare, legal and publishing markets. SPi has a total of 3,700 seats of which 80 per cent are located in the Philippines and the balance in India and Vietnam.

The call center and BPO businesses have seats of approximately 9,300 (2005: call center of 3,347 seats) and staff of 12,000. ePLDT will further develop the growth potential of these two businesses by offering a wide range of voice and data services to the international market.

ePLDT accelerated its gaming content development for both fixed line broadband and wireless businesses by acquiring a 60 per cent interest in Level Up! Philippines, and a 25.5 per cent interest in PhilWeb which is an internet-based gaming company. The merger of Level Up! Philippines and ePLDT's netGames commenced in October 2006 and the consolidation of this is expected to be completed in the first half of 2007. ePLDT has a 60 per cent market share in this segment.

2007 Outlook

The PLDT Group's transformation into a diversified telecoms conglomerate is continuing. This transformation involves the continued upgrade of the network, a re-engineering of processes and reorientation of employees, the integration of various fixed line and wireless platforms, such that products and services can be transformed for the delivery of the next generation services which combine connectivity with compelling content and innovative applications.

In 2006, the PLDT Group's results showed the beginning of this transformation as it rolled out NGN, 3G and wireless broadband. In 2007, the PLDT Group will focus on the integration of its billing and information technology platforms, maximizing its existing platforms in order to roll out services cost-effectively to various markets. The move to NGN allows the PLDT Group to expand its coverage, capacity and capability to enhance further and add value to its services and products in the years to come.

The PLDT Group will accelerate the expansion of call center and BPO businesses through Ventus and SPi in order to increase its participation in the growing global outsourcing business, as well as diversifying its revenue base and extending its services into the international market.

PLDT management expects the strong performance to continue in 2007 with sustainable core earnings and cash flows. For 2007, it plans to invest capital expenditure of between Pesos 20 and 22 billion (US$407.7 million to US$448.4 million) in its existing businesses. PLDT is committed to improving shareholder returns by increasing its dividend payout to 70 per cent of 2007 core earnings.

INDOFOOD

PT Indofood Sukses Makmur Tbk (Indofood) is the premier processed-foods company in Indonesia. It is based in Jakarta, and is listed on the Jakarta and Surabaya Stock Exchanges. Through its four strategic business groups, Indofood offers a wide range of food products: Consumer Branded Products (Noodles, Nutrition and Special Foods, Snack Foods and Food Seasonings), Bogasari (flour and pasta), Edible Oils and Fats (Plantations, Cooking Oils, Margarine and Shortening) and Distribution. Indofood is one of the world's largest instant noodles manufacturer by volume, and the largest flour miller in Indonesia. Indofood's flourmill in Jakarta is one of the largest in the world in terms of production capacity in one location. It also has an extensive distribution network in the country.

Indofood's operations are principally denominated in rupiah, which averaged Rupiah 9,148 (2005: 9,756) to the U.S. dollar. Its financial results are prepared under Indonesian Generally Accepted Accounting Principles (Indonesian GAAP) and reported in rupiah. First Pacific's financial results are prepared under Hong Kong GAAP and reported in U.S. dollar. Accordingly, certain adjustments need to be made to Indofood's reported rupiah results to ensure compliance with Hong Kong GAAP. An analysis of these adjustments follows.

Rupiah billions	**2006**	2005
Net income under Indonesian GAAP	**661**	124
Differing accounting treatments[(i)]		
– Reclassification of non-recurring items	**105**	55
– Gain on revaluation of plantations	**275**	67
– Foreign exchange accounting	**54**	54
– Others	**(56)**	(75)
Adjusted net income under Hong Kong GAAP	**1,039**	225
Foreign exchange and derivative (gains)/losses[(ii)]	**(67)**	335
Indofood's net income as reported by First Pacific	**972**	560

US$ millions		
Net income at prevailing average rates for 2006: Rupiah 9,148 and 2005: Rupiah 9,756	**106.3**	57.4
Contribution to First Pacific Group profit, at an average shareholding of 2006: 51.5% and 2005: 51.5%	**54.7**	29.6

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

- *Reclassification of non-recurring items: Certain items, through occurrence or size, are not considered usual, operating items which are reallocated and presented separately. Adjustment for 2006 of Rupiah 105 billion represents Rupiah 62 billion of manpower rightsizing costs, Rupiah 29 billion write-off of deferred tax assets as a consequence of a group restructuring among subsidiary companies within Indofood's edible oils and fats division and Rupiah 14 billion impairment provisions for goodwill. Adjustment for 2005 of Rupiah 55 billion represents Rupiah 146 billion of manpower rightsizing costs, partly offset by Rupiah 91 billion goodwill compensation received in connection to the establishment of a joint venture entity.*
- *Gain on revaluation of plantations: Under Indonesian GAAP, Indofood measures its plantations (biological assets) on historical cost basis. HKAS 41 "Agriculture" requires the measurement of plantations at fair value less estimated point-of-sale costs. The adjustment relates to the change in fair value of plantations during the year.*
- *Foreign exchange accounting: The adjustment relates to the reversal of the amortization of foreign exchange losses that were previously capitalized by Indofood on certain fixed assets under construction, as the originating capitalized foreign exchange losses has already been written off by First Pacific.*

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

Indofood contributed US$54.7 million to the Group, an increase of 84.8 per cent over its 2005 contribution of US$29.6 million. This resulted from an increase in sales volume, an incremental gain in the fair value of plantations and a seven per cent appreciation in the average exchange rate of the rupiah against the U.S. dollar. Indofood reported a 24.7 per cent increase in consolidated revenue in U.S. dollar terms to US$2,398.5 million (2005: US$1,923.4 million) and a 16.9 per cent increase in rupiah terms to Rupiah 21,941.6 billion reflecting the successful implementation of strategic initiatives in marketing and the expansion of its stock point distribution system.

Operating profit increased by 37.1 per cent to US$270.5 million (2005: US$197.3 million) as a result of significantly increased sales volumes and the positive impacts from operational and cost efficiency programs. EBIT margin improved slightly to 9.0 per cent from 8.9 per cent. Consolidated net debt was reduced by 6.9 per cent in rupiah terms to Rupiah 5,456.6 billion. In U.S. dollar terms, however, net debt rose slightly by 1.5 per cent to US$604.7 million due to the nine per cent appreciation of the rupiah against the U.S. dollar. Net gearing improved to 1.11 times from the previous year's 1.36 times.

In 2006, Indofood retained the market leadership in most of its key product categories: a 77 per cent share of the noodles market; a 67 per cent share of flour market; a 43 per cent share of branded cooking oil market; and a 59 per cent share of the margarine and shortening market.

