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FIRST PACIFIC COMPANY LIMITED

(Incorporated with limited liability under the laws of Bermuda)

Website: http://www.firstpacific.com

(Stock Code: 00142)

2017 Annual Results - Audited

FINANCIAL HIGHLIGHTS

- Turnover increased by 7.6% to US$7,296.8 million (HK$56,915.0 million) from US$6,779.0 million (HK$52,876.2 million).
- Profit contribution from operations increased by 5.1% to US$420.5 million (HK$3,279.9 million) from US$400.2 million (HK$3,121.6 million).
- Recurring profit increased by 13.2% to US$300.0 million (HK$2,340.0 million) from US$264.9 million (HK$2,066.2 million).
- Profit attributable to owners of the parent increased by 17.1% to US$120.9 million (HK$943.0 million) from US$103.2 million (HK$805.0 million).
- Net foreign exchange and derivative gains of US$16.4 million (HK$127.9 million) were recorded compared with net foreign exchange and derivative losses of US$9.1 million (HK$71.0 million).
- Non-recurring losses increased by 26.0% to US$195.6 million (HK$1,525.7 million) from US$155.2 million (HK$1,210.6 million).
- Basic earnings per share increased by 15.7% to U.S. 2.80 cents (HK21.8 cents) from U.S. 2.42 cents (HK18.9 cents).
- Recurring basic earnings per share (calculated based on recurring profit) increased by 12.1% to U.S. 6.96 cents (HK54.3 cents) from U.S. 6.21 cents (HK48.4 cents).
- A final distribution of HK5.50 cents (U.S. 0.71 cents) (2016: HK5.50 cents or U.S. 0.71 cents) per ordinary share has been recommended, making a total distribution per ordinary share equivalent to HK13.50 cents (U.S. 1.74 cents) (2016: HK13.50 cents or U.S. 1.74 cents) for the full year or a distribution payout ratio of approximately 25% (2016: 28%) of recurring profit.
- Equity attributable to owners of the parent increased by 3.7% to US$3,227.1 million (HK$25,171.4 million) at 31 December 2017 from US$3,112.0 million (HK$24,273.6 million) at 31 December 2016.
- Consolidated gearing ratio increased to 0.66 times at 31 December 2017 from 0.54 times at 31 December 2016.

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December	Notes	2017 US$m	2016 US$m	2017 HK$m*	2016 HK$m*
Turnover	2	**7,296.8**	6,779.0	**56,915.0**	52,876.2
Cost of sales		**(5,144.3)**	(4,774.3)	**(40,125.5)**	(37,239.5)
Gross profit		**2,152.5**	2,004.7	**16,789.5**	15,636.7
Selling and distribution expenses		**(542.9)**	(540.6)	**(4,234.6)**	(4,216.7)
Administrative expenses		**(609.5)**	(554.5)	**(4,754.1)**	(4,325.1)
Other operating income/(expenses), net		**10.7**	(40.1)	**83.4**	(312.7)
Interest income		**55.9**	56.3	**436.0**	439.1
Finance costs		**(386.5)**	(366.2)	**(3,014.7)**	(2,856.4)
Share of profits less losses of associated companies and joint ventures		**204.0**	224.5	**1,591.2**	1,751.1
Profit before taxation from continuing operations	3	**884.2**	784.1	**6,896.7**	6,116.0
Taxation	4	**(322.9)**	(286.3)	**(2,518.6)**	(2,233.2)
Profit for the year from continuing operations		**561.3**	497.8	**4,378.1**	3,882.8
Profit for the year from a discontinued operation		**-**	20.0	**-**	156.0
Profit for the year		**561.3**	517.8	**4,378.1**	4,038.8
Attributable to:					
Owners of the parent	5				
- For profit from continuing operations		**120.9**	95.9	**943.0**	748.0
- For profit from a discontinued operation		**-**	7.3	**-**	57.0
- For profit for the year		**120.9**	103.2	**943.0**	805.0
Non-controlling interests					
- For profit from continuing operations		**440.4**	401.9	**3,435.1**	3,134.8
- For profit from a discontinued operation		**-**	12.7	**-**	99.0
- For profit for the year		**440.4**	414.6	**3,435.1**	3,233.8
		561.3	517.8	**4,378.1**	4,038.8
		US¢	US¢	**HK¢***	HK¢*
Earnings per share attributable to owners of the parent	6				
Basic					
- For profit from continuing operations		**2.80**	2.25	**21.8**	17.6
- For profit from a discontinued operation		**-**	0.17	**-**	1.3
- For profit for the year		**2.80**	2.42	**21.8**	18.9
Diluted					
- For profit from continuing operations		**2.80**	2.24	**21.8**	17.5
- For profit from a discontinued operation		**-**	0.17	**-**	1.3
- For profit for the year		**2.80**	2.41	**21.8**	18.8

Details of the distribution proposed for the year are disclosed in Note 7.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December	2017 US$m	2016 US$m	2017 HK$m*	2016 HK$m*
Profit for the year	**561.3**	517.8	**4,378.1**	4,038.8
Other comprehensive (loss)/income				
Items that will be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	**(11.4)**	(172.0)	**(88.9)**	(1,341.6)
Unrealized gains/(losses) on available-for-sale assets	**31.4**	(12.8)	**244.9**	(99.8)
Realized gains on available-for-sale assets	**-**	(2.6)	**-**	(20.3)
Unrealized (losses)/gains on cash flow hedges	**(10.4)**	84.6	**(81.1)**	659.9
Realized gains on cash flow hedges	**-**	(0.8)	**-**	(6.2)
Income tax related to cash flow hedges	**1.8**	(15.2)	**14.0**	(118.6)
Share of other comprehensive income of associated companies and joint ventures	**7.6**	20.8	**59.3**	162.2
Reclassification for a disposal group disposed of during the year	**-**	(26.5)	**-**	(206.7)
Items that will not be reclassified to profit or loss:				
Actuarial (losses)/gains on defined benefit pension plans	**(35.3)**	0.3	**(275.3)**	2.4
Share of other comprehensive loss of associated companies and joint ventures	**(3.2)**	(20.0)	**(25.0)**	(156.0)
Other comprehensive loss for the year, net of tax	**(19.5)**	(144.2)	**(152.1)**	(1,124.7)
Total comprehensive income for the year	**541.8**	373.6	**4,226.0**	2,914.1
Attributable to:				
Owners of the parent	**145.7**	5.6	**1,136.5**	43.7
Non-controlling interests	**396.1**	368.0	**3,089.5**	2,870.4
	541.8	373.6	**4,226.0**	2,914.1

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	At 31 December 2017 US$m	At 31 December 2016 US$m	At 31 December 2017 HK$m*	At 31 December 2016 HK$m*
Non-current assets					
Property, plant and equipment		**5,321.1**	3,870.5	**41,504.5**	30,189.9
Biological assets		**23.1**	24.2	**180.2**	188.8
Associated companies and joint ventures		**5,203.2**	4,741.5	**40,585.0**	36,983.7
Goodwill		**1,095.1**	996.3	**8,541.8**	7,771.1
Other intangible assets		**3,659.4**	3,338.7	**28,543.3**	26,041.9
Investment properties		**10.1**	9.6	**78.8**	74.9
Accounts receivable, other receivables and prepayments		**7.0**	10.6	**54.6**	82.7
Available-for-sale assets		**173.6**	311.9	**1,354.1**	2,432.8
Deferred tax assets		**208.9**	178.8	**1,629.4**	1,394.6
Pledged deposits and restricted cash		**-**	17.9	**-**	139.6
Other non-current assets		**456.0**	346.7	**3,556.8**	2,704.3
		16,157.5	13,846.7	**126,028.5**	108,004.3
Current assets					
Cash and cash equivalents and short-term deposits		**2,157.2**	1,691.9	**16,826.2**	13,196.8
Pledged deposits and restricted cash		**81.1**	60.6	**632.6**	472.7
Available-for-sale assets		**60.2**	39.9	**469.5**	311.2
Accounts receivable, other receivables and prepayments	8	**1,084.4**	826.3	**8,458.3**	6,445.2
Inventories		**874.3**	715.2	**6,819.6**	5,578.6
Biological assets		**39.8**	34.8	**310.4**	271.4
		4,297.0	3,368.7	**33,516.6**	26,275.9
Current liabilities					
Accounts payable, other payables and accruals	9	**1,333.9**	1,064.5	**10,404.4**	8,303.1
Short-term borrowings		**1,460.4**	1,280.7	**11,391.1**	9,989.5
Provision for taxation		**65.3**	80.4	**509.4**	627.1
Current portion of deferred liabilities, provisions and payables		**396.4**	296.2	**3,091.9**	2,310.4
		3,256.0	2,721.8	**25,396.8**	21,230.1
Net current assets		**1,041.0**	646.9	**8,119.8**	5,045.8
Total assets less current liabilities		**17,198.5**	14,493.6	**134,148.3**	113,050.1
Equity					
Issued share capital		**43.4**	42.8	**338.5**	333.8
Shares held for share award scheme		**(8.9)**	(10.9)	**(69.4)**	(85.0)
Retained earnings		**1,429.2**	1,305.5	**11,147.8**	10,182.9
Other components of equity		**1,763.4**	1,774.6	**13,754.5**	13,841.9
Equity attributable to owners of the parent		**3,227.1**	3,112.0	**25,171.4**	24,273.6
Non-controlling interests		**5,515.4**	4,922.3	**43,020.1**	38,393.9
Total equity		**8,742.5**	8,034.3	**68,191.5**	62,667.5
Non-current liabilities					
Long-term borrowings		**6,509.3**	4,827.7	**50,772.6**	37,656.1
Deferred liabilities, provisions and payables		**1,630.8**	1,374.0	**12,720.2**	10,717.2
Deferred tax liabilities		**315.9**	257.6	**2,464.0**	2,009.3
		8,456.0	6,459.3	**65,956.8**	50,382.6
		17,198.5	14,493.6	**134,148.3**	113,050.1

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Equity attributable to owners of the parent												
US$ millions	Notes	Issued share capital	Shares held for share award scheme	Share premium	Employee share-based compensation reserve	Other comprehensive (loss)/income (Note 10)	Differences arising from changes in equities of subsidiary companies	Reserves for assets classified as held for sale	Capital and other reserves	Contributed surplus	Retained earnings	Total	Non-controlling interests	**Total equity**
Balance at 1 January 2016		42.7	(6.0)	1,779.7	70.5	(623.2)	369.5	25.7	12.4	-	1,398.9	3,070.2	4,264.2	7,334.4
Profit for the year		-	-	-	-	-	-	-	-	-	103.2	103.2	414.6	517.8
Other comprehensive (loss)/income for the year		-	-	-	-	(75.3)	-	(23.6)	-	-	1.3	(97.6)	(46.6)	(144.2)
Total comprehensive (loss)/income for the year		-	-	-	-	(75.3)	-	(23.6)	-	-	104.5	5.6	368.0	373.6
Issue of shares upon the exercise of share options		-	-	8.1	(2.5)	-	-	-	-	-	-	5.6	-	5.6
Issue of shares under share award scheme		0.1	(2.8)	2.7	-	-	-	-	-	-	-	-	-	-
Purchase of shares for share award scheme		-	(4.7)	-	-	-	-	-	-	-	-	(4.7)	-	(4.7)
Shares vested under share award scheme		-	2.6	-	(2.4)	-	-	-	-	-	(0.2)	-	-	-
Transfer from share premium to contributed surplus		-	-	(1,785.2)	-	-	-	-	-	1,785.2	-	-	-	-
Reclassification		-	-	-	-	-	-	-	-	173.8	(173.8)	-	-	-
Cancellation of share options		-	-	-	(4.2)	-	-	-	-	-	4.2	-	-	-
Employee share-based compensation benefits		-	-	-	10.9	-	-	-	-	-	-	10.9	-	10.9
Acquisition, divestment and dilution of interests in subsidiary companies		-	-	-	-	8.3	90.1	-	0.2	-	-	98.6	526.1	624.7
Appropriation to statutory reserve funds		-	-	-	-	-	-	0.1	-	-	(0.1)	-	-	-
Disposal of a disposal group classified as held for sale		-	-	-	-	-	-	(2.2)	-	-	2.2	-	(110.2)	(110.2)
2015 final dividend paid		-	-	-	-	-	-	-	-	-	(30.2)	(30.2)	-	(30.2)
2016 interim distribution paid	7	-	-	-	-	-	-	-	-	(44.0)	-	(44.0)	-	(44.0)
Acquisition of subsidiary companies		-	-	-	-	-	-	-	-	-	-	-	14.0	14.0
Capital contributions from non-controlling shareholders		-	-	-	-	-	-	-	-	-	-	-	24.8	24.8
Dividends paid to non-controlling shareholders		-	-	-	-	-	-	-	-	-	-	-	(164.6)	(164.6)
Balance at 31 December 2016		42.8	(10.9)	5.3	72.3	(690.2)	459.6	-	12.6	1,915.0	1,305.5	3,112.0	4,922.3	8,034.3
Balance at 1 January 2017		42.8	(10.9)	5.3	72.3	(690.2)	459.6	-	12.6	1,915.0	1,305.5	3,112.0	4,922.3	**8,034.3**
Profit for the year		-	-	-	-	-	-	-	-	-	120.9	120.9	440.4	**561.3**
Other comprehensive income/(loss) for the year		-	-	-	-	21.8	-	-	-	-	3.0	24.8	(44.3)	**(19.5)**
Total comprehensive income for the year		-	-	-	-	21.8	-	-	-	-	123.9	145.7	396.1	**541.8**
Issue of shares upon the exercise of share options		0.6	-	56.6	(19.0)	-	-	-	-	-	-	38.2	-	**38.2**
Issue of shares under share award scheme		-	(0.1)	0.1	-	-	-	-	-	-	-	-	-	**-**
Purchase of shares for share award scheme		-	(5.8)	-	-	-	-	-	-	-	-	(5.8)	-	**(5.8)**
Shares vested under share award scheme		-	7.9	-	(7.0)	-	-	-	-	-	(0.9)	-	-	**-**
Cancellation of share options		-	-	-	(0.7)	-	-	-	-	-	0.7	-	-	**-**
Employee share-based compensation benefits		-	-	-	15.3	-	-	-	-	-	-	15.3	-	**15.3**
Acquisition, divestment and dilution of interests in subsidiary companies		-	-	-	-	-	(3.5)	-	-	-	-	(3.5)	(15.2)	**(18.7)**
2016 final distribution paid	7	-	-	-	-	-	-	-	-	(30.5)	-	(30.5)	-	**(30.5)**
2017 interim distribution paid	7	-	-	-	-	-	-	-	-	(44.3)	-	(44.3)	-	**(44.3)**
Acquisition of subsidiary companies		-	-	-	-	-	-	-	-	-	-	-	351.0	**351.0**
Disposal of subsidiary companies		-	-	-	-	-	-	-	-	-	-	-	(0.7)	**(0.7)**
Capital contributions from non-controlling shareholders		-	-	-	-	-	-	-	-	-	-	-	115.5	**115.5**
Dividends paid and declared to non-controlling shareholders		-	-	-	-	-	-	-	-	-	-	-	(253.6)	**(253.6)**
Balance at 31 December 2017		**43.4**	**(8.9)**	**62.0**	**60.9**	**(668.4)**	**456.1**	**-**	**12.6**	**1,840.2**	**1,429.2**	**3,227.1**	**5,515.4**	**8,742.5**