Consumer Branded Products

Noodles Indofood is the market leader in Indonesia, as well as the world's largest instant noodle producer. Its most popular brands include *Indomie, Sarimi, Supermi, Sakura and Pop Mie*. With 14 production facilities located across Indonesia, Indofood plans to increase an annual production capacity to approximately 15 billion packs from 13.5 billion packs. In 2006, production utilization increased to 84 per cent from the previous year's 70 per cent.

Turnover increased by 26.5 per cent to US$801.4 million reflecting the significant increase in sales volume, and an improved sales mix with higher value products. EBIT margin declined to 3.7 per cent from the previous year's 3.8 per cent (restated for Bogasari division's inter-segment sales to Noodles division from a cost basis to a market price basis), due to increased raw materials, higher fuel and promotion costs. Sales volume increased by 18.6 per cent to 11.3 billion packs reflecting the benefits of segment specific promotion programs, new product introductions and the enhanced distribution system.

The consumption per capita of instant noodles is expected to increase as the price per serving of instant noodles is relatively cheaper to other staple food in Indonesia. To meet this higher demand, Indofood plans to expand the production capacity of the noodles division. Brand equity building and cost efficiency programs are ongoing.

Food seasoning products include soy sauce, chili and tomato sauces, a range of powdered condiments, instant recipe mixes and syrups. The company's joint venture with Nestlé S.A., PT Nestlé Indofood Citarasa Indonesia provides expertise in marketing and improved manufacturing processes to market the culinary branded products of Indofood and Nestlé. The market share of key products has increased; soy sauce to 13 per cent from 12 per cent, chili sauce to 37 per cent from 30 per cent and syrup doubled to 4 per cent.

Turnover increased by 30.3 per cent to US$39.6 million as a result of a 17.4 per cent improvement in sales volume to 51.8 thousand tons and a slight increase in the average selling price. The significant growth was driven by market specific promotion programs and the introduction of new products. EBIT margin improved to 3.6 per cent from a negative 7.1 per cent in 2005 reflected improved sales and cost efficiencies.

For 2007, the food seasoning division will increase its production capacity to cater for the growth in market share of its key products. It will continue its efforts to build brand equity and to strengthen customer loyalty through various specific promotion programs.

Indofood is the leading manufacturer of western style ***snack foods*** in Indonesia. It produces potato chips and extruded products such as puffs and chocolate-coated snacks, which are sold under popular brands, such as *Chitato, Lays, JetZ, Cheetos, Chiki and Tenny.*

Turnover increased by 38.2 per cent to US$42.7 million as a result of higher sales volumes and a higher average selling price. Sales volume grew by 30.4 per cent to 9,293 tons driven by substantial sales growth of *Chitato* and *Lays* potato chips and a new product *Cheetos Shots*. EBIT margin improved to 4.2 per cent from 4.0 per cent reflecting production and raw material supply efficiencies.

For 2007, this division will continue its segment specific marketing and brand building programs for all of its products. Sales growth will be enhanced through increased access to the distribution network and the introduction of new products and new packaging.

Indofood's ***nutrition and special food*** division currently produces food for babies, children and expectant mothers under two major brands. *Promina* caters to the upper-middle segment, while *SUN* is the market leader in the lower-middle segment. It also produces products for institutions.

Turnover increased by 11.2 per cent to US$39.7 million as a result of higher volume of sales to consumers, an increase in average selling price and improved sales management through the enhanced distribution system. With a significant reduction in institutional sales, total sales volume declined to 12.8 thousand tons from 14.8 thousand tons. However, the sales volume of *Promina* and *SUN* increased by 19.8 per cent. EBIT margin declined to 7.0 per cent from 8.9 per cent in 2005 reflecting an increase in advertising and promotion expense.

For 2007, Indofood plans to increase production lines to meet the increase in demand for commercial products as recent increases in the commodity prices. It will continue to leverage the enhanced distribution system, introduce new categories and flavors to match consumers' preferences and further strengthen brand image.

Bogasari

This division comprises flour milling and pasta production. Bogasari can support an annual production capacity of 3.8 million tons of flour and its products are distributed, among others, under the *Cakra Kembar, Segitiga Biru* and *Lencana Merah* brand names.

In 2006, the wheat price increased substantially given the poor harvest and higher global consumption. Turnover increased by 21.1 per cent to US$983.5 million as a result of ongoing marketing and customer loyalty programs. Sales volume of flour and pasta increased by 11.3 per cent to 2.6 million tons and 11.3 per cent to 27.7 thousand tons, respectively. EBIT margin improved to 11.4 per cent from 9.3 per cent (restated for Bogasari division's inter-segment sales to Noodles division from a cost basis to a market price basis) despite substantial increase in wheat price and higher freight/fuel prices.

For 2007, wheat prices are expected to rise as global consumption outpaces production and the climatic conditions will further reduce the wheat harvest. However, Bogasari's leverage of its industry competence and extensive distribution network together with the cost benefits of its own vessels and ports will enable it to maintain its market leadership position despite increased competition. It will continue to grow the small and medium enterprise segments by launching a series of marketing programs.

Edible Oils and Fats

This division completed a comprehensive restructuring in 2006. Indofood Agri Resources Ltd. (IndoAgri) was successfully listed on the Singapore Stock Exchange in February 2007. It raised approximately US$270.8 million by issuing new placement shares representing 25 per cent of the enlarged capital of IndoAgri. The proceeds are being used to accelerate the expansion of plantations, the relocation and modernization of the Jakarta refinery, as well as the expansion of the Medan facilities.

IndoAgri is a vertically integrated agribusiness with principal activities involving research and development, oil palm seed breeding, oil palm cultivation and milling to the refining, branding and marketing of cooking oil, margarine, shortening and other palm oil derivative products. It also produces Crude Coconut Oil.

IndoAgri's consolidated net sales increased by 15.8 per cent to US$550.0 million reflecting higher Crude Palm Oil (CPO) prices, sales volume and average selling price. IndoAgri accounted for approximately 15 per cent of Indofood's consolidated sales. EBIT margin declined to 10.5 per cent from 12.9 per cent mainly due to lower margins of Commodity division as the results of the appreciation of rupiah.

IndoAgri's ***plantations*** are amongst the most productive plantations, in terms of fresh fruit bunch and extraction yield, in Indonesia and Malaysia. At the end 2006, the plantation land bank was approximately 224,100 hectares (including approximately 85,500 hectares received approval in 2006 and completed in March 2007) of which approximately 66,900 hectares are planted with oil palm trees and approximately 5,000 hectares are planted with rubber trees.

The significant increase in CPO price and higher CPO production increased plantations sales by 19.2 per cent to US$142.6 million. However, high maintenance and fuel costs reduced the EBIT margin to 41.8 per cent from 47.4 per cent.

IndoAgri plans to have 250,000 hectares of oil palm plantation by 2015. It will continue to increase its plantation land bank via acquisition. Productivity programs are ongoing which include raising the standard of plantation managerial and technical skills.