HK$ millions	Notes	Equity attributable to owners of the parent												
		Issued share capital	Shares held for share award scheme	Share premium	Employee share-based compensation reserve	Other comprehensive (loss)/income (Note 10)	Differences arising from changes in equities of subsidiary companies	Reserves for assets classified as held for sale	Capital and other reserves	Contributed surplus	Retained earnings	Total	Non-controlling interests	**Total equity**
Balance at 1 January 2016		333.1	(46.8)	13,881.6	549.9	(4,860.9)	2,882.1	200.5	96.7	-	10,911.4	23,947.6	33,260.7	57,208.3
Profit for the year		-	-	-	-	-	-	-	-	-	805.0	805.0	3,233.8	4,038.8
Other comprehensive (loss)/income for the year		-	-	-	-	(587.4)	-	(184.1)	-	-	10.2	(761.3)	(363.4)	(1,124.7)
Total comprehensive (loss)/income for the year		-	-	-	-	(587.4)	-	(184.1)	-	-	815.2	43.7	2,870.4	2,914.1
Issue of shares upon the exercise of share options		-	-	63.2	(19.5)	-	-	-	-	-	-	43.7	-	43.7
Issue of shares under share award scheme		0.7	(21.8)	21.1	-	-	-	-	-	-	-	-	-	-
Purchase of shares for share award scheme		-	(36.7)	-	-	-	-	-	-	-	-	(36.7)	-	(36.7)
Shares vested under share award scheme		-	20.3	-	(18.7)	-	-	-	-	-	(1.6)	-	-	-
Transfer from share premium to contributed surplus		-	-	(13,924.6)	-	-	-	-	-	13,924.6	-	-	-	-
Reclassification		-	-	-	-	-	-	-	-	1,355.6	(1,355.6)	-	-	-
Cancellation of share options		-	-	-	(32.7)	-	-	-	-	-	32.7	-	-	-
Employee share-based compensation benefits		-	-	-	85.0	-	-	-	-	-	-	85.0	-	85.0
Acquisition, divestment and dilution of interests in subsidiary companies		-	-	-	-	64.7	702.8	-	1.6	-	-	769.1	4,103.6	4,872.7
Appropriation to statutory reserve funds		-	-	-	-	-	-	0.8	-	-	(0.8)	-	-	-
Disposal of a disposal group classified as held for sale		-	-	-	-	-	-	(17.2)	-	-	17.2	-	(859.5)	(859.5)
2015 final dividend paid		-	-	-	-	-	-	-	-	-	(235.6)	(235.6)	-	(235.6)
2016 interim distribution paid	7	-	-	-	-	-	-	-	-	(343.2)	-	(343.2)	-	(343.2)
Acquisition of subsidiary companies		-	-	-	-	-	-	-	-	-	-	-	109.2	109.2
Capital contributions from non-controlling shareholders		-	-	-	-	-	-	-	-	-	-	-	193.4	193.4
Dividends paid to non-controlling shareholders		-	-	-	-	-	-	-	-	-	-	-	(1,283.9)	(1,283.9)
Balance at 31 December 2016		333.8	(85.0)	41.3	564.0	(5,383.6)	3,584.9	-	98.3	14,937.0	10,182.9	24,273.6	38,393.9	62,667.5
Balance at 1 January 2017		333.8	(85.0)	41.3	564.0	(5,383.6)	3,584.9	-	98.3	14,937.0	10,182.9	24,273.6	38,393.9	**62,667.5**
Profit for the year		-	-	-	-	-	-	-	-	-	943.0	943.0	3,435.1	**4,378.1**
Other comprehensive income/(loss) for the year		-	-	-	-	170.1	-	-	-	-	23.4	193.5	(345.6)	**(152.1)**
Total comprehensive income for the year		-	-	-	-	170.1	-	-	-	-	966.4	1,136.5	3,089.5	**4,226.0**
Issue of shares upon the exercise of share options		4.7	-	441.5	(148.2)	-	-	-	-	-	-	298.0	-	**298.0**
Issue of shares under share award scheme		-	(0.8)	0.8	-	-	-	-	-	-	-	-	-	**-**
Purchase of shares for share award scheme		-	(45.2)	-	-	-	-	-	-	-	-	(45.2)	-	**(45.2)**
Shares vested under share award scheme		-	61.6	-	(54.6)	-	-	-	-	-	(7.0)	-	-	**-**
Cancellation of share options		-	-	-	(5.5)	-	-	-	-	-	5.5	-	-	**-**
Employee share-based compensation benefits		-	-	-	119.3	-	-	-	-	-	-	119.3	-	**119.3**
Acquisition, divestment and dilution of interests in subsidiary companies		-	-	-	-	-	(27.3)	-	-	-	-	(27.3)	(118.5)	**(145.8)**
2016 final distribution paid	7	-	-	-	-	-	-	-	-	(237.9)	-	(237.9)	-	**(237.9)**
2017 interim distribution paid	7	-	-	-	-	-	-	-	-	(345.6)	-	(345.6)	-	**(345.6)**
Acquisition of subsidiary companies		-	-	-	-	-	-	-	-	-	-	-	2,737.8	**2,737.8**
Disposal of subsidiary companies		-	-	-	-	-	-	-	-	-	-	-	(5.4)	**(5.4)**
Capital contributions from non-controlling shareholders		-	-	-	-	-	-	-	-	-	-	-	900.9	**900.9**
Dividends paid and declared to non-controlling shareholders		-	-	-	-	-	-	-	-	-	-	-	(1,978.1)	**(1,978.1)**
Balance at 31 December 2017		**338.5**	**(69.4)**	**483.6**	**475.0**	**(5,213.5)**	**3,557.6**	**-**	**98.3**	**14,353.5**	**11,147.8**	**25,171.4**	**43,020.1**	**68,191.5**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December	Notes	2017 US$m	2016 US$m	2017 HK$m*	2016 HK$m*
Profit before taxation					
From continuing operations		**884.2**	784.1	**6,896.7**	6,116.0
From a discontinued operation		**-**	38.1	**-**	297.2
Adjustments for:					
Finance costs		**386.5**	385.8	**3,014.7**	3,009.2
Depreciation	3	**313.7**	267.6	**2,446.8**	2,087.3
Amortization of intangible assets	3	**107.5**	98.2	**838.5**	766.0
Provisions for impairment losses	3	**58.7**	112.3	**457.9**	875.9
Loss on remeasurement of previously held interests in joint ventures, net	3	**28.2**	-	**220.0**	-
Employee share-based compensation benefit expenses		**9.6**	12.2	**74.9**	95.2
Share of profits less losses of associated companies and joint ventures		**(204.0)**	(224.5)	**(1,591.2)**	(1,751.1)
Interest income		**(55.9)**	(66.6)	**(436.0)**	(519.5)
Preferred share dividend income from a joint venture	3	**(50.4)**	(25.5)	**(393.1)**	(198.9)
Foreign exchange and derivative gains, net		**(28.7)**	(5.3)	**(223.8)**	(41.3)
Gain on remeasurement of a a previously held interest in an associated company	3	**(27.6)**	-	**(215.3)**	-
Gain on divestment of interest in an associated company	3	**(14.5)**	-	**(113.1)**	-
(Reversal of provision)/provision for onerous contracts, net	3	**(2.8)**	0.9	**(21.8)**	7.0
Gain on changes in fair value of biological assets	3	**(2.6)**	(16.4)	**(20.3)**	(127.9)
Gain on sale of property, plant and equipment	3	**(0.6)**	(0.2)	**(4.7)**	(1.6)
Gain on disposal of available-for-sale assets	3	**-**	(2.6)	**-**	(20.3)
Others		**34.3**	(12.5)	**267.5**	(97.5)
		1,435.6	1,345.6	**11,197.7**	10,495.7
Increase in accounts payable, other payables and accruals		**62.0**	39.3	**483.6**	306.5
Decrease/(increase) in accounts receivable, other receivables and prepayments		**41.0**	(28.9)	**319.8**	(225.4)
Increase in other non-current assets		**(15.0)**	(10.7)	**(117.0)**	(83.5)
Increase in inventories		**(124.1)**	(60.0)	**(968.0)**	(468.0)
Net cash generated from operations		**1,399.5**	1,285.3	**10,916.1**	10,025.3
Interest received		**60.8**	60.9	**474.3**	475.0
Interest paid		**(349.1)**	(360.4)	**(2,723.0)**	(2,811.1)
Taxes paid		**(335.1)**	(254.4)	**(2,613.8)**	(1,984.3)
Net cash flows from operating activities		**776.1**	731.4	**6,053.6**	5,704.9
Proceeds from divestment of interests in associated companies		**246.6**	-	**1,923.5**	-
Dividends received from associated companies		**226.2**	243.2	**1,764.4**	1,897.0
Decrease in time deposits with original maturity of more than three months		**123.8**	72.4	**965.6**	564.7
Proceeds from disposal of available-for-sale assets		**88.5**	154.7	**690.3**	1,206.6
Proceeds from redemption of preferred share issued by a joint venture		**69.5**	-	**542.1**	-
Preferred share dividends received from a joint venture		**50.4**	-	**393.1**	-
Proceeds from disposal of property, plant and equipment		**6.5**	5.9	**50.7**	46.0
Dividends received from available-for-sale assets		**5.9**	5.4	**46.0**	42.1
Disposal of subsidiary companies		**0.9**	-	**7.0**	-
Purchases of property, plant and equipment		**(614.1)**	(319.5)	**(4,790.0)**	(2,492.1)
Investments in intangible assets		**(448.5)**	(374.6)	**(3,498.3)**	(2,921.9)
Investments in associated companies		**(208.4)**	-	**(1,625.5)**	-
Acquisitions of subsidiary companies		**(116.5)**	(60.1)	**(908.7)**	(468.8)
Increased investments in joint ventures		**(42.2)**	(235.2)	**(329.2)**	(1,834.6)
Advances to an associated company		**(37.3)**	-	**(290.9)**	-
Acquisitions of available-for-sale assets		**(20.8)**	(183.7)	**(162.2)**	(1,432.8)
Advances to a joint venture		**(7.3)**	-	**(56.9)**	-
Acquisition of a business		**(4.0)**	(46.1)	**(31.2)**	(359.6)
Increased investments in associated companies		**(3.4)**	(111.8)	**(26.5)**	(872.0)
Increase in pledged deposits and restricted cash		**(2.6)**	(0.4)	**(20.3)**	(3.1)
Investments in joint ventures		**(0.6)**	-	**(4.7)**	-
Investments in biological assets		**(0.4)**	(2.6)	**(3.1)**	(20.3)
Disposal of a disposal group classified as held for sale		**-**	258.7	**-**	2,017.9
Increased investments in preferred shares issued by a joint venture		**-**	(194.8)	**-**	(1,519.4)
Net cash flows used in investing activities		**(687.8)**	(788.5)	**(5,364.8)**	(6,150.3)
Proceeds from new borrowings		**2,884.7**	1,994.0	**22,500.7**	15,553.2
Proceeds from the issue of shares under a long-term incentive plan		**38.2**	8.4	**298.0**	65.5
Capital contributions from non-controlling shareholders		**15.8**	24.8	**123.2**	193.4
Proceeds from shares issued to non-controlling shareholders by subsidiary companies		**1.3**	463.4	**10.1**	3,614.5
Borrowings repaid		**(2,343.6)**	(2,148.9)	**(18,280.1)**	(16,761.4)
Dividends paid to non-controlling shareholders by subsidiary companies		**(203.9)**	(164.6)	**(1,590.4)**	(1,283.9)
Distributions/dividends paid to shareholders		**(74.8)**	(74.2)	**(583.5)**	(578.8)
Payments for concession fees payable		**(20.0)**	(25.4)	**(156.0)**	(198.1)
Payments for purchase and subscription of shares under a long-term incentive plan		**(5.9)**	(7.5)	**(46.0)**	(58.5)
Proceeds from divestment of interest in a subsidiary company		**-**	168.6	**-**	1,315.1
Repurchase of subsidiary companies' shares		**-**	(3.5)	**-**	(27.3)
Increased investments in subsidiary companies		**-**	(0.6)	**-**	(4.6)
Net cash flows from financing activities		**291.8**	234.5	**2,276.0**	1,829.1
Net increase in cash and cash equivalents		**380.1**	177.4	**2,964.8**	1,383.7
Cash and cash equivalents at 1 January		**1,611.2**	1,450.0	**12,567.4**	11,310.0
Exchange translation		**(4.0)**	(16.2)	**(31.2)**	(126.3)
Cash and cash equivalents at 31 December		**1,987.3**	1,611.2	**15,501.0**	12,567.4
Representing					
Cash and cash equivalents and short-term deposits as stated in the consolidated statement of financial position		**2,157.2**	1,691.9	**16,826.2**	13,196.8
Less short-term deposits and time deposits with original maturity of more than three months		**(169.9)**	(80.7)	**(1,325.2)**	(629.4)
Cash and cash equivalents at 31 December		**1,987.3**	1,611.2	**15,501.0**	12,567.4

Notes:

1. **Impact of revised Hong Kong Financial Reporting Standards (HKFRSs)**

During 2017, the Group has adopted the following revised HKFRSs effective for annual periods commencing on or after 1 January 2017 issued by the HKICPA:

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

The Group's adoption of the above pronouncements has had no effect on both the profit attributable to owners of the parent for the years ended 31 December 2017 and 2016 and the equity attributable to owners of the parent at 31 December 2017 and 31 December 2016. However, additional disclosure has been included in the consolidated financial statements to satisfy the new disclosure requirements introduced by HKAS 7 Amendments, which require entities to provide disclosures that enable users of financial statements to evaluate the changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

2. **Turnover and operating segmental information**

For the year ended 31 December	**2017 US$m**	2016 US$m	**2017 HK$m***	2016 HK$m*
Turnover				
Sale of goods	**5,456.5**	5,246.7	**42,560.7**	40,924.3
Sale of electricity	**565.4**	575.3	**4,410.1**	4,487.3
Rendering of services	**1,274.9**	957.0	**9,944.2**	7,464.6
Total	**7,296.8**	6,779.0	**56,915.0**	52,876.2

Operating segmental information

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

The Board of Directors considers the business of the Group from both product or service and geographical perspectives. From the product or service perspective, the Group's business interests are divided into four main segments, which are consumer food products, telecommunications, infrastructure and natural resources. Geographically, the Board of Directors considers the businesses of the Group are operating in the Indonesia, Philippines, Australasia and Singapore and the turnover information of continuing operations is based on the locations of the customers.

The Board of Directors assesses the performance of the operating segments based on a measure of recurring profit. This basis measures the profit attributable to owners of the parent excluding the effects of foreign exchange and derivative gains/losses, gain/loss on changes in fair value of biological assets and non-recurring items. Non-recurring items represent certain items, through occurrence or size, which are not considered as usual operating items. The amounts provided to the Board of Directors with respect to total assets and liabilities are measured in a manner consistent with that of the consolidated financial statements. These assets and liabilities are allocated based on the operations of the segment and the physical location of the assets.