Distribution
Indofood's stock point distribution system was introduced in 2005 and has developed into the most extensive distribution network in Indonesia. Additional stock points have been established close to areas with high density of retail outlets and traditional markets. This system allows wider and deeper market penetration through a very efficient supply chain operation. The distribution group continued to generate encouraging results in 2006. It reported a 41.1 per cent increase in turnover to US$342.5 million which accounted for approximately 12 per cent of Indofood's consolidated turnover. The distribution group was a key contributor to the volume growth of Indofood's noodles and other divisions in Consumer Branded Products group. In addition to Indofood's consumer products, it also distributes an increasing volume of third party products.

For 2007, it plans to improve the information technology applications for stock points management in order to increase efficiency and support online reporting at the Indofood group level. Indofood will continue to establish additional stock points to reach the underserved market regions in Indonesia.

2007 Outlook
The industry outlook is positive for 2007. Indofood will continue to strengthen its market position by leveraging its industry competence and extensive distribution system, which together are enhanced by its cost economies and the strength of its brands. The investment in its plantation business via IndoAgri will support a more robust revenue and profit growth in the future.

Indofood's operational and cost efficiency initiatives are ongoing. It will increase automation in some production lines, improving operational and administrative processes, and reducing overall fuel cost by using alternative sources.

Indofood will reduce its foreign currency exposure and minimize the impact from fluctuation of interest rates. It announced on 3 April 2007 plans to issue a five-year fixed rate 1.5 trillion rupiah bond (approximately US$160 million) which has received an idAA+ rating with stable outlook from the rating agency, Pefindo. The offering of the bond is expected to take place in May 2007 and will be listed on the Surabaya Stock Exchange in Indonesia.

MPIC/METRO PACIFIC
Metro Pacific Investments Corporation (MPIC) is a Manila, Philippines-based investment holding and management company listed on the Philippine Stock Exchange. MPIC's business activity comprises its interest in a 50.0 per cent owned joint venture which holds an 84.0 per cent interest in Maynilad Water and its real estate subsidiary Landco, Inc.

MPIC/Metro Pacific's operations are principally denominated in peso, which averaged Pesos 51.16 (2005: 54.99) to the U.S. dollar. Its financial results are prepared under Philippine GAAP and reported in peso. First Pacific's financial results are prepared under Hong Kong GAAP and reported in U.S. dollar. Despite both of the Philippine GAAP and Hong Kong GAAP being largely based on IFRSs, certain adjustments still need to be made to MPIC/Metro Pacific's reported peso results to ensure full compliance with Hong Kong GAAP. An analysis of these adjustments follows.

Peso millions	**2006**	2005 (Restated)
Net (loss)/income under Philippine GAAP[i]	**(686)**	151
Differing accounting treatments[ii]		
– Reclassification/reversal of non-recurring items	**302**	(623)
– Revenue recognition regarding pre-completion contracts for sale of development properties	**79**	43
Adjusted net loss under Hong Kong GAAP	**(305)**	(429)
Foreign exchange and derivative losses/(gains)[iii]	**36**	(9)
MPIC/Metro Pacific's net loss as reported by First Pacific	**(269)**	(438)

US$ millions		
Net loss at prevailing average rates for 2006: Pesos 51.16 and 2005: Pesos 54.99	**(5.3)**	(8.0)
Contribution to First Pacific Group profit, at an average shareholding of 2006: 99.6% for MPIC and 77.3% for Metro Pacific and 2005: 75.5% for Metro Pacific	**(3.7)**	(6.0)

(i) MPIC/Metro Pacific has restated its net income for 2005 from Pesos 194 million to Pesos 151 million as a result of their retrospective adoption of the percentage of completion method for the accounting of certain pre-completion contracts for the sale of development properties.

(ii) Differences in accounting treatment under Philippine GAAP, compared with Hong Kong GAAP. The principal adjustments include:

- *Reclassification/reversal of non-recurring items: Certain items, through occurrence or size, are not considered usual, operating items which are reallocated and presented separately. Adjustment for 2006 of Pesos 0.3 billion losses principally relate to provisions for a vessel and an investment in a real estate associated company. Adjustment for 2005 of Pesos 0.6 billion gains principally relate to reversal of excess provision for tax and other liabilities, gains realized from various debt reduction and restructuring exercises, and adjustments made to amounts owed to Pacific Plaza Towers contractor.*
- *Revenue recognition regarding pre-completion contracts for sale of development properties: Under Philippine GAAP, MPIC/Metro Pacific recognize revenue from pre-completion contracts for sale of development properties based on the percentage of completion method. HKAS 18 "Revenue" and Hong Kong Interpretation 3 "Revenue – Pre-completion Contracts for the Sale of Development Properties" requires the recognition of revenue for such contracts based on the satisfaction of certain conditions, which includes the transfer of significant risks and rewards of ownership of the properties to the buyers and the absence of continuing managerial involvement to the degree usually associated with ownership and effective control over the properties sold.*

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

MPIC was listed on the Philippine Stock Exchange in December 2006 which represented the completion of a comprehensive reorganization plan launched in early 2006 for the Metro Pacific.

MPIC's assets comprise a 50.0 per cent interest in a joint venture company, the DMCI-MPIC Water Company Inc. (DMCI-MPIC), which holds an 84.0 per cent interest in Maynilad Water Services Inc. (Maynilad Water) and a direct 51.0 per cent interest in property developer Landco Inc. (Landco). Metro Pacific became an unlisted subsidiary of MPIC in early 2007 holding only a nominal interest of 15.3 per cent in a domestic shipping company Negros Navigation Company Inc. (Nenaco).

MPIC reported lower recurring loss of US$3.7 million in 2006 (2005: US$6.0 million) as a result of an improved contribution from Landco and a reduced loss at Nenaco. MPIC's recorded consolidated revenues of Pesos 3.9 billion (US$76.3 million), mainly reflects increased revenues from Landco, net of reduced revenues from Nenaco. MPIC's net loss in 2006 was the result of continuing losses from Nenaco and from an impairment provision of Pesos 415 million (US$8.1 million) for its investment in an associated company Costa de Madera. In December 2006, Metro Pacific disposed of 83.7 per cent of its interest in Nenaco, and has since been deconsolidated.

In December 2006, MPIC and DMCI Holdings, Inc. (DMCI), via their joint venture company, the DMCI-MPIC, acquired by way of public auction conducted by the Philippine Government an 84 per cent interest in **Maynilad Water** for a total consideration of approximately US$533 million. The consideration comprised equity and repayment of financial assistance of US$56.7 million, equity support of US$444.7 million and other costs of approximately US$32 million. Maynilad Water has a 25-year exclusive concession (with 15 years remaining) until 2022 to provide water services to approximately 540 square kilometers which includes eight cities and three multicipalities in the West Metro Manila areas. These areas have a population of eight million of which only six million are currently served with water supply services.

Maynilad Water is under a rehabilitation plan since 2005, its US$256.8 million of outstanding debt is subject to various debt and restructuring agreements. Maynilad Water presently suffers from approximately 68 per cent of its water being non-revenue generating as a result of physical water loss via leakage, illegal pipe connection and commercial losses. A special management committee is reviewing the infrastructure, the organizational and commercial problems faced by Maynilad Water. This committee's mandate is to improve the operations of the business, bringing water services of a higher quality to a greater proportion of the population served, and to develop a long term strategy for the company.

Landco is a diversified property developer in the Philippines, specializing in developing high quality second homes, leisure farms and shopping centers. Throughout 2006, Landco expanded its seaside luxury residential estates with an increased sale of lots in its Terrazas de Punta Fuego project, a complementary development to the Peninsula de Punta Fuego residential resort, golf and marina complex. Landco's expansion into the middle-income seaside residential resort segment was made through the introduction of Playa Calatagan, which is envisaged to become a 200-hectare residential, entertainment and leisure community located in the prestigious Calatagan Peninsula. Landco announced two further joint ventures for the co-development of formerly privately-held properties, with the Escudero and the Villalon families. The Escudero property is planned as a resort with tourist and medical-tourist facilities (set amidst a 400-hectare sugar estate). "Monteraza de Cebu", to be developed in conjunction with the Villalon family, is planned as the first international-standard luxury residential resort overlooking Metropolitan Cebu.

In view of the poor outlook of the domestic shipping industry, its over capacity and limited rehabilitation options, the company disposed 83.7 per cent investment in **Nenaco** for a nominal consideration to Negros Holdings and Management Corporation, a company comprising Nenaco's previous management team. Nenaco reported a higher 2006 net loss of Pesos 444 million (US$8.7 million) principally from lower revenues and an impairment provision for a vessel.

In March 2007, MPIC's Board approved the subscription of up to Pesos 750 million (US$15.3 million) five-year convertible notes to be issued by **Makati Medical Center (MMC)**, one of the premier hospitals in the Philippines. Upon conversion, MPIC's equity interest in MMC would be 40 per cent of the expanded capital of MMC, and will make MPIC the single largest shareholder of MMC. This fund raising activity is part of the loan-restructuring program of MMC. The proceeds from the convertible notes will be used to build a seven storey (with five levels of basement) clinic block, diagnostics center and laboratory facilities.

MMC offers specialist treatments and currently has 1,000 specialists and 1,500 supporting staff, and until recently had a reputation as the Philippines' leading hospital complex. The infusion of new funds and the building of new facilities at MMC will ensure the hospital maintains its leading reputation.

MMC reported net income of Pesos 26 million (US$0.5 million) in 2005. An effective cost management program in 2006 resulted in an improvement in net income of Pesos 223 million (US$4.4 million).

2007 Outlook

The introduction of Ashmore Investment, a UK-based LSE-listed FTSE 250 company with US$26.8 billion in assets under management, as a strategic partner in MPIC strengthens MPIC's financial position as it seeks long-term investment opportunities in the capital intensive utility and infrastructure sectors, and positions it for an active role in the infrastructure and property sectors in the Philippines.

Maynilad Water The management is working on a proposal to release Maynilad Water from its rehabilitation status. A comprehensive strategy and action plan is being developed to ensure that safe, reliable and stable water services are delivered to a greater proportion of the concession's population and a significant reduction is achieved in both physical and commercial water losses. The company plans to invest approximately Pesos 5 billion (US$102 million) in capital expenditure in 2007 to support these objectives.

Landco should see strong sales from its development of resorts during 2007 and its entry into the Metropolitan Manila condominium market, with the introduction of "Tribeca", a multi-phase, mid-rise residential, entertainment and leisure community will also enhance profitability.

MMC is at an early stage of turnaround and expansion with its building redevelopment program is expected to be announced in the first half of the year. MMC is being positioned as a world-class health care service provider to cater to the demand for high standard health care services. As the Philippines economy improves, demand for high standard health care will increase and the growth potential of this business is further supported by promoting the Philippines as an ideal retirement and medical tourism destination.

LEVEL UP

Level Up! International Holdings Pte. Ltd. (Level Up) reported a recurring loss attributable to the Group of US$1.9 million (2005: post acquisition recurring loss of US$1.5 million) reflecting the slower than anticipated development of the Brazil and India markets. First Pacific however, recorded a non-recurring gain of US$1.8 million arising from the disposal of 60 per cent interest in Level Up! Philippines to ePLDT in April 2006.

Philippines Level Up's merger with ePLDT's netGames commenced in October 2006 and the consolidation of this is expected to be completed in the first half of 2007. The consolidated Philippine business has a combined market share of 70 per cent. Ragnarok (developed by Gravity Co. Ltd.) remains the most popular game since it was launched in 2003. Level Up is working with Gravity to revitalize Ragnarok and to launch new product features in Rose (a 3-D massively multiplayer online role playing game (MMORPG)). Another 3-D MMORPG, RF Online (developed by CCR Inc.) and a leading Korean sports casual game, Free Style (developed by JCE Entertainment Co. Ltd.) were launched in January and March 2006, respectively. Level Up increased its market reach by partnering with Coca-Cola, Solar Interactive (a leading cable television channel) and FHM (a leading men's magazine).

Brazil in addition to the popular Ragnarok, Gunz (developed by Maiet Entertainment Inc.) and Grand Chase (developed by KOG Studios) were commercially launched in 2006. RF Online was commercially launched in January 2007. Level Up widened its revenue base by distributing Ragnarok game time through a leading Brazilian internet portal. In 2006, Level Up made good progress on expanding its distribution network to reach popular street kiosks in metropolitan areas and introducing prepaid cards and CDs through leading national retail outlets.

India Ragnarok was commercially launched in March 2006. Gunz entered open beta stage in the fourth quarter of 2006 and the commercial launch will be achieved in the first half of 2007. The development of its distribution networks in key metropolitan areas was slower than planned principally due to the technical issues prevalent in the early development stage of a new market. India remains an attractive market with significant medium term potential. No significant revenues are expected in the short term.

2007 Outlook

In **the Philippines**, the merger with netGames will enlarge Level Up's distribution network and games content which will position the company for growth. The netGames content portfolio includes the popular MMORPG's Flyff (developed by AeonSoft) and Khan (developed by Mirinae), along with the casual online game Pangya (developed by Hanbitsoft, Inc.).

In **Brazil**, the focus would be promoting new games Gunz, Grand Chase and RF Online, as well as the launch of additional new titles.

In **India**, Level Up would be continuing to develop the distribution network along with identifying and launching new games which are attractive to the India market.