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

By Principal Business Activity - 2017

For the year ended/at 31 December	Consumer Food Products US$m	Telecommunications US$m	Infrastructure US$m	Natural Resources US$m	Head Office US$m	**2017 Total US$m**	**2017 Total HK$m***
Revenue							
Turnover	5,490.6	-	1,806.2	-	-	**7,296.8**	**56,915.0**
Results							
Recurring profit	175.7	124.8	107.3	12.7	(120.5)	**300.0**	**2,340.0**
Assets and Liabilities							
Non-current assets (other than financial instruments and deferred tax assets)							
- Associated companies and joint ventures	651.1	1,163.9	2,969.9	418.3	-	**5,203.2**	**40,585.0**
- Others	4,066.6	-	6,392.7	-	11.1	**10,470.4**	**81,669.1**
	4,717.7	1,163.9	9,362.6	418.3	11.1	**15,673.6**	**122,254.1**
Other assets	2,947.2	-	1,738.1	-	95.6	**4,780.9**	**37,291.0**
Total assets	7,664.9	1,163.9	11,100.7	418.3	106.7	**20,454.5**	**159,545.1**
Borrowings	2,004.1	-	4,353.1	-	1,612.5	**7,969.7**	**62,163.7**
Other liabilities	1,395.5	-	2,213.2	-	133.6	**3,742.3**	**29,189.9**
Total liabilities	3,399.6	-	6,566.3	-	1,746.1	**11,712.0**	**91,353.6**
Other Information - Continuing Operations							
Depreciation and amortization	(247.8)	-	(174.8)	-	(8.2)	**(430.8)**	**(3,360.2)**
Gain on changes in fair value of biological assets	2.6	-	-	-	-	**2.6**	**20.3**
Impairment losses	(38.7)	-	(17.4)	-	(2.6)	**(58.7)**	**(457.9)**
Interest income	37.5	-	12.4	-	6.0	**55.9**	**436.0**
Finance costs	(113.5)	-	(189.3)	-	(83.7)	**(386.5)**	**(3,014.7)**
Share of profits less losses of associated companies and joint ventures	(8.1)	55.7	145.5	10.9	-	**204.0**	**1,591.2**
Taxation	(211.1)	-	(100.5)	-	(11.3)	**(322.9)**	**(2,518.6)**
Additions to non-current assets (other than financial instruments and deferred tax assets)	584.6	-	2,606.9	-	0.8	**3,192.3**	**24,899.9**

By Geographical Market - 2017

For the year ended/at 31 December	Indonesia US$m	The Philippines US$m	Australasia US$m	Singapore US$m	Others US$m	**2017 Total US$m**	**2017 Total HK$m***
Revenue							
Turnover	4,823.2	1,508.5	12.8	583.3	369.0	**7,296.8**	**56,915.0**
Assets							
Non-current assets (other than financial instruments and deferred tax assets)	3,431.0	10,459.5	543.5	1,175.5	64.1	**15,673.6**	**122,254.1**

By principal business activity - 2016

For the year ended/at 31 December	Consumer Food Products US$m	Telecommunications US$m	Infrastructure US$m	Natural Resources US$m	Head Office US$m	2016 Total US$m	2016 Total HK$m*
Revenue							
Turnover	5,263.5	-	1,515.5	-	-	6,779.0	52,876.2
Results							
Recurring profit	159.0	127.7	103.3	10.2	(135.3)	264.9	2,066.2
Assets and Liabilities							
Non-current assets (other than financial instruments and deferred tax assets)							
- Associated companies and joint ventures	629.2	1,185.0	2,515.5	411.8	-	4,741.5	36,983.7
- Others	3,823.7	-	4,659.3	-	15.1	8,498.1	66,285.2
	4,452.9	1,185.0	7,174.8	411.8	15.1	13,239.6	103,268.9
Other assets	2,821.5	-	895.3	-	259.0	3,975.8	31,011.2
Total assets	7,274.4	1,185.0	8,070.1	411.8	274.1	17,215.4	134,280.1
Borrowings	1,876.0	-	2,472.9	-	1,759.5	6,108.4	47,645.5
Other liabilities	1,312.2	-	1,643.7	-	116.8	3,072.7	23,967.1
Total liabilities	3,188.2	-	4,116.6	-	1,876.3	9,181.1	71,612.6
Other information - continuing operations							
Depreciation and amortization	(229.5)	-	(136.2)	-	(12.3)	(378.0)	(2,948.4)
Gain on changes in fair value of biological assets	16.4	-	-	-	-	16.4	127.9
Impairment losses	(20.2)	-	(92.1)	-	-	(112.3)	(875.9)
Interest income	40.9	-	8.7	-	6.7	56.3	439.1
Finance costs	(125.8)	-	(141.5)	-	(98.9)	(366.2)	(2,856.4)
Share of profits less losses of associated companies and joint ventures	7.6	93.2	152.9	(29.2)	-	224.5	1,751.1
Taxation	(190.0)	-	(84.0)	-	(12.3)	(286.3)	(2,233.2)
Additions to non-current assets (other than financial instruments and deferred tax assets)	268.7	-	890.5	-	0.1	1,159.3	9,042.5

By geographical market - 2016

For the year ended/at 31 December	Indonesia US$m	The Philippines US$m	Australasia US$m	Singapore US$m	Others US$m	2016 Total US$m	2016 Total HK$m*
Revenue							
Turnover	4,623.5	1,209.6	13.5	591.3	341.1	6,779.0	52,876.2
Assets							
Non-current assets (other than financial instruments and deferred tax assets)	3,265.6	8,329.9	514.4	1,053.6	76.1	13,239.6	103,268.9

There are no revenue transactions with a single customer that accounted for 10% or more of the Group's consolidated revenues during the year (2016: None).

3. **Profit before taxation from continuing operations**

For the year ended 31 December	**2017 US$m**	2016 US$m	**2017 HK$m***	2016 HK$m*
Profit before taxation from continuing operations is stated after (charging)/crediting				
Cost of inventories sold	**(2,860.3)**	(2,853.5)	**(22,310.3)**	(22,257.3)
Employees' remuneration	**(808.5)**	(750.0)	**(6,306.3)**	(5,850.0)
Cost of services rendered	**(568.4)**	(333.2)	**(4,433.5)**	(2,599.0)
Depreciation	**(313.7)**	(267.6)	**(2,446.8)**	(2,087.3)
Amortization of intangible assets[(i)]	**(107.5)**	(98.2)	**(838.5)**	(766.0)
Loss on remeasurement of previously held interests in joint ventures, net	**(28.2)**	-	**(220.0)**	-
Impairment losses				
- Other intangible assets[(ii)]	**(27.4)**	(12.4)	**(213.7)**	(96.7)
- Associated companies and joint ventures[(ii)]	**(11.3)**	(16.2)	**(88.2)**	(126.4)
- Inventories[(iii)]	**(7.1)**	(5.4)	**(55.4)**	(42.1)
- Goodwill[(ii)]	**(7.0)**	(66.1)	**(54.6)**	(515.6)
- Available-for-sale assets[(ii)]	**(3.1)**	-	**(24.2)**	-
- Accounts receivable[(iv)]	**(2.8)**	(2.3)	**(21.8)**	(17.9)
- Other non-current assets[(ii)]	**-**	(9.9)	**-**	(77.2)
Operating lease rentals				
- Hire of plant and equipment	**(20.1)**	(10.1)	**(156.8)**	(78.8)
- Land and buildings	**(18.8)**	(12.2)	**(146.6)**	(95.2)
- Others	**(10.4)**	(3.5)	**(81.1)**	(27.3)
Auditor's remuneration				
- Audit services	**(4.1)**	(4.1)	**(32.0)**	(32.0)
- Non-audit services[(v)]	**(0.7)**	(0.3)	**(5.5)**	(2.3)
Preferred share dividend income from a joint venture	**50.4**	25.5	**393.1**	198.9
Foreign exchange and derivative gains, net	**28.7**	8.0	**223.8**	62.4
Gain on remeasurement of a previously held interest in an associated company	**27.6**	-	**215.3**	-
Gain on divestment of interest in an associated company	**14.5**	-	**113.1**	-
Dividends income from available-for-sale assets	**4.7**	5.4	**36.7**	42.1
Reversal of provision/(provision) for onerous contracts, net	**2.8**	(0.9)	**21.8**	(7.0)
Gain on changes in fair value of biological assets	**2.6**	16.4	**20.3**	127.9
Gain on sale of property, plant and equipment	**0.6**	0.2	**4.7**	1.6
Gain on disposal of available-for-sale assets	**-**	2.6	**-**	20.3

(i) US$80.3 million (HK$626.3 million) (2016: US$78.1 million or HK$609.2 million) included in cost of sales, US$14.5 million (HK$113.1 million) (2016: US$14.6 million or HK$113.9 million) included in other operating income/(expenses), net and US$12.7 million (HK$99.1 million) (2016: US$5.5 million or HK$42.9 million) included in administrative expenses

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

(iii) Included in cost of sales

(iv) Included in selling and distribution expenses

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

4. **Taxation**

No Hong Kong profits tax (2016: Nil) has been provided as the Group had no estimated assessable profits (2016: Nil) arising in Hong Kong for the 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	2017 US$m	2016 US$m	2017 HK$m*	2016 HK$m*
Subsidiary companies - overseas				
Current taxation	**305.6**	289.4	**2,383.7**	2,257.3
Deferred taxation	**17.3**	(3.1)	**134.9**	(24.1)
Total	**322.9**	286.3	**2,518.6**	2,233.2

Included within the share of profits less losses of associated companies and joint ventures is taxation of US$99.1 million (HK$773.0 million) (2016: US$90.5 million or HK$705.9 million) which is analyzed as follows.

For the year ended 31 December	2017 US$m	2016 US$m	2017 HK$m*	2016 HK$m*
Associated companies and joint ventures - overseas				
Current taxation	**131.2**	138.9	**1,023.4**	1,083.4
Deferred taxation	**(32.1)**	(48.4)	**(250.4)**	(377.5)
Total	**99.1**	90.5	**773.0**	705.9

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

The profit attributable to owners of the parent includes US$16.4 million (HK$127.9 million) of net foreign exchange and derivative gains (2016: US$9.1 million or HK$71.0 million of losses), which represent the foreign exchange translation differences on the Group's unhedged foreign currency denominated net borrowings and payables and the changes in the fair values of derivatives, US$0.1 million (HK$0.8 million) (2016: US$2.6 million or HK$20.3 million) of gain on changes in fair value of biological assets and US$195.6 million (HK$1,525.7 million) (2016: US$155.2 million or HK$1,210.6 million) of net non-recurring losses.

Analysis of foreign exchange and derivative gains/(losses), net

For the year ended 31 December	2017 US$m	2016 US$m	2017 HK$m*	2016 HK$m*
Foreign exchange and derivative gains/(losses)				
- Subsidiary companies	**28.7**	5.3	**223.8**	41.3
- Associated companies and joint ventures	**6.1**	0.1	**47.6**	0.8
Subtotal	**34.8**	5.4	**271.4**	42.1
Attributable to taxation and non-controlling interests	**(18.4)**	(14.5)	**(143.5)**	(113.1)
Total	**16.4**	(9.1)	**127.9**	(71.0)

The non-recurring losses represent certain items, through occurrence or size, which are not considered as usual operating items. 2017's non-recurring losses of US$195.6 million (HK$1,525.7 million) mainly represent the Group's impairment provisions for assets, including PLDT's wireless network assets (US$15.9 million or HK$124.0 million) and accelerated depreciation for wireless network assets (US$44.1 million or HK$344.0 million), Goodman Fielder's intangible assets (US$14.2 million or HK$110.8 million), the Group's investments in AF Payments, Inc. ("AFPI") (US$6.5 million or HK$50.7 million) and Indofood's intangible assets in the Beverages business (US$6.4 million or HK$49.9 million), Goodman Fielder's manufacturing network optimization costs (US$15.2 million or HK$118.6 million), Head Office's bond tender and debt refinancing costs (US$14.9 million or HK$116.2 million) and MPIC's loss on remeasurement of its previously held 75.0% interest in Beacon Electric Assets Holdings Inc. ("Beacon Electric") (US$13.5 million or HK$105.3 million), partly offset by MPIC's gain on remeasurement of its previously held 60.0% interest in Tollways Management Corporation ("TMC") (US$11.9 million or HK$92.8 million) and its divestment of a 4.5% direct interest in Manila Electric Company ("Meralco") (US$6.1 million or HK$47.6 million). 2016's non-recurring losses of US$155.2 million (HK$1,210.6 million) mainly represent the Group's impairment provisions for assets, including FPM Power's goodwill related to its investments in PLP (US$44.8 million or HK$349.4 million), PLDT's investment in Rocket Internet shares and other intangible assets (US$35.4 million or HK$276.1 million), Philex's deferred exploration costs and other assets (US$31.4 million or HK$244.9 million) and MPIC's investments in Landco Pacific Corporation (US$6.8 million or HK$53.0 million), PLP's provision for onerous contracts (US$6.0 million or HK$46.8 million) and MPIC's project expenses (US$3.8 million or HK$29.6 million).

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

The calculation of the basic earnings per share amounts is based on the profit for the year attributable to owners of the parent, and the weighted average number of ordinary shares of 4,320.2 million (2016: 4,275.8 million) in issue less shares held for a share award scheme of 9.6 million (2016: 9.3 million) during the year.

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

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

	2017 US$m	2016 US$m	**2017 HK$m***	2016 HK$m*
Earnings				
Profit attributable to owners of the parent used in the basic earnings per share calculation				
- From continuing operations	**120.9**	95.9	**943.0**	748.0
- From a discontinued operation	**-**	7.3	**-**	57.0
	120.9	103.2	**943.0**	805.0
Less: Dilutive impact in respect of the exercise of share options issued by the Group's subsidiary companies and the restricted stock unit plan of a subsidiary company	**(0.1)**	(0.1)	**(0.8)**	(0.8)
Profit attributable to owners of the parent used in the diluted earnings per share calculation	**120.8**	103.1	**942.2**	804.2
Attributable to:				
- Continuing operations	**120.8**	95.8	**942.2**	747.2
- A discontinued operation	**-**	7.3	**-**	57.0
	120.8	103.1	**942.2**	804.2

Millions	Number of shares **2017**	2016
Shares		
Weighted average number of ordinary shares issued during the year	**4,320.2**	4,275.8
Less: Weighted average number of ordinary shares held for a share award scheme	**(9.6)**	(9.3)
Weighted average number of ordinary shares used in the basic earnings per share calculation	**4,310.6**	4,266.5
Add: Dilutive impact of share options on the weighted average number of ordinary shares	**0.7**	5.4
Weighted average number of ordinary shares used in the diluted earnings per share calculation	**4,311.3**	4,271.9

7. **Ordinary share distribution**

	Per ordinary share				**Total**			
For the year ended 31 December	**2017 US¢**	2016 US¢	**2017 HK¢***	2016 HK¢*	**2017 US$m**	2016 US$m	**2017 HK$m***	2016 HK$m*
Interim	**1.03**	1.03	**8.00**	8.00	**44.3**	44.0	**345.6**	343.2
Proposed final	**0.71**	0.71	**5.50**	5.50	**30.8**	30.5	**240.2**	237.9
Total	**1.74**	1.74	**13.50**	13.50	**75.1**	74.5	**585.8**	581.1

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

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

Included in accounts receivable, other receivables and prepayments are accounts receivable of US$656.2 million (HK$5,118.4 million) (2016: US$523.4 million or HK$4,082.5 million), with an ageing profile based on invoice date as below.

At 31 December	**2017 US$m**	2016 US$m	**2017 HK$m***	2016 HK$m*
0 to 30 days	**559.5**	466.4	**4,364.1**	3,637.9
31 to 60 days	**44.5**	19.3	**347.1**	150.6
61 to 90 days	**15.2**	9.3	**118.6**	72.5
Over 90 days	**37.0**	28.4	**288.6**	221.5
Total	**656.2**	523.4	**5,118.4**	4,082.5

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

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

Included in accounts payable, other payables and accruals are accounts payable of US$462.5 million (HK$3,607.5 million) (2016: US$370.0 million or HK$2,886.0 million), with an ageing profile based on invoice date as below.

At 31 December	2017 US$m	2016 US$m	2017 HK$m*	2016 HK$m*
0 to 30 days	**410.9**	330.5	**3,205.0**	2,577.9
31 to 60 days	**12.3**	10.0	**96.0**	78.0
61 to 90 days	**7.4**	8.1	**57.7**	63.2
Over 90 days	**31.9**	21.4	**248.8**	166.9
Total	**462.5**	370.0	**3,607.5**	2,886.0

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

	Exchange reserve US$m	Unrealized gains/ (losses) on available-for-sale assets US$m	Unrealized (losses)/ gains on cash flow hedges US$m	Income tax related to cash flow hedges US$m	Actuarial losses on defined benefit pension plans US$m	Share of other comprehensive (loss)/ income of associated companies and joint ventures US$m	Total US$m	Total HK$m*
Balance at 1 January 2016	(511.7)	52.3	(32.6)	5.0	(17.5)	(118.7)	(623.2)	(4,860.9)
Other comprehensive (loss)/income for the year	(101.9)	(7.2)	41.6	(7.2)	-	0.7	(74.0)	(577.2)
Recycled to retained earnings	-	-	-	-	-	(1.3)	(1.3)	(10.2)
Acquisition, divestment and dilution of interests in subsidiary companies	9.9	-	-	-	-	(1.6)	8.3	64.7
Balance at 31 December 2016	(603.7)	45.1	9.0	(2.2)	(17.5)	(120.9)	(690.2)	(5,383.6)
Balance at 1 January 2017	(603.7)	45.1	9.0	(2.2)	(17.5)	(120.9)	**(690.2)**	**(5,383.6)**
Other comprehensive income/(loss) for the year	15.1	14.8	(5.2)	0.9	(9.8)	9.0	**24.8**	**193.5**
Recycled to retained earnings	-	-	-	-	-	(3.0)	**(3.0)**	**(23.4)**
Balance at 31 December 2017	**(588.6)**	**59.9**	**3.8**	**(1.3)**	**(27.3)**	**(114.9)**	**(668.4)**	**(5,213.5)**

11. **Contingent liabilities**

(a) At 31 December 2017, except for US$53.1 million (HK$414.2 million) (2016: US$59.9 million or HK$467.2 million) of guarantees given by Indofood for loan facilities obtained by certain plantation farmers in relation to arrangements for those farmers' production and sale of fresh fruit bunches to Indofood, the Group had no significant contingent liabilities (2016: Nil).

(b) In Wilson P. Gamboa vs. Finance Secretary Margarito B. Teves, et. al. (G.R. No. 176579) (the "Gamboa Case"), the Supreme Court of the Philippines (the "Court") held the term "capital" in Section 11, Article XII of the 1987 Constitution refers only to "shares of stock entitled to vote in the election of directors" and thus only to voting common shares, and not to the "total outstanding capital stock (common and non-voting preferred shares)". It directed the Philippine Securities and Exchange Commission ("SEC") "to apply this definition of the term 'capital' in determining the extent of allowable foreign ownership in PLDT, and if there is a violation of Section 11, Article XII of the Constitution, to impose the appropriate sanctions under the law." On 9 October 2012, the Court issued a Resolution denying with finality all Motions for Reconsideration of the respondents. The Court decision became final and executory on 18 October 2012.

On 20 May, 2013, the Philippine SEC issued SEC Memorandum Circular No. 8, Series of 2013 - Guidelines on Compliance with the Filipino-Foreign Ownership Requirements Prescribed in the Constitution and/or Existing Laws by Corporations Engaged in Nationalized and Partly-Nationalized Activities, or MC No. 8, which provides that the required percentage of Filipino ownership shall be applied to BOTH (a) the total number of outstanding shares of stock entitled to vote in the election of directors; AND (b) the total number of outstanding shares of stock, whether or not entitled to vote in the election of directors.

On 10 June, 2013, Jose M. Roy III filed before the Court a Petition for Certiorari against the Philippine SEC, Philippine SEC Chairman and PLDT, or the Petition, claiming: (1) that MC No. 8 violates the decision of the Court in the Gamboa Case, which according to the Petitioner required that (a) the 60-40 ownership requirement be imposed on "each class of shares" and (b) Filipinos must have full beneficial ownership of 60% of the outstanding capital stock of those corporations subject to that 60-40 Filipino-foreign ownership requirement; and (2) that the PLDT Beneficial Trust Fund is not a Filipino-owned entity and consequently, the corporations owned by PLDT Beneficial Trust Fund, including BTF Holdings, Inc. ("BTFHI"), which owns 150 million voting preferred shares in PLDT, cannot be considered a Filipino-owned corporation. PLDT and Philippine SEC sought the dismissal of the Petition.

In 16 July, 2013, Wilson C. Gamboa, Jr. et. al. filed a Motion for Leave to file a Petition-in-Intervention dated 16 July, 2013, which the Court granted on 6 August, 2013. The Petition-in-Intervention raised identical arguments and issues as those in the Petition.

The Court, in its 22 November 2016 decision, dismissed the Petition and upheld the validity of SEC Memorandum Circular No. 8, Series of 2013, dated 20 May 2013, or MC No. 8. In the course of discussing the Petition, the Court expressly rejected petitioners' argument that the 60% Filipino ownership requirement for public utilities must be applied to each class of shares. According to the Court, the position is "simply beyond the literal text and contemplation of Section 11, Article XII of the 1987 Constitution" and that the petitioners' suggestion would "effectively and unwarrantedly amend or change" the Court's ruling in Gamboa. In categorically rejecting the petitioners' claim, the Court declared and stressed that its Gamboa ruling "did NOT make any definitive ruling that the 60% Filipino ownership requirement was intended to apply to each class of shares." On the contrary, according to the Court, "nowhere in the discussion of the term 'capital' in Section 11, Article XII of the 1987 Constitution in the Gamboa Decision did the Court mention the 60% Filipino equity requirement to be applied to each class of shares."

In respect of ensuring Filipino ownership and control of public utilities, the Court noted that this is already achieved by the requirements under MC No. 8. According to the Court, "since Filipinos own at least 60% of the outstanding shares of stock entitled to vote directors, which is what the Constitution precisely requires, then the Filipino stockholders control the corporation – i.e., they dictate corporate actions and decisions…"

The Court further noted that the application of the Filipino ownership requirement as proposed by petitioners "fails to understand and appreciate the nature and features of stocks and financial instruments" and would "greatly erode" a corporation's "access to capital – which a stock corporation may need for expansion, debt relief/repayment, working capital requirement and other corporate pursuits." The Court reaffirmed that "stock corporations are allowed to create shares of different classes with varying features" and that this "is a flexibility that is granted, among others, for the corporation to attract and generate capital (funds) from both local and foreign capital markets" and that "this access to capital – which a stock corporation may need for expansion, debt relief/repayment, working capital requirement and other corporate pursuits – will be greatly eroded with further unwarranted limitations that are not articulated in the Constitution." The Court added that "the intricacies and delicate balance between debt instruments (liabilities) and equity (capital) that stock corporations need to calibrate to fund their business requirements and achieve their financial targets are better left to the judgment of their boards and officers, whose bounden duty is to steer their companies to financial stability and profitability and who are ultimately answerable to their shareholders."

The Court went on to say that "a too restrictive definition of 'capital', one that was never contemplated in the Gamboa Decision, will surely have a dampening effect on the business milieu by eroding the flexibility inherent in the issuance of preferred shares with varying terms and conditions. Consequently, the rights and prerogatives of the owners of the corporation will be unwarrantedly stymied." Accordingly, the Court said that the petitioners' "restrictive interpretation of the term 'capital' would have a tremendous adverse impact on the country as a whole – and to all Filipinos."

Petitioner Jose M. Roy III filed a Motion for Reconsideration of the Court Decision dated 22 November 2016. On 18 April 2017, the Court denied with finality Petitioner's Motion for Reconsideration.

12. **Employee information**

For the year ended 31 December	**2017 US$m**	2016 US$m	**2017 HK$m***	2016 HK$m*
Employees' remuneration (including Directors' remuneration)	**808.5**	778.1	**6,306.3**	6,069.2

Number of employees	**2017**	2016
At 31 December	**102,530**	94,189
Average for the year	**99,879**	93,952

13. **Approval of the consolidated financial statements**

The audited consolidated financial statements of the Company were approved and authorized for issue by the Board of Directors on 20 March 2018.

* *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

First Pacific

Below is an analysis of results by individual company.

Contribution and profit summary

For the year ended 31 December US$ millions	Turnover **2017**	 2016	Contribution to Group profit[(i)] **2017**	 2016
Indofood	**5,237.5**	5,010.5	**148.0**	137.9
PLDT[(ii)]	**-**	-	**124.8**	127.7
MPIC	**1,240.8**	940.2	**118.3**	117.2
FPW[(iii)]	**-**	-	**30.3**	24.0
Philex[(ii)]	**-**	-	**12.7**	10.2
FPM Power	**565.4**	575.3	**(11.0)**	(13.9)
FP Natural Resources	**253.1**	253.0	**(2.6)**	(2.9)
Contribution from operations[(iv)]	**7,296.8**	6,779.0	**420.5**	400.2
Head Office items:				
- Corporate overhead			**(27.1)**	(28.4)
- Net interest expense			**(80.9)**	(95.7)
- Other expenses			**(12.5)**	(11.2)
Recurring profit[(v)]			**300.0**	264.9
Foreign exchange and derivative gains/(losses)[(vi)]			**16.4**	(9.1)
Gain on changes in fair value of biological assets			**0.1**	2.6
Non-recurring items[(vii)]			**(195.6)**	(155.2)
Profit attributable to owners of the parent			**120.9**	103.2

(i) After taxation and non-controlling interests, where appropriate.
(ii) Associated companies.
(iii) Joint venture.
(iv) Contribution from operations represents the recurring profit contributed to the Group by its operating companies.
(v) Recurring profit represents the profit attributable to owners of the parent excluding the effects of foreign exchange and derivative gains/losses, gain on changes in fair value of biological assets and non-recurring items.
(vi) Foreign exchange and derivative gains/losses represent the gains/losses on foreign exchange translation differences on the Group's unhedged foreign currency denominated net borrowings and payables and the changes in the fair values of derivatives.
(vii) Non-recurring items represent certain items, through occurrence or size, which are not considered as usual operating items. 2017's non-recurring losses of US$195.6 million mainly represent the Group's impairment provisions for assets, including PLDT's wireless network assets (US$15.9 million) and additional depreciation for wireless network assets (US$44.1 million), Goodman Fielder's intangible assets (US$14.2 million), the Group's investments in AFPI (US$6.5 million) and Indofood's intangible assets in the Beverages business (US$6.4 million), Goodman Fielder's manufacturing network optimization costs (US$15.2 million), Head Office's bond tender and debt refinancing costs (US$14.9 million) and MPIC's loss on remeasurement of its previously held 75.0% interest in Beacon Electric (US$13.5 million), partly offset by MPIC's gain on remeasurement of previously held 60.0% interest in TMC (US$11.9 million) and its divestment of a 4.5% direct interest in Meralco (US$6.1 million). 2016's non-recurring losses of US$155.2 million mainly represent the Group's impairment provisions for assets, including FPM Power's goodwill related to its investment in PLP (US$44.8 million), PLDT's investment in Rocket Internet shares and other intangible assets (US$35.4 million), Philex's deferred exploration costs and other assets (US$31.4 million) and MPIC's investment in Landco (US$6.8 million), PLP's provision for onerous contracts (US$6.0 million) and MPIC's project expenses (US$3.8 million).

Turnover up 8% to US$7.3 billion from US$6.8 billion

- reflecting higher revenues at Indofood and MPIC
- partly offset by lower revenues at FPM Power

Recurring profit up 13% to US$300.0 million from US$264.9 million

- reflecting higher contributions from Indofood, FPW, Philex and MPIC, and lower losses at FPM Power and FP Natural Resources
- lower Head Office net interest expense and corporate overhead
- partly offset by a lower contribution from PLDT

Non-recurring losses up 26% to US$195.6 million from US$155.2 million

- reflecting PLDT's additional depreciation and impairment provision for its wireless network assets
- Goodman Fielder's costs for optimizing its manufacturing network
- Head Office's bond tender and debt refinancing costs
- MPIC's loss on remeasurement of its previously held 75.0% interest in Beacon Electric upon the acquisition of control and project expenses
- Indofood's impairment provision for intangible assets in the Beverages business
- partly offset by MPIC's gain on remeasurement of previously held 60.0% interest in TMC and its divestment of a 4.5% direct interest in Meralco

Reported profit up 17% to US$120.9 million from US$103.2 million

- reflecting a higher recurring profit
- foreign exchange and derivative gains while it was foreign exchange and derivative losses in 2016
- partly offset by higher non-recurring losses

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

Closing exchange rates against the U.S. dollar			
At 31 December	**2017**	2016	One year change
Rupiah	**13,548**	13,436	-0.8%
Peso	**49.93**	49.72	-0.4%
A$	**1.281**	1.389	+8.4%
S$	**1.336**	1.447	+8.3%

Average exchange rates against the U.S. dollar			
For the year ended 31 December	**2017**	2016	One year change
Rupiah	**13,401**	13,322	-0.6%
Peso	**50.38**	47.67	-5.4%
A$	**1.301**	1.347	+3.5%
S$	**1.374**	1.382	+0.6%

During 2017, the Group recorded net foreign exchange and derivative gains of US$16.4 million (2016: US$9.1 million of losses), which can be further analyzed as follows:

US$ millions	**2017**	2016
Head Office	**(1.3)**	(8.3)
Indofood	**2.2**	6.2
PLDT	**0.6**	(6.3)
MPIC	**1.8**	1.9
FPW	**0.6**	0.4
Philex	**(0.3)**	(1.0)
FPM Power	**12.8**	(2.2)
FP Natural Resources	**-**	0.2
Total	**16.4**	(9.1)

Capital Management

Distribution

First Pacific's Board of Directors, taking into consideration cash flow trends and following consistent prudent risk management practices, declared a final distribution of HK5.5 cents (U.S. 0.71 cent) per share which brings the total distributions for 2017 to HK13.5 cents (U.S. 1.74 cents), unchanged from a year earlier. The total distribution represent a 25% payout of the Group's 2017 recurring profit attributable to shareholders, in line with a payout ratio commitment of 25%.