REVIEW OF 2006 GOALS

First Pacific

Goal: Continue to improve share price performance

Achievement: **Achieved.** Share price increased by 35 per cent and closed at HK$4.04; the highest for the year. This compared with a 34 per cent increase in the Hang Seng Index. It traded at a high of HK$5.13 in February 2007.

Goal: Continue to evaluate investment opportunities in telecommunications, infrastructure or consumer food products sectors in the Asia region

Achievement: **Achieved.** A significant number of opportunities were evaluated. However, given risk and pricing considerations, further investment was limited to a) the completion in January 2007 of an 84 per cent interest in Maynilad Water Services Inc. (Maynilad Water) through MPIC in partnership with DMCI Holdings, Inc. for a consideration of approximately US$533 million and b) the completion in February 2007, through certain rights in connection with its shareholding in Philippine Telecommunications Investment Corporation, of an effective additional 6.4 per cent interest in PLDT for a consideration of Pesos 25.2 billion (approximately US$510.6 million).

Goal: Raise funds with improved terms for funding expansion opportunities

Achievement: **Achieved.** Cash and finance facilities totalling approximately US$533 million were raised to fund the investment in Maynilad Water. The CAB Bonds were refinanced with a 5-year loan with a reduction of 15 per cent in the cost of finance. Subsequent to the year-end, US$420 million of loans were secured for the acquisition of an effective additional 6.4 per cent interest in PLDT.

Goal: Maintain dividend payments to shareholders subject to continued strong performance of PLDT and further improved performance of Indofood

Achievement: **Achieved.** An interim dividend of HK1.00 cent per share was paid in October 2006. The Board, in view of the improved operating contribution from the Company's investments, recommended a final dividend of HK3.5 cents per share to be paid in June 2007. This represents an increase of HK1.5 cents (75 per cent) over the final dividend for 2005. Subsequent to the year-end, a special dividend of HK0.96 cent was made in relation to the spin off of 25 per cent of the enlarged capital of Indofood's subsidiary, Indofood Agri Resources Ltd. (IndoAgri) on the Singapore Stock Exchange.

PLDT

Goal: Continue to build out the Next Generation Network (NGN) and roll out wireless broadband in order to increase broadband subscriber base and expand the group's data/broadband capabilities

Achievement: **Achieved and ongoing.** PLDT upgraded 150,000 fixed-lines to NGN lines while Smart increased its wireless broadband capable base stations to 2,500. Total wireless and fixed-line broadband subscriber base doubled to 265,000 and consolidated revenues arising from broadband and internet services increased by 49 per cent to Pesos 5.2 billion (US$101.6 million). The NGN provides a critical platform for PLDT to transition from traditional voice to data-based services, which will be the driver of future growth.

Goal: Maximize Smart's 2G network by developing content and new services to encourage higher usage and penetrate lower income segments

Achievement: **Achieved and ongoing.** Smart continued its multi-segment approach and introduced various innovative and competitive top-up packages to stimulate usage and to improve network efficiency. Text promotions were led by *All Text* packages – *All Text 10 Bonus* offers 15 messages without expiration at Pesos 12 (US$0.2) while *All Text 20* allowed 100 on-network messages for Pesos 20 (US$0.4) in one day; voice promotions included *Tipid Talk* which allows a subscriber to make four calls of up to 30 seconds each for local on-network calls for one day at Pesos 10 (US$0.2). In 2006, Smart expanded the capacity of its cellular network to handle 1 billion text messages per day. Smart's 2G subscriber base increased by approximately 3.8 million subscribers to reach 24.2 million as at the end of 2006.

Goal: Introduce 3G technology and develop services and applications to encourage usage

Achievement: **Achieved**. Smart's 3G service was commercially launched on 1 May 2006, with services including Smart-to-Smart video calls, video streaming, high-speed internet browsing, video clip downloading, ring tones, visual ringers and games at rates in line with its existing 2G services.

Goal: Reduce debt by a minimum of US$300 million

Achievement: **Achieved**. Raised target to US$350 million in August 2006. Consolidated debt reduced by US$362 million, 21 per cent ahead of the original target of US$300 million. At the end of 2006, total debt and net debt were down to US$1.8 billion and US$1.2 billion respectively, while net debt to EBITDA and net debt to free cash flow ratios improved to 0.7 time and 1.6 times respectively.

Goal: Raise dividends to common shareholders to a minimum of 50 per cent of 2006 core earnings

Achievement: **Achieved**. PLDT raised dividend payout from its original 50 per cent of 2006 core earnings to 60 per cent. Total dividends for 2006 reached Pesos 100 (approximately US$2) per share compared to Pesos 70 (approximately US$1.3) per share for 2005. PLDT provided a total amount of Pesos 18.8 billion (US$367.5 million) for common dividend payments in 2006, compared with Pesos 12.3 billion (US$223.7 million) in 2005.

Indofood

Goal: Implement and continue to enhance the new distribution system to improve sales and area-specific product mix

Achievement: **Achieved.** Indofood significantly increased stock points allowing improved market penetration and a more efficient supply chain operation. Most business groups reported strong growth in sales volume and increase in market shares. Net sales grew by 16.9 per cent in rupiah terms or 24.7 per cent in U.S. dollar terms to Rupiah 21,941.6 billion or US$2,398.5 million.

Goal: Continue to focus on branded products and expand revenue through domestic, regional and international business development

Achievement: **Achieved.** With the enhanced distribution network and segment specific marketing initiatives, total sales of the consumer branded products group improved by 18.6 per cent in rupiah terms to Rupiah 8,446.9 billion or 26.4 per cent in U.S. dollar terms to US$923.4 million.

Goal: Continue to strengthen market leadership position

Achievement: **Achieved.** Indofood's major products remain market leaders in their respective segments; a 77 per cent share of the noodles market; a 67 per cent share of flour market, a 43 per cent share of branded cooking oil market and a 59 per cent share of the margarine and shortening market. The company's other products retained their market positions.

Goal: Continue to expand oil palm plantation areas to be able to meet the supply requirements of its edible oil refineries

Achievement: **Achieved.** The expansion of Indofood's plantation business will accelerate following the successful listing of the Edible Oils and Fats group on the Singapore Stock Exchange in February 2007. This raised approximately US$270.8 million by issuing new placement shares representing 25 per cent of the enlarged capital of IndoAgri. At the end of 2006, the plantation land bank was approximately 224,100 hectares (including approximately 85,500 hectares received approval in 2006 and completed in March 2007), of which approximately 66,900 hectares are planted with oil palm trees and approximately 5,000 hectares with rubber trees.

Goal: Further reduce foreign currency exposure by reducing foreign currency debt

Achievement: **Not achieved.** Eurobonds totaling US$143.7 million were fully refinanced through a combination of internal resources and foreign currency borrowings. Indofood plans to refinance its foreign currency debts by issuing 1.5 trillion rupiah bonds in the second quarter of 2007 in order to reduce foreign currency exposure.