Debt Profile

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

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

In addition, during 2017 First Pacific bought back and cancelled approximately US$34.0 million in aggregate principal amount of bonds due 2019 and 2023.

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

At 31 December 2017, net debt at the Head Office stood at approximately US$1.5 billion while gross debt stood at approximately US$1.6 billion with an average maturity of approximately 3.6 years. Approximately 36% of the Head Office borrowings were floating rate bank loans while fixed rate bonds comprised the remainder. Unsecured debts accounted for approximately 81% of Head Office borrowings. The blended interest rate declined to approximately 4.5% per annum.

As at 20 March 2018, the principal amount of the following bonds remains outstanding:

- US$374.5 million at 6.0% coupon with maturity on 28 June 2019
- US$312.2 million at 6.375% coupon with maturity on 28 September 2020
- US$358.8 million at 4.5% coupon with maturity on 16 April 2023

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

Interest Cover

For 2017, Head Office recurring operating cash inflow before interest expense was US$159.0 million. Net cash interest expense declined 21% to US$72.4 million reflecting a lower average debt balance arising from bond repurchases and redemption, and a lower average interest rate. For the 12 months ended 31 December 2017, the cash interest cover was approximately 2.2 times.

Foreign Currency Hedging

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

2018 Outlook

The improved financial and operating results seen in 2017 are helping to lay the groundwork for further improvement going forward. Lower borrowings and interest costs are strengthening First Pacific's balance sheet and cash flow going forward, even as Management presses on with its ambition to streamline First Pacific's portfolio of investments with a view to further improving returns and releasing funds to direct towards further debt reduction and share repurchases to boost shareholder returns.

First Pacific Management is confident that continuing growth in the markets served by Indofood, MPIC and Goodman Fielder will help lift earnings at these businesses even as they invest for growth. PLDT is beginning to reap the benefits of its five-year Pesos 260 billion capital expenditure program and the quarter-on-quarter improvements we have seen in 2017 signal better prospects just ahead.

Indofood

Indofood's contribution to the Group increased 7% to US$148.0 million (2016: US$137.9 million) principally reflecting higher core net income.

Core net income up 8% to Rupiah 4.3 trillion (US$320.7 million) from Rupiah 4.0 trillion (US$299.4 million)	▪ reflecting stronger performance of Consumer Branded Products ("CBP") group ▪ partly offset by weaker performance of Bogasari and Agribusiness groups and the absence of contribution from China Minzhong Food Corporation Limited ("CMZ")
Net income to Rupiah 4.2 trillion (US$311.1 million) from Rupiah 4.1 trillion (US$311.1 million)	▪ reflecting the increase in core net income ▪ partly offset by impairment provisions made for beverage assets
Consolidated net sales up 5% to Rupiah 70.2 trillion (US$5.2 billion) from Rupiah 66.8 trillion (US$5.0 billion)	▪ driven by higher sales of all business groups ▪ sales contribution from CBP, Bogasari, Agribusiness and Distribution groups amounted to 50%, 22%, 20% and 8% of the total, respectively
Gross profit margin to 28.3% from 29.0%	▪ reflecting higher cost of goods sold
Consolidated operating expenses up 1% to Rupiah 11.1 trillion (US$828.3 million) from Rupiah 11.1 trillion (US$826.1 million)	▪ mainly due to higher salaries, wages and employee benefits, and freight and handling expenses ▪ partly offset by lower advertising and promotion expenses as well as higher net other operating income mainly due to a foreign exchange gain recorded in 2017 while it was a foreign exchange loss in 2016
EBIT margin to 12.5% from 12.4%	▪ due to a modest growth in operating expenses
Net gearing at 0.23 times from 0.21 times at the end of 2017	

Debt Profile

As at 31 December 2017, Indofood recorded gross debt of Rupiah 24.3 trillion (US$1.8 billion), up 8% from Rupiah 22.4 trillion (US$1.7 billion) as at 31 December 2016. Of this total, 52% matures within one year and the remainder matures between 2019 and 2027, while 69% was denominated in rupiah and the remaining 31% was denominated in foreign currencies.

Additional Investments and Asset Disposal

In February 2017, under an agreement with Marvellous Glory Holdings Limited ("Marvellous BVI") in relation to Indofood's disposal of its 82.88% interest in CMZ to Marvellous BVI, Indofood fully exchanged the mandatory exchangeable bonds for approximately 29.94% of CMZ. On 26 April 2017, Indofood disposed its 29.94% of CMZ to China Minzhong Holdings Limited ("CMZ BVI") for a consideration of S$235.5 million (US$169.9 million). Indofood received the first two installments for a total of S$117.7 million (US$85.6 million) in 2017 and the remaining balance will be received in two installments in 2018 with the last installment to take place in December 2018.

On 7 June 2017, Indofood's subsidiary PT Aston Inti Makmur entered into two conditional sale and purchase agreements with Mr. Anthoni Salim (the Chairman of the Board and a substantial shareholder of First Pacific) and his wholly-owned company PT Adithya Suramitra for the acquisition of six plots of land with a total area of 42,877 square meters where Indofood cooking oil and fats production facilities are located. The total consideration is Rupiah 2.2 trillion (US$164.1 million) and the transactions were completed in August 2017.

On 22 December 2017, Indofood's subsidiary PT Indofood CBP Sukses Makmur Tbk. ("Indofood CBP") entered into a conditional sale and purchase agreement with Asahi Group Holdings, Ltd. ("Asahi") to purchase from Asahi approximately 51% of PT Asahi Indofood Beverage Makmur ("AIBM") and approximately 49% of PT Indofood Asahi Sukses Beverage ("IASB") for a total consideration of approximately US$20.0 million. The completion of the proposed transaction is conditional on the satisfaction of certain conditions precedent as agreed in the agreement.

On 19 February 2018, IndoAgri announced its wholly-owned subsidiary IndoAgri Brazil Participações Ltda. in Brazil partnered with JF Investimentos S.A. through an equally-owned joint venture company to acquire Canápolis Holding S.A. and its subsidiaries ("Canápolis Group") for a total consideration of BRL137.8 million (US$42.0 million). Canápolis Group's Minas Gerais sugar mill in Brazil has an annual sugar cane crushing capacity of 1.8 million tonnes and has 6,048 hectares of land. Operation of its sugar mill is expected to commence in 2020.

CBP

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

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

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

The Snack Foods division has an annual production capacity of over 50,000 tonnes, producing western and contemporized traditional snacks made from potato, cassava, soybean, corn and sweet potato, as well as various extruded snacks and a wide range of biscuits.

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

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

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

Sales by the CBP group rose 4% to Rupiah 35.5 trillion (US$2.7 billion), with almost all divisions contributing to the increase. The EBIT margin improved to 15.3% from 14.2%.

Amidst slower demand in the fast-moving consumer good and intensified competition, CBP continued to strengthen its market position in most product categories. It continued its strategy of product innovation and extending offers from its major product divisions, launching around 70 new products including new categories of tortilla chips and rice puff for babies as well as flavor extensions in 2017.

Bogasari

Bogasari produces wheat flour and pasta for domestic and international markets. Its sales rose 1% to Rupiah 19.1 trillion (US$1.4 billion) reflecting a 4% growth in sales volume but at a lower average selling price. The EBIT margin decreased to 6.9% from 8.1% due to market competition.

The flour industry in Indonesia has been growing steadily in recent years with increasing consumer appetite for more varieties of flour-based products, particularly among the young. With this development per-capita flour consumption is expected to continue rising in the medium term.

Agribusiness

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

In 2017, IndoAgri completed the expansion of milling facilities in South Sumatra and in Kalimantan, increasing its milling capacity of fresh fruit bunches ("FFB") by 70 tonnes per hour. In anticipation of the eventual ban of unpackaged cooking oils from traditional markets in Indonesia, IndoAgri has started to roll out affordably priced pillow-packed cooking oils under the group's secondary brand of *Delima*. Additionally it has partnered with Daitocacao Co., Ltd. of Japan to produce and market chocolate products in Indonesia. The ground breaking at the site of its first chocolate factory took place in November 2017 and commercial production is scheduled for 2019.

Sales increased 8% to Rupiah 15.7 trillion (US$1.2 billion), reflecting higher average selling prices of CPO, palm kernel and rubber, and higher sales volumes of CPO, palm kernel and oil palm seeds. Sales volume of CPO, palm kernel related products and oil palm seeds rose 7%, 9% and 17% to approximately 880,000 tonnes, 211,000 tonnes and 11.3 million respectively, while sugar and rubber sales volumes declined 24% and 4% to approximately 50,000 tonnes and 12,400 tonnes, respectively. The EBIT margin fell to 10.1% from 11.9% due to higher palm production costs and lower contribution from sugar, negative effects from foreign currency fluctuations, changes in fair values of biological assets, and the absence of a Rupiah 107 billion (US$8.0 million) one-off claim from a contractor for a significant delay in the completion of a project. This was partly offset by improved share of profits from a joint venture in Brazil.

Plantations

In Indonesia, total planted area was 300,387 hectares of which oil palm accounts for 82% while rubber, sugar cane, timber, cocoa and tea account for the remaining 18%. Around 20% of oil palms are younger than seven years while overall the oil palms have an average age of approximately 15 years. This division has a total annual processing capacity of 6.5 million tonnes of FFB.

In 2017, FFB nucleus production rose 4% to 3,109,000 tonnes with yield improved to 14.8 tonnes per hectare, while CPO production increased 1% to 842,000 tonnes with yield of 3.2 tonnes per hectare, reflecting higher share of newly mature planted area with higher oil palm production and recovery. As at 31 December 2017, the Roundtable on Sustainable Palm Oil ("RSPO") certified CPO production was approximately 447,000 tonnes or 53% of the total while Indonesia Sustainable Palm Oil ("ISPO") certified output was approximately 389,000 tonnes or 46% of IndoAgri's total CPO production.

In Indonesia, total planted area of rubber and sugar cane decreased slightly from year-end 2016 to 19,869 hectares and 12,618 hectares in 2017, respectively, due to replanting in progress. Sugar production declined 16% to approximately 54,000 tonnes due to lower yield resulting from heavy rainfall which affected the sucrose content and harvesting activities. In addition, the extended harvest period in 2016 also affected the cane yield for the current season.

In Brazil, the planted area of sugar cane fell 9% from year-end 2016 to 49,204 hectares owing to replanting in progress. IndoAgri's 50% share of CMAA contributed a profit of Rupiah 139 billion (US$10.3 million) as compared to a loss of Rupiah 33 billion (US$2.5 million) in 2016, reflecting CMAA's turnaround to profitability as a result of higher selling prices, higher production and lower foreign currency impacts. In 2017, CMAA crushed a record high 4.1 million tonnes of sugar cane.

EOF

This division manufactures cooking oils, margarines and shortenings with an annual refinery capacity of 1.4 million tonnes of CPO. Approximately 64% of this division's input needs is sourced from the Plantations division's CPO production.

In 2017, the EOF division recorded higher sales owing mainly to higher average selling prices and sales volumes of edible oils and fats products.

The Agribusiness is prioritizing its capital expenditure on expanding palm milling and refinery facilities, replanting older palms in North Sumatra and Riau, building the chocolate factory and expanding sugar operations. It will continue to strengthen its fundamentals, improve yields and margins, and implement cost controls to further improve profitability.

Distribution

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

Distribution's sales rose 6% to Rupiah 5.6 trillion (US$420.4 million) mainly because of higher sales by the CBP group. The EBIT margin rose to 3.6% from 3.3%.

The Distribution group continues to strengthen its distribution network, serving over 600,000 registered retail outlets in Indonesia to increase Indofood's product penetration and high product availability in retail outlets. It also offers product distribution for external customers.

2018 Outlook

Indonesia's economic condition is expected to improve in 2018. Higher private consumption will be a key driver of economic growth. Given the positive outlook, Indofood is gearing its operations towards delivering stronger performance across all business groups.

PLDT

PLDT's contribution to the Group declined 2% to US$124.8 million (2016: US$127.7 million), reflecting the combined effect of the strong performance of the Home and Enterprise segments, lower service revenues from the Individual business segment partly due to the on-going shift to data and digital services among consumers and loss of subscribers, lower subsidies and provisions, higher depreciation expenses and manpower reduction costs, and the 5% depreciation of the average peso exchange rate against the U.S. dollar in 2017. 2017 earnings were also supplemented by gains from the sale of assets, including the remaining 25% stake in Beacon Electric and the 18.3% interest in SPi Global Holdings, Inc.

Consolidated core net income down 1% to Pesos 27.7 billion (US$549.2 million) from Pesos 27.9 billion (US$584.4 million)

- reflecting the increase in consolidated EBITDA offset by one-off expenses/adjustments
- excluding gains from asset sales, additional depreciation and EBITDA adjustments including Pesos 1.6 billion (US$31.8 million) of manpower reduction program ("MRP") expenses, recurring core income rose by 11% or Pesos 2.1 billion (US$41.7 million)

Reported net income down 33% to Pesos 13.4 billion (US$265.4 million) from Pesos 20.0 billion (US$419.7 million)

- reflecting significant non-core expenditure in relation to transformation initiatives, including additional depreciation due to shortened estimated useful life of network assets , and non-current asset impairment of Smart and Digitel assets due to technological obsolescence
- includes a Pesos 540 million (US$10.7 million) impairment of the investment in Rocket Internet
- increase in fair value of Rocket Internet of Pesos 3.3 billion (US$66.1 million) in 2017 booked under Other Comprehensive Income

Consolidated service revenues down 4% to Pesos 151.2 billion (US$3.0 billion) from Pesos 157.2 billion (US$3.3 billion)

- reflecting higher revenues from data, broadband and digital platforms
- partly offset by lower revenues from cellular SMS and international and domestic voice services
- the quarterly decline of wireless revenues moderated in the course of 2017 and service revenues stabilized as the year progressed
- growth of data, broadband and digital platform revenues continued, with combined service revenues for this group up 11%, representing 47% of consolidated service revenues
- by business unit, Home, Enterprise, Voyager and Others service revenues rose 13%, 11% and 57%, respectively; Individual and International and Carrier services revenues were down 11% and 21%, respectively
- data and broadband remained the growth drivers, accounting for 63%, 63% and 40% of the Home, Enterprise and Individual segments' service revenues, respectively
- combined revenues from Home and Enterprise contributed 47% to the consolidated service revenues, while Individual revenues accounted for 41%

EBITDA up 8% to Pesos 66.2 billion (US$1.3 billion) from Pesos 61.2 billion (US$ 1.3 billion)

- reflecting lower subsidies and provisions
- partly offset by lower service revenues and higher cash operating expenses which includes Pesos 1.6 billion (US$31.8 million) in relation to the MRP
- EBITDA for the fixed line business grew 9% to Pesos 29.5 billion (US$585.5 million); while EBITDA for the wireless business rose 8% year-on-year to Pesos 35.2 billion (US$698.7 million)
- excluding the Pesos 1.6 billion (US$31.8 million) in MRP expenses, consolidated EBITDA was 11% higher at Pesos 67.8 billion (US$1.3 billion), while fixed line EBITDA was up 15% at Pesos 31.1 billion (US$617.3 million)

EBITDA margin to 44% from 39%

- mainly due to higher EBITDA
- wireless EBITDA margin improved to 40% from 32%; while fixed line EBITDA margin was stable at 39%
- excluding the impact of the MRP, the consolidated EBITDA margin was 45%

Capital Expenditures

From 2011 to 2017, PLDT spent approximately Pesos 257.2 billion (US$5.1 billion) in capital expenditures for its mobile and fixed line networks to significantly improve quality, capability, capacity and coverage.