Goal: Continue operational efficiency enhancement and cost reduction program

Achievement: **Achieved.** The enhancement of the distribution network, reengineering of supply chains, operating systems and procedures, and further manpower rationalization improved efficiency. EBIT margin improved to 9.0 per cent from 8.9 per cent.

MPIC/Metro Pacific

Goal: Complete reorganization and recapitalization plan

Achievement: **Achieved.** MPIC, a new investment holding and management company was listed on the Philippine Stock Exchange on 15 December 2006. The reorganization and recapitalization of Metro Pacific Corporation (Metro Pacific)/MPIC included the introduction of a strategic investor, Ashmore Investment, a UK-based LSE-listed FTSE 250 company with US$26.8 billion in assets under management.

MPIC's assets include a 50.0 per cent interest in a joint venture, with DMCI Holdings, Inc. (DMCI), a diversified Philippine holding group, in the DMCI-MPIC Water Company Inc. which holds an 84 per cent interest in Maynilad Water Services Inc. (Maynilad Water), a major water utility with a population of 8 million people in the western part of Metro Manila, and a directly held 51.0 per cent interest in Landco Inc., a landmark developer of upper market residential estates. Metro Pacific, the predecessor of MPIC, became an unlisted subsidiary of MPIC, with a 15.3 per cent interest in a domestic shipping company, Negros Navigation Company Inc. (Nenaco). The disposal of Metro Pacific's former majority interest in this shipping business took place in late 2006.

Goal: Strengthen Landco's position as a diversified property developer through support to key expansion projects

Achievement: **Achieved.** During the year, Landco expanded its offerings through its landmark Punta Fuego residential resort by offering an additional 278 new lots for sale in the Terrazas de Punta Fuego. The first phase of a major 200-hectare middle market integrated beach, leisure and tourist community, Playa Calatagan, commenced with more than 636 lots for sale. Sales from its popular Leisure Farms and Ponderosa Leisure Farms projects, weekend farming communities expanded amongst upper income Filipinos. The company began work on its first condominium development project in Metro Manila; "Tribeca" a development community of mid-rise apartment residences, restaurants and entertainment facilities with direct access to major Metro Manila expressways. Major developments with landowning families have been announced; the Escudero family's 400 hectare sugar plantation south of Metro Manila will become a fully integrated residential, vacation and tourism estate. Monteraza de Cebu, in conjunction with the Villalon family will become the first luxury residential estate in the Philippines' second largest city. The shopping mall investments were enhanced with the addition of 25,000 square feet (57 per cent increase in rental area) to the Legaspi Mall.

Goal: Continue to explore investment opportunities in the infrastructure sector
Achievement: **Achieved.** From an increasing number of opportunities in various infrastructure sectors, MPIC in partnership with DMCI secured an 84 per cent ownership of Maynilad Water, a company that has a 15-year concession to supply water to the western part of Metro Manila.

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

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

Level Up

Goal: Diversify and expand games portfolio
Achievement: **Substantially achieved.** In the Philippines, Level Up launched RF Online, a 3-D science fiction themed massively multiplayer online role playing game and Free Style, a three-on-three hip hop influenced basketball casual game. In Brazil, Level Up added Gunz and Grand Chase, both are casual games, to its products portfolio in 2006. RF Online was launched in January 2007. In India, Ragnarok was commercially launched in March 2006 and Gunz is expected to be launched in the first half of 2007.

Goal: Grow subscriber base in higher growth markets in Brazil and India
Achievement: **Not achieved.** Level Up subscriber base in Brazil and India remains flat as a result of the delay of launching new games planned for the second half of 2006 and the slower than anticipated development of the Indian market.

Goal: Develop supplementary non-game revenue sources
Achievement: **Partially achieved.** In the Philippines, Level Up introduced market online advertising and in game advertisements in the first quarter of 2006. Growth opportunities remain positive in the medium term as the online advertising market continues to expand. Non-game revenue sources include in game and website advertising, sponsorships, events and merchandising.

Goal: Build alliances and a dominant distribution network
Achievement: **Achieved.** In its various territories, Level Up has expanded its distribution partnerships and networks and received marketing support from strategic distribution partners in the media and retail sectors, including Coca-Cola, Nestle, and Blockbuster.

Goal: Further build the "Level Up!" brand
Achievement: **Partially achieved.** In the Philippines, "Level Up!" brand further strengthened by the launch of its new website in the fourth quarter of 2006 along with the continued marketing and promotion of its game titles. In Brazil, the company expanded its branding through the introduction of new games along with distribution deals with Blockbuster and UOL (a leading Brazilian internet portal). The development of the brand in India has been slower than planned given the relative slow development of the infrastructure to support the gaming offering.

GOALS FOR 2007

First Pacific

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

PLDT

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

Indofood

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

MPIC

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

Level Up

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

FINANCIAL REVIEW

LIQUIDITY AND FINANCIAL RESOURCES

NET DEBT AND GEARING

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

Consolidated

US$ millions	**Net debt/(cash)[(i)] 2006**	**Total equity 2006**	**Gearing[(ii)] (times) 2006**	Net debt[(i)] 2005	Total equity 2005	Gearing[(ii)] (times) 2005
Head Office	**237.9**	**1,446.3**	**0.16x**	152.6	1,419.2	0.11x
Indofood	**604.7**	**742.7**	**0.81x**	595.7	541.6	1.10x
MPIC/Metro Pacific	**(45.7)**	**19.4**	**–**	40.2	4.8	8.38x
Group adjustments[(iii)]	**–**	**(1,175.6)**	**–**	–	(1,258.9)	–
Total	**796.9**	**1,032.8**	**0.77x**	788.5	706.7	1.12x
Associated						
PLDT	**1,272.1**	**2,126.3**	**0.60x**	1,384.2	1,400.9	0.99x

(i) Includes 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 accumulated losses and other standard consolidation adjustments to present the Group as a single economic entity.

Head Office's gearing increased principally because of payments for the additional investment for 1.5 per cent interest in PLDT and advances to MPIC in connection with MPIC's bidding for Maynilad Water. Indofood's gearing declined mainly because of increased total equity. MPIC/Metro Pacific changed from net debt to net cash position principally due to cash advances received from Head Office and deconsolidation of its former subsidiary company, Nenaco. PLDT's gearing declined as strong free cash flows were used to reduce debts and profits enhanced total equity.

The Group's gearing continued to improve to 0.77 time level principally as a result of the growth of the Group's total equity as a result of strong profit contributions from PLDT and Indofood.

MATURITY PROFILE

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

Consolidated

US$ millions	**2006**	2005
Within one year	**508.9**	345.0
One to two years	**223.6**	152.3
Two to five years	**319.5**	518.6
Over five years	**103.9**	73.3
Total	**1,155.9**	1,089.2

The change in Group's debt maturity profile at 31 December 2006 principally reflects Indofood's refinancing of the outstanding amount of US$153.7 million Eurobonds due in June 2007 and reclassification of Rupiah 1.2 trillion (US$136.0 million) of Rupiah bonds due in June 2008, together with Head Office's redemption of US$108.0 million bonds due in July 2006 and new bank loans of US$50.0 million and US$49.9 million due in July 2011 and November 2013, respectively.

Associated

	PLDT	
US$ millions	**2006**	2005
Within one year	**336.9**	354.2
One to two years	**158.3**	376.8
Two to five years	**430.2**	455.4
Over five years	**829.9**	930.5
Total	**1,755.3**	2,116.9

PLDT's debt maturity profile is stated at nominal values.

CHARGES ON GROUP ASSETS

At 31 December 2006, certain bank and other borrowings were secured by the Group's property and equipment, plantations, available-for-sale assets, accounts receivables, pledged deposits and inventories with a net book value of US$84.1 million (31 December 2005: US$45.2 million). Apart from these, US$149.9 million of Head Office's bank loans were secured by the Group's 4.3 per cent interest in PLDT.

FINANCIAL RISK MANAGEMENT

FOREIGN CURRENCY RISK

(A) Company risk

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

The Company actively reviews the potential benefits of hedging based on forecast dividend flows and enters into hedging arrangements (including the use of forward exchange contracts) for managing its foreign currency exposure in respect of dividend income and payments in foreign currency on a transactional basis. However, the Company does not actively seek to hedge risks arising on the translation of foreign currency denominated investments due to the non-cash nature of such investments and the high costs associated with such hedging. Accordingly, First Pacific 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) relate to investments denominated in the peso and rupiah. Accordingly, any change in these currencies, against their respective 31 December 2006 exchange rates, would have an effect on the Group's NAV in U.S. dollar terms.

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

Company	**Effect on adjusted NAV(i) US$ millions**	**Effect on adjusted NAV per share HK cents**
PLDT	23.1	5.62
Indofood	6.6	1.61
MPIC	1.2	0.29
Total	**30.9**	**7.52**

(i) Based on quoted share prices as at 31 December 2006 applied to the Group's economic interest.

(B) Group risk

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

NET DEBT BY CURRENCY

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

Consolidated **US$ millions**	US$	Peso	Rupiah	Others	**Total**
Total borrowings	459.1	50.6	642.3	3.9	**1,155.9**
Cash and cash equivalents[(i)]	(265.4)	(6.0)	(84.4)	(3.2)	**(359.0)**
Net debt	193.7	44.6	557.9	0.7	**796.9**
Representing:					
Head Office	239.6	(1.1)	–	(0.6)	**237.9**
Indofood	45.5	–	557.9	1.3	**604.7**
MPIC	(91.4)	45.7	–	–	**(45.7)**
Net debt	193.7	44.6	557.9	0.7	**796.9**

Associated **US$ millions**	US$	Peso	Others	**Total**
PLDT	1,414.0	(139.1)	(2.8)	**1,272.1**

(i) Includes 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. This does not reflect the indirect effect of fluctuating exchange rates on revenues and input costs at the operating company level.

US$ millions	Total US$ exposure	Hedged amount	Unhedged amount	Profit effect of 1% currency change	**Group net profit effect**
PLDT	1,414.0	915.4	498.6	5.0	**0.7**
Indofood	45.5	–	45.5	0.5	**0.2**
MPIC	(91.4)	–	(91.4)	(0.9)	**(0.6)**
Head Office[(i)]	239.6	–	239.6	–	**–**
Total	**1,607.7**	**915.4**	**692.3**	**4.6**	**0.3**

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

EQUITY MARKET RISK

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

In January 2005, a wholly-owned Head Office subsidiary company issued a zero coupon 5-year US$199 million Exchangeable Notes guaranteed by the Company. Exchangeable Notes with face amount of US$52.7 million were converted during 2006, leaving an outstanding principal amount of US$146.3 million as at 31 December 2006. The holders of the Exchangeable Notes have the right to exchange the Exchangeable Notes to the underlying approximately 2.7 per cent interest in PLDT and the Company has the option to settle such exchange obligation in cash or shares in PLDT. Pursuant to HKAS 39 "Financial Instruments: Recognition and Measurement", the exchangeable option embedded in the Exchangeable Notes is subject to mark-to-market fair value accounting which has a strong correlation to the changes in PLDT share price and generated a non-cash accounting loss of US$89.7 million in 2006. The change of such option liability is economically hedged by a corresponding change in the value of PLDT shares held by the Group generally and specifically with respect to the approximately 2.7 per cent PLDT shares underlying the Exchangeable Notes. Such a natural hedge and the corresponding change in value of the Group's shareholding in PLDT, however, is not to be reflected in the Group's financial results under HKAS 28 "Investments in Associates" as the Group's investments in and results of PLDT are equity accounted for.

During 2006, the Group purchased approximately 1.1 per cent interest in PLDT for US$73.7 million and designated them as financial assets at fair value through profit or loss to both provide additional economic hedge against the changes in option liability and to enhance the Group's strategic shareholding in PLDT. The change in fair value of such interest in PLDT resulted in the Group recording an accounting gain of US$31.2 million during the year.

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

Consolidated **US$ millions**	Fixed interest rate borrowings	Variable interest rate borrowings	Cash and cash equivalents[(i)]	**Net debt /(cash)**
Head Office	153.1	148.3	(63.5)	**237.9**
Indofood	242.7	560.9	(198.9)	**604.7**
MPIC	45.6	5.3	(96.6)	**(45.7)**
Total	441.4	714.5	(359.0)	**796.9**
Associated				
PLDT	1,225.8	408.2	(361.9)	**1,272.1**

(i) Includes 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	148.3	1.5	**1.5**
Indofood	560.9	5.6	**2.0**
MPIC	5.3	0.1	**–**
PLDT	408.2	4.1	**0.6**
Total	**1,122.7**	**11.3**	**4.1**

ADJUSTED NAV PER SHARE
There follows a calculation of the Group's underlying worth.

At 31 December **US$ millions**	Basis	**2006**	2005
PLDT	(i)	**2,307.3**	1,491.5
Indofood	(i)	**658.0**	407.0
MPIC	(i)	**117.2**	–
Head Office			
– Receivable	(ii)	**60.3**	–
– Net debt		**(237.9)**	(152.6)
– Derivative liability	(iii)	**(99.6)**	(39.3)
Total valuation		**2,805.3**	1,706.6
Number of ordinary shares in issue (millions)		**3,204.8**	3,188.8
Value per share			
– U.S. dollar		**0.88**	0.54
– HK dollars		**6.83**	4.17
Company's closing share price (HK$)		**4.04**	3.00
Share price discount to HK$ value per share (%)		**40.8**	28.1

(i) Based on quoted share prices applied to the Group's economic interest.
(ii) Represents a receivable from MPIC.
(iii) Represents the fair value of option element embedded in the Exchangeable Notes.
(iv) No value has been attributed to the Group's investment in Level Up.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES
Neither the Company, nor any of its subsidiary companies, has made any purchase, sale or redemption of any of the Company's listed securities during the year.