In 2017, capital expenditures amounted to Pesos 40.0 billion (US$794.0 million) of which 67% was deployed for the wireless business and the remaining 33% was for fixed line networks, resulting in substantial improvements in network coverage and speeds, including doubling the reach of PLDT's fixed broadband network. Smart's network offered the fastest LTE speeds in the Philippines, ranking 28th out of 43 Asian telecommunications operators. PLDT reached 4.0 million fiber homes passed as at 31 December 2017, of which 1.2 million were installed in 2017. The rollout of 3G/LTE coverage by using low-band spectrum across the Philippines is ongoing and will continue in the next 12 to 18 months, with a doubling of LTE base stations to over 17,700 and increasing 3G base stations to over 12,400.

Capital expenditures for 2018 are estimated at Pesos 58 billion, mainly to continue improvements in network quality in order to provide the customer a superior data experience. Furthermore, capital expenditures for 2018 aim to support the growth of the

Home and Enterprise segments' data and broadband businesses, including additional capacity to tap growing demand and potential.

Debt Profile

As at 31 December 2017, PLDT's consolidated net debt was US$2.8 billion (2016: US$2.9 billion), while total gross debt declined to US$3.5 billion (2016: US$3.7 billion), of which 20% was denominated in U.S. dollars (2016: 32%). Only 8% of the total debt was unhedged after taking into account the available U.S. dollar cash on hand and currency hedges allocated for debt. 91% of the total debts are due to mature after 2018. Post interest rate swaps, 92% of the total debt are fixed-rate borrowings. The average pre-tax interest cost declined to 4.2% from 4.4% for the full year of 2016.

PLDT's credit ratings remained at investment grade.

Capital Management

Dividends

PLDT's dividend policy is to pay 60% of core net income as regular dividends with a "look back" policy at year-end to assess the possibility of paying a special dividend. Subject to the finalization of PLDT's audited financial statements for 2017, its Board of Directors plans to declare a final regular dividend of Pesos 28 (US0.56) per share. Added to the interim regular dividend of Pesos 48 (US$0.95) per share paid on 8 September 2017, total dividends for 2017 core income will amount to Pesos 76 (US$1.51) per share. No special dividends were declared for 2017 as the use of available cash was prioritized for network investments and debt reduction.

Asset Disposals

In August 2017, PLDT, through its indirect subsidiary PLDT Global Investments Corporation ("PGIC"), completed the disposal of its remaining 18.32% interest in a business process outsourcing business, SPi Global Holdings, Inc. ("SPi") for a consideration of US$56.2 million to the Partners Group.

In June 2017, PLDT's subsidiary, PLDT Communications and Energy Ventures, Inc. ("PCEV"), completed the disposal of the remaining 25.0% interest in Beacon Electric to MPIC for a consideration of Pesos 21.8 billion (US$432.7 million). PCEV had received Pesos 12.0 billion (US$238.2 million) in cash with the balance of Pesos 9.8 billion (US$194.5 million) to be received in equal annual installments starting June 2018 until June 2021. Proceeds from the sale of assets will be mainly used for debt reduction and network upgrades and expansion.

Fixed Line

Fixed line service revenues (net of interconnection costs) rose 11% to Pesos 70.2 billion (US$1.4 billion). The higher revenues from data and broadband services (Home broadband, Enterprise data and leased lines, data center and IT) and local exchange carrier were partly offset by lower international long distance ("ILD") and national long distance ("NLD") revenues due to continuing decline in call volumes.

Fixed line data and broadband service revenues rose 18% year-on-year to Pesos 44.3 billion (US$879.3 million) while local exchange carrier and other revenues rose 6% to Pesos 20.7 billion (US$410.9 million), representing 63% and 29% of fixed line service revenues, respectively. ILD and NLD revenues continued to decline registering a 12% reduction to Pesos 5.3 billion (US$105.2 million).

The number of PLDT fixed line subscribers increased 9% from 31 December 2016 to 2.7 million, while fixed broadband subscribers rose to 1.7 million (2016: 1.5 million).

Wireless

Wireless service revenues (net of interconnection costs) declined 11% to Pesos 82.3 billion (US$1.6 billion), reflecting decreases in SMS, domestic and international voice revenues offsetting increases in revenues from mobile data, broadband and digital platforms. Revenues from data, broadband and digital platforms, SMS, and domestic and international voice represented 36%, 27% and 35% of total wireless service revenues, respectively.

With increasing smartphone penetration of the subscriber base, it is clear that mobile internet and digital services will drive growth going forward as customers access an array of content that includes video, games, and other over-the-top ("OTT") communication and financial services. The PLDT group's focus will remain on providing the customer relevant products and services and the best data user experience.

The PLDT group's combined mobile subscriber base declined 7% to 58.3 million. Beginning in the second quarter of 2017, measurement of the prepaid subscriber base excluded subscribers who did not reload within the previous 90 days vis-à-vis the previous cut-off of 120 days, resulting in a decrease in the subscriber count. On the other hand, wireless home broadband subscriber numbers were lower by about 33,000 to approximately 237,000 as a result of a business strategy to migrate and upgrade such subscribers to fixed line services.

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

PLDT remained the market leader of home broadband segment in the Philippines, with a combined fixed line and wireless broadband subscriber base of approximately 2.0 million at the end of December 2017, up 13% year-on-year. As at 31 December 2017, smartphone ownership rose to about 55% of PLDT's mobile subscriber base, with about half of those owning smartphones paying for data. Mobile internet usage grew 99% in volume terms during 2017.

Service Revenues by Business Unit

Home service revenues rose 13% to Pesos 33.0 billion (US$655.0 million), representing 23% of consolidated service revenues (net of interconnection). Growth was driven by higher data and broadband revenues and higherhome broadband subscriptions. Growth in demand for home broadband continues, mainly driven by greater consumption of video content in customers' homes.

Enterprise service revenues rose 11% to Pesos 34.1 billion (US$676.9 million), representing 24% of the consolidated service revenues. Substantial capital investments in networks coverage, capacity, resiliency, data center and cloud capacity, as well as making available a wide array of business solutions laid a strong foundation for revenue growth across all key industry verticals. These include banking and financial services, the outsourcing industry, IT and gaming industries, government/public sector, and small and medium enterprises where PLDT's growth in each outpaced that of the broader industry. Corporate data and broadband accounted for 63% of Enterprise service revenues.

Individual service revenues, accounting for 41% of consolidated service revenues, fell 11% to Pesos 58.9 billion (US$1.2 billion) reflecting subscriber losses and the continuing shift from traditional SMS and voice services to data services during the year. The decline in revenues slowed during the course of 2017, while growth in mobile data usage continued. Mobile data revenues rose 5% to Pesos 23.5 billion (US$466.5 million) and now contribute 40% to total Individual business unit revenues.

International and Carrier service revenues fell 21% to Pesos 16.1 billion (US$319.6 million) and represented 11% of the consolidated service revenues.

Voyager service revenues rose 72% to Pesos 1.2 billion (US$23.8 million), reflecting strong demand for digital and financial services from approximately 20 million individual customers and over 300 enterprise partners. Voyager is a market pioneer in technology innovation, offering efficient and easily adopted digital and cashless business solutions, especially for the unbanked and underserved populations of the Philippines.

2018 Outlook

The Enterprise and Home business segments will continue to grow strongly while the accelerating growth in data service revenues in the Individual segment will increasingly offset declines in traditional voice and SMS service revenues. Recurring core profit is seen rising to Pesos 23-24 billion on higher consolidated services revenues driven by double-digit growth in Home and Enterprise revenues and improvements in Individual revenues. This core income guidance excludes the impact from Voyager and the impact of the adoption of IFRS 15. Capital expenditures are expected to rise to Pesos 58 billion to further improve network quality and provide the customer with a superior data experience, and continue building out infrastructure to support growth of the data/broadband businesses. Approximately 53% of spending will be booked in the fixed line including backhaul and transport capital expenditure, and business requirements, with the remaining 47% for the wireless business.

MPIC

MPIC's infrastructure portfolio as at 20 March 2018 comprises the following assets offering a wide range of services:

Power distribution and generation

- 45.5% in Manila Electric Company ("Meralco") through direct interest and its wholly-owned subsidiary Beacon Electric Asset Holdings Inc. ("Beacon Electric")
- 62.4% in Global Business Power Corporation ("GBPC") through Beacon Electric and Meralco which In turn owns:
  - 100.0% in Toledo Power Company ("TPC")
  - 100.0% in GBH Power Resource, Inc. ("GPRI")
  - 100.0% in Global Energy Supply Corporation ("GESC")
  - 89.3% in Panay Power Corporation ("PPC")
  - 89.3% in Panay Energy Development Corporation ("PEDC")
  - 52.2% in Cebu Energy Development Corporation ("CEDC")
  - 50.0% in Alsons Thermal Energy Corporation ("ATEC")

Toll roads

- 99.9% in MPTC which in turn owns:
  - 75.3% in NLEX Corporation (formerly Manila North Tollways Corporation)
  - 72.6% in Tollways Management Corporation ("TMC")
  - 66.0% in Easytrip Services Corporation ("ESC")
  - 100.0% in Cavitex Infrastructure Corporation ("CIC")
  - 100.0% in MPCALA Holdings, Inc. ("MPCALA")
  - 100.0% in Cebu Cordova Link Expressway Corporation ("CCLEC")
  - 48.3% in PT Nusantara Infrastructure Tbk ("PT Nusantara") in Indonesia
  - 44.9% in CII Bridges and Roads Investment Joint Stock Co. ("CII B&R") in Vietnam
  - 29.5% in Don Muang Tollway Public Company Limited ("DMT") in Thailand

Water production, distribution and sewage management

- 52.8% in Maynilad Water Services, Inc. ("Maynilad")
- 100.0% in MetroPac Water Investments Corporation ("MPW") which in turn owns:
  - 95.0% in Cagayan de Oro Bulk Water Inc. ("COBWI")
  - 80.0% of Metro Iloilo Bulk Water Supply Corporation ("MIBWSC")
  - 65.0% in Eco-System Technologies International, Inc. ("ESTII")
  - 49.0% in Watergy Business Solutions, Inc. ("WBSI")
  - 27.0% in Laguna Water District Aquatech Resources Corporation ("LARC")
  - 19.9% in Cebu Manila Water Development, Inc. ("CMWD")

Hospitals

- 60.1% interest in Metro Pacific Hospital Holdings, Inc. ("MPHHI") which in turn owns:
  - 100.0% in Colinas Verdes Hospital Managers Corporation, the operator of Cardinal Santos Medical Center ("CSMC")
  - 100.0% in East Manila Hospital Managers Corporation, the operator of Our Lady of Lourdes Hospital ("OLLH")
  - 100.0% in Metro Pacific Zamboanga Hospital Corporation, the operator of West Metro Medical Center ("WMMC")
  - 93.1% in Marikina Valley Medical Center Inc. ("MVMC")
  - 85.6% in Asian Hospital, Inc. ("AHI"), the owner of 100.0% of Asian Hospital and Medical Center
  - 80.0% in St. Elizabeth Hospital, Inc. ("SEHI")
  - 78.0% in Riverside Medical Center, Inc. ("RMCI")
  - 65.0% in Delgado Clinic Inc. ("DCI"), the owner and operator of the Dr. Jesus C. Delgado Memorial Hospital ("JDMH")
  - 51.0% in Central Luzon Doctors' Hospital Inc. ("CLDH")
  - 51.0% in De Los Santos Medical Center Inc. ("DLSMC")
  - 51.0% in Sacred Heart Hospital of Malolos Inc. ("SHHM")
  - 50.0% in Metro Sanitas Corporation, the owner of 51.0% of The Megaclinic, Inc. ("Megaclinic") and 80.0% of TopHealth Medical Clinics ("TopHealth")
  - 35.2% in Davao Doctors Hospital, Inc. ("DDH")
  - 32.8% in Medical Doctors, Inc. ("MDI"), the owner and operator of Makati Medical Center
  - 20.0% in Manila Medical Services Inc. ("MMSI"), the owner and operator of Manila Doctors Hospital ("MDH")

Rail

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

Logistics

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

MPIC's contribution to the Group increased 1% to US$118.3 million (2016: US$117.2 million), reflecting a higher contribution from the power and toll road businesses, partly offset by a lower economic interest (to 42.0% from 46.4%) in MPIC held by the Group, a higher net interest expenses at MPIC head office level and a 5% depreciation of the average peso exchange rate against the U.S. dollar.

The strong performance of the power business was driven by a higher average effective interest in Meralco and 5% growth in energy sales across all customer classes, higher dividend income from Beacon Electric preferred shares and the first full year contribution from GBPC.

Consolidated core net income up 17% to Pesos 14.1 billion (US$280.0 million) from Pesos 12.1 billion (US$254.0 million)

- reflecting a higher average ownership in and preferred share dividend income from power businesses, and strong growth at all toll roads and hospital businesses
- power, toll roads, water, hospitals, rail, and logistics and others accounted for 52%, 22%, 21%, 4% and 1%, respectively, of MPIC's consolidated profit contribution from operations
- a 30% increase in contribution from the power business to Pesos 9.4 billion (US$186.1 million) resulting from a higher average shareholding in Meralco, higher energy sales at Meralco, a full year contribution from GBPC and higher preferred share dividend income from Beacon Electric, offset by higher interest expense
- an 11% rise in contribution from the toll roads business to Pesos 3.9 billion (US$77.4 million) reflecting strong traffic growth on all toll roads and a favorable vehicle mix
- a 5% increase in contribution from the water businesses to Pesos 3.7 billion (US$74.1 million) reflecting an increase in billed volumes and a tight control of operating expenses at Maynilad, and a positive contribution from MPW compared with a loss in 2016
- a 16% increase in contribution from hospitals to Pesos 685 million (US$13.6 million) reflecting contributions from newly-acquired hospitals and higher patient revenues
- a 4% rise in contribution from the rail business to Pesos 283 million (US$5.6 million) reflecting higher average daily ridership and advertising income, and lower repairs and maintenance expenses
- partly offset by higher MPIC head office interest and operating expenses

Consolidated reported net income up 15% to Pesos 13.2 billion (US$261.0 million) from Pesos 11.5 billion (US$240.3 million)

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

Revenues up 39% to Pesos 62.5 billion (US$1.2 billion) from Pesos 44.8 billion (US$940.2 million)

- reflecting consolidation of GBPC and revenue growth at all operating companies

Debt Profile

As at 31 December 2017, MPIC reported consolidated debt of Pesos 189.1 billion (US$3.8 billion), up 95% from Pesos 97.0 billion (US$2.0 billion) as at 31 December 2016, reflecting the consolidation of Beacon Electric and GBPC. Of the total, 96% was denominated in pesos. Fixed-rate loans accounted for 95% of the total and the average pre-tax interest cost was approximately 6.08%.