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

The Company has applied these principles and complied with all the CG Code mandatory provisions and has also met most of the recommended best practices in the CG Code throughout the accounting period covered by the annual report. Further information concerning our CG practices will be set out in the Company's 2006 Annual Report.

Having made specific enquiry, the Company can confirm that all of the Directors have complied with the Company's code of conduct regarding directors' securities transactions, prepared and adopted on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers, Appendix 10 of the Listing Rules.

Connected and continuing connected transactions

At the Company's special general meeting held on 14 June 2006, the Company's independent shareholders approved, inter alia, a series of continuing connected transactions relating to Indofood's noodles business. This approval related to the provision of raw materials or finished and packaging products, the provision of technical services and the licensing of related trademarks to connected persons, as well as the Annual Caps for the Noodles Business Transactions for the years ending 31 December 2006, 2007 and 2008. In cases where the transactions expire part way through the calendar year 2008, the independent shareholders approved the pro rata amount of the Annual Cap applicable to the period during the calendar year for which the relevant agreement remains in effect, details as set out in the Company's circular dated 22 May 2006.

The aggregate of the proposed Annual Caps for all the Noodles Business Transactions for the years ending 31 December 2006 and 2007 are US$47.3 million and US$60.8 million respectively. The aggregate Annual Caps for the Noodles Business Transactions applicable, on a pro rated basis, to the agreements which expire during 2008 and those which continue throughout 2008 is US$30.9 million. As the relevant percentage ratios (as defined in the Listing Rules) applicable to the aggregate Annual Caps in respect of the Noodles Business Transactions exceed 2.5%, the Company obtained the independent shareholders' approval for each of these continuing connected transactions at the special general meeting referred to above.

The relevant percentage ratios (as defined in the Listing Rules) applicable to the aggregate Annual Caps in respect of the Distribution Business Transactions do not exceed 2.5% and, therefore, each of those continuing connected transactions is not required to be approved by the independent shareholders at the special general meeting but have been disclosed in the Company's announcement dated 28 April 2006.

During 2006, the equity interest in PT Asuransi Central Asia (ACA) and PT Indosurance Broker Utama (IBU) changed such that these became connected parties (i.e. a member of the Salim Group) and certain members of Indofood Group (the "Insured Indofood Entities") have entered into a series of transactions with ACA and IBU respectively for the provision of insurance covering portions of the inventories, property, plant and equipment, vehicles, marine cargo and other assets of the Insured Indofood Entities (the "Transactions") with different respective estimated aggregate values. Based on the estimated maximum aggregate values of each Transaction and applying the relevant percentage ratios as required by the Listing Rules, the Company has determined that the Transactions referred to above are required to be disclosed to The Stock Exchange of Hong Kong Limited and the Company's shareholders in accordance with the requirements of Chapter 14A of the Listing Rules. The Company published an announcement dated 3 November 2006 disclosing further information of those Transactions.

Each of the above continuing connected transactions will be subject to annual review by the Independent Non-executive Directors of the Company pursuant to Rule 14A.37 of the Listing Rules and confirmation of the auditors of the Company pursuant to Rule 14A.38 of the Listing Rules.

On 9 March 2007, SIMP completed the acquisition of a 60 per cent interest in three plantation companies owning approximately 85,500 hectares of plantation land for a consideration of Rupiah 125 billion (US$13.8 million) from Rascal Holdings Limited (a member of the Salim Group). Following completion of the acquisition, the plantation companies and their respective subsidiaries have become subsidiaries of Indofood, thereby subsidiaries of the Company.

The Directors (including the Independent Non-executive Directors) considered that the terms of each of the continuing connected transactions for the financial year ended 31 December 2006 and the subsequent acquisition of plantations companies on 9 March 2007 are fair and reasonable and that they are in the best interests of the Company, Indofood and their respective shareholders.

Risk Management and Internal Control

The Board is responsible for maintaining an adequate system of internal controls in the Company and reviewing its effectiveness through the Audit Committee. The Board has appointed a compliance officer on a continuing basis to assist the Company in its compliance obligations.

For the year ended 31 December 2006, the Audit Committee reviewed and advised that:

- The internal controls and accounting systems of the Group function effectively and are designed to provide reasonable assurance that material assets are protected, business risks attributable to the Group are identified and monitored, material transactions are executed in accordance with management's authorization and the financial statements are reliable for publication and compliant with all relevant laws and regulations.
- There is an ongoing process in place for identifying, evaluating and managing the material business risks faced by the Group.
- There are initiatives to improve certain processes to further strengthen internal controls and enhance risk management within the Group.

AUDIT OPINION
The auditors have expressed an unqualified opinion on the Group's financial statements for the year ended 31 December 2006 in their report dated 11 April 2007.

REVIEW STATEMENT BY THE AUDIT COMMITTEE
The Audit Committee has reviewed the 2006 annual results, including the accounting policies and practices adopted by the Group.

FINAL DIVIDEND
The Board has recommended a final cash dividend of HK3.50 cents (U.S. 0.45 cent) per ordinary share. Subject to approval by shareholders at the 2007 Annual General Meeting, the final dividend will be paid in the currencies in accordance with the registered address of the shareholders (i.e. HK dollars for Hong Kong, Macau and PRC shareholders, Sterling pounds for UK shareholders and U.S. dollars for shareholders of all other countries). It is expected that the dividend warrants will be dispatched to shareholders on or about 29 June 2007.

CLOSURE OF REGISTER OF MEMBERS
The Register of Members will be closed on 18 May 2007 during which period no transfer of shares will be registered. In order to qualify for the final dividend, 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 Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:00 p.m. on 17 May 2007.

ANNUAL REPORT
The 2006 Annual Report will be mailed to shareholders and will be available on the Company's website at www.firstpacco.com by the end of April 2007.

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

11 April 2007

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

Anthoni Salim, *Chairman*
Manuel V. Pangilinan, *Managing Director and CEO*
Edward A. Tortorici
Robert C. Nicholson
Ambassador Albert F. del Rosario
Edward K.Y. Chen*, *GBS, CBE, JP*
Tedy Djuhar
Sutanto Djuhar
Ibrahim Risjad
Benny S. Santoso
Graham L. Pickles*
David W. C. Tang*, *OBE, Chevalier de L'Ordre des Arts et des Lettres*

* *Independent Non-executive Directors*