Dividend

MPIC's Board of Directors declared a final dividend of Peso 0.076 (U.S. 0.15 cent) per share payable on 26 April 2018 to shareholders on record as at 28 March 2018, 12% higher than the final dividend in 2016. Together with the interim dividend of Peso 0.0345 (U.S. 0.07 cent) per share paid on 26 September 2017, total dividends for 2017 rose 11% to Peso 0.1105 (U.S. 0.22 cent) per share, representing a payout ratio of 25% of core net income.

Additional Investments and Asset Placement

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

On 27 March 2017, a consortium consisting of MPIC, Covanta Energy, LLC and Macquarie Group, Ltd. was granted an Original Proponent Status by the Quezon City Government for a 42-megawatt energy from waste project. MPIC is expected to invest approximately Peso 4.0 billion (US$80.1 million) as its share in the project.

On 4 April 2017, MMI completed the acquisition of certain logistics-related assets and businesses of Ace Logistics, Inc. ("Ace") for a consideration of Pesos 280 million (US$5.6 million). Ace is involved in logistics, trucking, freight forwarding, customs brokerage and domestic shipping businesses in the Philippines.

In April 2017, MPTC completed the acquisition of 7.0% interest in TMC from Egis Road Operation S.A. ("EROSA") for a total consideration of Peso 442.3 million (US$8.8 million) and 6.0% effective interest in TMC through Egis Investment Partners Philippines, Inc.'s ("EIPPI") acquisition of 13.0% ownership in TMC from EROSA for a total consideration of Peso 821.5 million (US$16.3 million). EIPPI is 46.0% owned by MPTC.

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

On 27 June 2017, MPIC completed the acquisition of the remaining 25.0% interest in Beacon Electric from PCEV which is a subsidiary of PLDT Inc. The consideration was Pesos 21.8 billion (US$435.6 million). MPIC has paid Pesos 12.0 billion (US$239.8 million) in cash upfront to PCEV and the balance of Pesos 9.8 billion (US$196.3 million) is to be paid in equal annual installments until June 2021. Following the transaction, Beacon Electric became a wholly-owned subsidiary of MPIC.

On 10 October 2017, MPTC completed the acquisition of additional 16.0% interest in ESC from Egis Easytrip Services SA for the total consideration of Peso 84.8 million (US$1.7 million), bringing the total interest in ESC to 66.0%.

From October to December 2017, MPHHI completed the acquisitions of an aggregate 80.0% interest in SEHI for a total consideration of Pesos 600.0 million (US$11.9 million). Founded in 1962, SEHI is a 248-bed tertiary level hospital at General Santos City in the Philippines.

On 3 November 2017, MPTC completed the acquisition of approximately 42.25% interest in PT Nusantara with a consideration of Pesos 6.9 billion (US$137.0 million). Together with MPTC's earlier acquisitions, MPTC holds a total of approximately 48.3% interest in PT Nusantara. PT Nusantara is an infrastructure holding company listed in Indonesia, with interests in toll roads, port operations, energy and telecommunications businesses in Indonesia.

On 9 November 2017, MPW entered into an agreement to acquire 45% interest in BOO Phu Ninh Water Treatment Plant Joint Stock Company ("BOO PNW") for a consideration of Vietnamese Dong ("VND") 272.4 billion (US$12.2 million). BOO PNW has a license to serve clean water in the Chu Lai Open Economic Zone and adjacent areas in Quang Nam province in Vietnam. The transaction is expected to be completed by March 2018.

On 27 November 2017, GBPC completed the acquisition of 50% interest in ATEC for a consideration of approximately Pesos 4.3 billion (US$85.4 million).

On 20 December 2017, MPW officially received from Metro Iloilo Water District ("MIWD") the Notice of Award for the rehabilitation, operation, maintenance and expansion of MIWD'sexisting water distribution system and the provision of wastewater services. Completion of conditions precedent to the signing of the joint venture agreement are ongoing with targeted completion by March 2018. MIWD's service areas includes Iloilo city and seven municipalities having approximately 38,000 connections.

Power

In 2017, MPIC increased its power portfolio through the acquisition of the remaining 25.0% interest in Beacon Electric. It increased its effective interest in Meralco to 45.5% and in GBPC to 62.4%.

Meralco's operating performance remained strong, with power demand driven by Philippines' positive economic and business environment. The volume of electricity sold rose 5% to 42,102 gigawatt hours, with approximately 5% increase in each of industrial, residential and commercial demand. Revenues increased 10% to Pesos 282.6 billion (US$5.6 billion), reflecting a 5% growth in energy sales, a 5% increase in the number of customers and a 12% increase in pass-through generation charges.

Capital expenditure rose 5% to Pesos 12.1 billion (US$240.2 million) for upgrading critical loading of existing facilities, capacity and network expansion, electric poles and facilities relocation due to road widening, and additional customer connections.

As at 31 December 2017, Meralco's PLP and GBPC had a combined power generating capacity of 1,654 megawatts. Meralco PowerGen Corporation ("Meralco PowerGen") and GBPC are developing several power projects in the Philippines with a total planned capacity of approximately 3,693 megawatts through San Buenaventura Power, Redondo Peninsula Energy, Atimonan One Energy, St. Raphael Power, Mariveles Power Generation Corporation, Phase 2 of Saranggani Energy Corporation and San Ramon Power Inc.

Toll Roads

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

In 2017, revenues rose 10% to Pesos 13.1 billion (US$260.2 million) driven by strong traffic growth on all toll roads and a favorable vehicle mix. Reported net income rose 75% to Pesos 5.4 billion (US$107.6 million), reflecting a non-cash accounting gain related to the remeasurement of TMC after MPTC gained control over TMC and a higher core net income. The proposed merger of NLEX Corporation and TMC for the purpose of improving cost efficiency, with NLEX Corporation as the surviving corporation, is expected to be completed in 2018.

Capital expenditure amounted to Pesos 4.4 billion (US$87.8 million) mainly reflecting ongoing construction of new roads projects and expansion of existing roads for NLEX, SCTEX, Cavite-Laguna Expressway ("CALAX") and Cebu Cordova Link Expressway ("CCLEX") during 2017. MPTC plans to spend Pesos 122.8 billion (US$2.5 billion) in the Philippines over the next five years for expansion of existing roads and construction of new road projects, with expected completion between 2019 and 2021.

The entitled tariff adjustments for NLEX, CAVITEX and SCTEX have been delayed since 2012. MPTC continues its discussion with the regulator to resolve the long-lasting tariff issue where resolution is necessary to remain on track with the planned investment program.

Water

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

In 2017, Maynilad's average non-revenue water measured at the District Metered Area rose to 32.3% from 29.9% due to abnormal water production in connection with El Niño phenomenon in 2016. Revenues rose 3% to Pesos 20.8 billion (US$412.3 million), reflecting a 3% increase in billed water volumes to 512 million cubic meters and a 4% increase in billed customers to 1.4 million.

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

On 14 August 2017, MPW signed a joint venture agreement with the Cagayan de Oro Water District ("COWD") for the formation of a joint venture company to undertake the supply of treated bulk water to address the requirements of Cagayan de Oro City. The project commenced operation on 31 December 2017. It has a term of 30 years renewable for a further 20 years for the supply of up to 100 million liters of treated bulk water per day. COWD currently serves a population of more than 700,000 residents and has approximately 85,000 service connections.

Maynilad's Tariffs Arbitration

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

The Tribunal ordered the Republic to reimburse Maynilad Pesos 3.4 billion (US$68.1 million) (subsequently adjusted to Peso 3.2 billion (US$64.1 million) for losses from 11 March 2015 to 31 August 2016, without prejudice to any rights that Maynilad may have to seek recourse against MWSS for losses incurred from 1 January 2013 to 10 March 2015. Further, the Tribunal ruled that Maynilad is entitled to recover from the Republic its losses from 1 September 2016. On 9 February 2018, the Republic filed an application with the High Court of Singapore to set aside the arbitration award issued on 24 July 2017 and seeks to have a sealed hearing rather than an open court process.

This further delay in settling the entitled water tariffs has no direct impact on the current rate rebasing timeline.

Despite the delay in the tariff increase it is entitled to, Maynilad remains committed to enhancing its services to customers. In 2017, it repaired 26,792 leaking pipes, installed 38 kilometers of water pipes and expanded its distribution line to 7,675 kilometers. Drinking water supply and sewerage coverage were 93% and 15% of the concession area's population, respectively. Capital expenditure rose 24% to Pesos 12.0 billion (US$238.3 million) for upgrading and constructing reservoirs and pumping stations, laying of new primary pipes, and construction of wastewater treatment facilities. Maynilad is building six new sewage treatment facilities for serving over 1.3 million customers in its concession area.

Hospitals

MPIC's Hospital division comprises 14 full-service hospitals across the Philippines, three primary care clinics, one cancer center in Lipa, Batangas and has indirect ownership in two healthcare colleges in Davao and Bacolod. MPIC has the largest network of premier private hospitals in the Philippines with approximately 3,211 beds and 8,057 accredited doctors as at 31 December 2017.

Revenues rose 14% to Pesos 22.5 billion (US$445.9 million) in 2017, reflecting contributions from three newly-acquired hospitals and higher contributions from existing hospitals driven by increased patient revenues. The number of outpatients rose 14% to 3.1 million and inpatients rose 8% to 173,939.

MPHHI aims to expand its portfolio to 5,000 beds and contribute to the enhancement of healthcare services in the Philippines by expanding the number, capacities and capabilities of its hospitals, upgrading facilities, expanding in non-hospital based primary care clinics, establishing specialty healthcare facilities such as cancer centers, a central laboratory, greenfield specialist hospitals and creating synergies across the network.

Rail

LRMC commenced operation of LRT1 in September 2015, in a concession which runs until 2047. In 2017, revenues increased 5% to Pesos 3.2 billion (US$62.6 million) reflecting a 6% growth in LRT1's average daily ridership to 435,199 and a 9% increase in LRVs to 109.

Projects for rail replacement, lining and leveling are progressing well. Upon the completion of the replacement of existing 26 kilometers tracks in the second quarter of 2018, track speed will increase 50% to 60 kilometers per hour. Station improvements are expected to be completed in 2018. The capital expenditure so far invested in LRT1 has significantly improved its operational efficiency and passenger safety, resulting in quicker, safer and more comfortable journeys and shortened passenger waiting times.

The construction of the LTR1 South Extension project will commence in mid-2018 follows the regulator's acquisition of right-of-way.

In September 2017, MPIC received the original proponent status for the rehabilitation, operation and maintenance of MRT3 under a 30-year concession. The capital expenditure commitment is Pesos 12.5 billion (US$250.4 million). The related due diligence is largely completed and MPIC is ready to take up operations as soon as May 2018. MPIC's proposal must first be endorsed by the National Economic and Development Authority.

Logistics

This business contributed a loss of Pesos 100.0 million (US$2.0 million) due to the build-up of personnel and the leasing of warehouses for planned expansion. MMI plans to expand its logistics business by acquisition and further expand its warehouse capacity to strengthen its delivery capability for serving a larger customer base across the Philippines.

2018 Outlook

Continuing strong economic growth will lift volumes in all of MPIC's businesses in 2018. It remains uncertain when there will be resolution on the toll road and water tariffs although discussion is ongoing with regulators and the highest levels of Government. Progression in earnings in 2018 will depend on the extent to which revenues will offset MPIC's rising interest cost. MPIC is financing its rising capital expenditure commitments via debt, though the exact extent of which in turn depends to a degree on resolving MPIC's various long overdue regulatory matters.

FPW/Goodman Fielder

FPW's contribution to the Group increased 26% to US$30.3 million (2016: US$24.0 million) reflecting a higher core net income at Goodman Fielder and a stronger average Australian dollar exchange rate against the U.S. dollar.

In 2017, Goodman Fielder's core net income rose 19% to A$80.1 million (US$61.1 million) driven by higher profit contributions from businesses in Australia owing to efficiency gains, cost saving initiatives, and facilities/network optimization, and growth from the Fiji operations, partly offset by lower contributions from Papua New Guinea and start-up losses from the new Ingredients initiative. A non-recurring loss of A$117.1 million (US$90.5 million) at the Goodman Fielder level brought the reported profit to a loss of A$35.5 million (US$27.3 million). The non-recurring loss was due to site optimization costs in Australia and in New Zealand, business restructuring costs and a non-cash impairment of an intangible asset. The site optimization and restructuring costs are expected to improve the underlying business performance in 2018 and onward.

Sales increased 5% to A$2.1 billion (US$1.6 billion) and normalized EBIT up 6% to A$143.7 million (US$110.5 million). Capital expenditure rose 75% to A$142.1 million (US$109.2 million) to fund key projects for growth, automation, cost out as well as maintenance initiatives.

International Business

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

Sales from the International business rose 7% on healthy growth in key markets, partly offset by a weaker performance in Papua New Guinea. Sales contributions from Fiji, China and New Caledonia rose 12%, 15% and 12%, respectively. The operations in Papua New Guinea were on track for recovery and its sales recorded a slight decline on prior period.

In Fiji, growth driven was by increased volumes in all product categories, led by the poultry category.

In 2017, sales volume of Meadow Fresh UHT milk in China and Southeast Asia rose 16.7%.

In Papua New Guinea, operational issues stemming from the second half of 2016 were addressed with profit recovery. Management has focused on regaining market share of the Flour business, improving mill efficiency and cost savings in procurement, logistics and overheads. The site for a new flour mill has been acquired and preparation for construction of the plant is underway.

In addition to UHT milk, Goodman Fielder also increased exports of whipping cream, butter and cheese products to the Food Service and Retail markets across China, Southeast Asia and Pacific Islands.

New Zealand Business

Goodman Fielder has 13 manufacturing facilities in New Zealand producing a wide range of high-quality dairy, baked and grocery products. It also exports Meadow Fresh UHT milk to its International markets.

In 2017, New Zealand sales rose 6% mainly reflecting higher selling prices for Milks, spreads and butter products, growth in the dairy category (cheese, yoghurts and creams) and grocery (spreads and convenience meals) businesses. The newly launched oils and flavor enhancers were well received by consumers.

New products launched in 2017 included Dairy delivering the reformulation of Everyday Yoghurts & Sour Cream, line extensions to the Puhoi Flavoured Milk range and the launch of Meadow Fresh Kalo Authentic Greek Yoghurt. Baking launched Natures Fresh reformulation, brand updates and burger bun line extension. MacKenzie Muffin Splits & Preimum Burger Buns complimented craft loaf and LaFa for 2 garlic bread extended Goodman Fielder's Bakery Snack offerings. Grocery saw a relaunch of Irvines Pies with improved quality and packaging, Tuckers Ridge extensions into Single Pies & Sausage rolls, EA extensions and the launch of Praise Mayo & Dressings into New Zealand. In addition, Puhoi Valley Cheese, Cow's Milk Feta and Cellar Range Washed Rind Cheese secured category wins in the New Zealand Champion Cheese Awards. Puhoi Valley received six Gold, 11 Silver and nine Bronze awards overall. The Gold awards received were for Matured Washed Rind, Matakana Waxed Blue, Kawau Blue, Cow's Milk Feta, Farmhouse Brie and Single Cream Brie.

As part of Goodman Fielder's optimization strategy for its manufacturing network, it utilized A$13.1 million (US$10.1 million) for production consolidation and expansion, and efficiency enhancement at its Quality Bakers Auckland and Meadow Fresh Christchurch sites. The project involved the relocation of the production of pies from its Irvines' facility at Wiri to its Palmerston North facility and the transfer of production of garlic bread and other baked goods from its Hot Plate bakery at East Tamaki to Quality Bakers Auckland.

Australia Business

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

Sales rose 3% reflecting growth in both the grocery and baking businesses. The enhanced logistics arrangement is proving effective for Goodman Fielder's daily fresh business and sales of grocery products have improved by effective marketing activities and product innovations.

New products launched in 2017 included Helga's Thick Cut White and Mixed Grain Loaf, La Famiglia Turkish Garlic Bread, a new range of recipes for White Wings Cake in a Cup (Product of the Year), Pampas Chocolate Crust Pastry, White Wings Vanilla Cupcake Icing, One Night In Mexico (a comprehensive Mexican branded food line) and Deli Style Olive Oil Dressings. Upcoming product launches in 2018 will include Wraps, Gluten Free Transformation, Lawsons, Dairy blend, Chilled Dressings and Cake Mix.

Goodman Fielder's optimization plan for its bread manufacturing facilities in Southeast Queensland and Western Australia which commenced in early 2017 reached near completion. The total number of baking production plants in Australia was reduced by four to 10 by the end of 2017.

Debt Profile

As at 31 December 2017, Goodman Fielder's net debt stood at A$587.1 million (US$458.3 million) with maturities ranging from 2018 to 2022, with 38% of total borrowings at a fixed rate. Fixed-rate borrowings are denominated in U.S. dollars and hedged to A$168.0 million. Australian dollar and New Zealand dollar floating-rate borrowings are funded by a diverse panel of domestic and international banks. Interest expense in 2017 fell 6% to A$32.3 million (US$25.1 million).

2018 Outlook

Earnings growth is expected in the main geographies of Australia, and International divisions. Continued cost efficiencies and the introduction of new products will lead profit growth in the Australian business. In International, the company's push to sell new products into the Asian export markets and continued expansion in Fiji will underpin growth while recovery continues in Papua New Guinea.

Philex

Philex's natural resources portfolio as at 20 March 2018 comprises:

Philex for metal-related assets

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

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

- 75.9% † in Forum Energy Limited ("Forum") which owns 70.0% of Service Contract ("SC") 72, and a 2.3% interest in the Galoc oil field (SC 14C-1) which is in the production stage, both of these assets are located in the West Philippine Sea
- 53.4% in Pitkin Petroleum Limited which owns 25% of Peru Block Z-38, an oil and gas exploration asset located in offshore Peru
- 50.0% in SC 75 and 70.0% in SC 74, both located in Northwest Palawan

* *19.8% held by Philex, 25.0% held by First Pacific and 7.7% held by Two Rivers Pacific Holdings Corporation, a Philippine affiliate of First Pacific.*

† *72.2% held directly by PXP and 6.8% held by PXP's 55.0%-owned subsidiary FEC Resources, Inc., for a total effective interest of 75.9% held by PXP.*

In addition to working toward adopting ISO 26000: Guidance on Social Responsibility , Philex has spearheaded the Philippine Chamber of Mine's adoption of the Mining Association of Canada's Towards Sustainable Mining ("TSM") Initiative in December 2017, making the TSM protocol mandatory for all Chamber members, and has begun to adopt the TSM in its company policies and programs. This move will further strengthen the company's adherence to internationally-recognized mining, environmental and safety standards needed to address social responsibilities relevant to its operations and processes, stakeholders and environmental impact.

Philex's contribution to the Group increased 25% to US$12.7 million (2016: US$10.2 million) reflecting higher realized metal prices. The average realized price of copper and gold rose 26% to US$2.96 per pound and 2% to US$1,273 per ounce, respectively. This positive factor, however, was partly offset by lower volumes of metal sold resulting from lower production volumes.

Total ore milled decreased 7% to 8.7 million tonnes, due primarily to a higher-than-normal proportion of bouldery ore in newly commissioned draw-points, which caused premature wear and tear on equipment leading to equipment availability issues. During 2017, gold grade at Padcal averaged 0.377 grams per tonne (2016: 0.417 grams per tonne) while average copper grade was 0.192% (2016: 0.206%). As a result of lower metal grades and tonnage milled, gold production fell 18% to 84,638 ounces and copper production decreased 14% to 30.1 million pounds.

During 2017, Philex repaid US$13 million of outstanding short-term bank debts. As at 31 December 2017, it had Pesos 583 million (US$11.7 million) of cash and cash equivalents, and Pesos 9.4 billion (US$188.2 million) of borrowings, comprising bonds payable and short-term bank loans. Short-term bank debt declined 21% to Pesos 2.4 billion (US$49.0 million).

Core net income up 2% to Pesos 1.7 billion (US$33.5 million) from Pesos 1.7 billion (US$34.8 million)	▪ reflecting higher realized metal prices ▪ lower cash cost and other charges ▪ partly offset by lower tonnage and metal grades
Net income up 6% to Pesos 1.7 billion (US$32.9 million) from Pesos 1.6 billion (US$33.3 million)	▪ reflecting higher core net income ▪ lower foreign exchange losses
Revenue down 3% to Pesos 10.0 billion (US$198.2 million) from Pesos 10.3 billion (US$216.1 million)	▪ reflecting lower metal output due to lower tonnage and metal grades ▪ partly offset by higher realized metal prices and favorable foreign exchange rates ▪ revenues from gold, copper and silver contributed 54%, 45% and 1% of the total, respectively
EBITDA up 3% to Pesos 4.0 billion (US78.9 million) from Pesos 3.9 billion (US$81.8 million)	▪ reflecting a lower cash production cost resulting from lower power consumption, reduced cost of contracted work and other expenses ▪ continued implementation of effective cost-management initiatives
Operating cost per tonne of ore milled up 6% to Pesos 837 (US$16.6) from Pesos 793 (US$16.6)	▪ arising from higher depreciation and amortization costs due to amortization of newly commissioned draw-points, despite lower cash production cost

Capital expenditure (including exploration costs) remained at Pesos 2.4 billion (US$46.7 million) from Pesos 2.4 billion (US$50.3 million)	▪ reflecting lower capital expenditure for the Silangan project ▪ partly offset by higher capital expenditures for Padcal mine and Philex head office, and for other mineral exploration projects

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

Dividends

Philex's Board of Directors declared a final cash dividend of Peso 0.04 (U.S. 0.080 cent) per share payable on 26 March 2018 to shareholders on record as at 13 March 2018. Together with the interim cash dividend of Peso 0.04 (U.S. 0.080 cent) per share paid on 6 December 2017, total cash dividends for 2017 amounted to Peso 0.08 (U.S. 0.16 cent) (2016: Peso 0.07 (U.S. 0.143 cent)) per share, representing a payout ratio of 23% of core net income against 21% in 2016.

Silangan Project

The gold and copper project is located in Surigao del Norte, Northeastern Mindanao in the Philippines. The project has secured and currently maintains all major permits from the Department of Environment and Natural Resources ("DENR") including environmental compliance certification ("ECC"), a tree-cutting permit and approved Declaration of Mining Project Feasibility. Key aspects of the studies to date are a starter mine to initially extract the near surface ore and improve the groundwater condition of the ensuing underground mine, and an underground mine will be developed immediately to extract most of the ore for the planned mine life. These studies are being advanced to include more details to support requirements for project financing. The project has not yet commenced development. Meanwhile, community development and environment enhancement programs are continuing in compliance with the ECC conditions and environmental, social and governance ("ESG") commitments to the local communities.

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

PXP

During 2017, petroleum revenues rose 3% to Pesos 104 million (US$2.1 million) as a result of higher crude oil prices, partly offset by lower oil output in the Galoc oil field. Costs and expenses fell 7% to Pesos 158 million (US$3.1 million) reflecting lower crude oil output and containment of overhead expenses.

SC 72

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

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

The Philippines and China held the second Bilateral Consultation Meeting ("BCM") on West Philippine Sea ("WPS") in Manila on 13 February 2018. The two countries have agreed to set up a special panel to work out how they can jointly explore oil and gas in parts of the WPS that both sides claim without having to address the issue of sovereignty. In addition, they reaffirmed the importance of maintaining and promoting peace and stability, freedom of navigation in and over flight above the WPS, freedom of international commerce, and other peaceful uses of the sea. Finally, the two countries agreed to address territorial and jurisdictional disputes by peaceful means, without resorting to the threat or use of force, through friendly consultations and negotiations by sovereign states directly concerned, in accordance with universally recognized principles of international law, including the Charter of the United Nations and the 1982 UN Convention on the Law of the Seas ("'UNCLOS").

The third meeting of the BCM will be held in China in the second half of 2018.

SC 75

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

PXP will continue to coordinate with the Philippine Department of Energy ("DOE") on the immediate lifting of force majeure for both SC 72 and SC 75.

Others

In 2017, SC 14C-1 Galoc Field produced a total of approximately 1.5 million barrels of oil. About 1.1 million barrels of oil are scheduled for 2018 of which the first lifting of approximately 300,000 barrels oil was completed in January 2018. Production of oil will continue to decline as a result of the field nearing the end of its life.

SC 74 Linapacan Block and SC 14C-2 West Linapacan are in different stages of data processing and interpretation.

Peru Block Z-38 in Peru has been under force majeure since 1 September 2013. Upon the lifting of the force majeure, Pitkin will have 22 months to complete the required works for the third exploration period. In January 2018, Pitkin's partner for this project Karoon Gas Australia Ltd. ("Karoon") has agreed the financial participation of Tullow Oil Plc. (UK) ("Tullow") for drilling the well – Marina-1 while Karoon remains the project's operator.

2018 Outlook

Expansion to new mine levels at Padcal mine will ensure steady volumes and better quality of ore for the current year and beyond. Exploration of nearby sites continues, with guarded optimism for discovering economically viable ore bodies that will provide a pipeline for sustained production at Padcal mine. To this end, engineering studies are underway to increase the volume of available storage facilities to accommodate additional tailings as well as other mine waste management technologies and provide the basis for further mine life extension after 2022.

FPM Power/PLP

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

First Pacific's share of FPM Power's loss narrowed 21% to US$11.0 million, reflecting a lower core loss at PLP.

In 2017, the plant's system availability remained high at 95.3% and the heat rate exceeded its target level by 3.5%.

During 2017, the volume of electricity sold decreased 5% to 4,768 gigawatt hours, of which 90% was for retail, vesting contracts, futures and contracts for differences sales, and the remaining 10% was for pool market sales. PLP's generation market share for 2017 was approximately 9.3%.

Core net loss down 8% to S$80.9 million (US$58.9 million) from S$88.0 million (US$63.7 million)

- reflecting a higher contribution from an improved margin for retail market sales following a rebound in oil prices
- a gain from improved heat rate gain from contracts for differences sales to other generation companies
- partly offset by a lower margin associated with pool market sales

Net loss down 29% to S$76.6 million (US$55.7 million) from S$108.6 million (US$78.6 million)

- reflecting a lower core net loss
- a lower provision for onerous contract
- recorded foreign exchange gains on US$ denominated shareholders' loans versus losses in 2016

Revenues down 2% to S$776.8 million (US$565.4 million) from S$795.0 million (US$575.3 million)

- reflecting a lower average selling price per unit of electrity sold to the retail market
- Partly offset by a higher average selling price per unit of electrity sold to the pool market

Operating expenses down 7% to S$22.1 million (US$16.1 million) from S$23.7 million (US$17.1 million)

- reflecting lower depreciation and insurance expenses

EBITDA up 171% to S$13.0 million (US$9.5 million) from S$4.8 million (US$3.5 million)

- reflecting higher contribution from an improved margin for retail market sales
- improvement of power plant availability
- a gain from contracts for differences sales to other electricity generation companies

Debt Profile

As at 31 December 2017, FPM Power's net debt stood at US$509.1 million while gross debt stood at US$566.8 million with 16% of debts maturing in 2018 and remaining borrowings maturing in the period 2019-2021. All of the borrowings were floating-rate bank loans, with 46% effectively changed to fixed-rate borrowings through interest rate swap arrangements.

2018 Outlook

Oversupply in the electricity market continues, bringing the prospect of competition remaining robust through 2018. As in the past, PLP will continue leveraging its efficiency advantage and operational flexibility to defend market share while keeping costs down.

FP Natural Resources/RHI/FCMI

Additional Investment

On 14 July 2017, FP Natural Resources completed the conversion of Pesos 524 million (US$10.4 million) of convertible notes issued by RHI into 125 million common shares of RHI at a price of Pesos 4.19 (U.S. 8 cents) per share. After the conversion, the aggregate economic interest in RHI of FP Natural Resources and its Philippine affiliate FAHC increased to 62.9% from 59.7%.

Review of Operations

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

During 2017, First Pacific's share of FP Natural Resources' loss narrowed 10% to US$2.6 million (2016: US$2.9 million), reflecting higher core net income at RHI and a higher average ownership in RHI, partly offset by a higher core loss at FCMI.

RHI recorded a profit contribution of US$1.5 million (2016: US$0.6 million) while the share of loss of FCMI was US$4.1 million (2016: US$3.2 million).

RHI

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

RHI's sugar business milled 3.6 million tonnes of cane in 2017, up 30% from the previous year. During 2017, RHI sold 2.4 million LKg (2016: 1.7 million LKg) of refined sugar, 2.1 million LKg (2016: 1.4 million LKg) of raw sugar and 157,000 LKg (2016: 97,000 LKg) of premium raw sugar. The sales volume of ethanol increased 3% to 66.7 million liters (2016: 64.6 million liters) on higher demand from local oil companies.

Core net income up 86% to Pesos 240 million (US$4.8 million) from Pesos 129 million (US$2.7 million)

- reflecting higher sales volumes of all products
- improved production costs driven by upgraded facilities at production plants
- partly offset by lower average selling prices of all products

Reported net income up 7% to Pesos 120 million (US$2.4 million) from Pesos 112 million (US$2.3 million)

- reflecting higher core net income
- partly offset by non-recurring expenses related to taxes for prior years

Revenue up 6% to Pesos 11.5 billion (US$228.9 million) from Pesos 10.8 billion (US$227.3 million)

- driven by higher sales volumes of all products
- partly offset by lower average selling prices of all products

Operating expenses up 1% to Pesos 936 million (US$18.6 million) from Pesos 932 million (US$19.6 million)

- owing to higher staff-related costs

EBITDA up 17% to Pesos 1.6 billion (US$32.4 million) from Pesos 1.4 billion (US$29.4 million)

- reflecting higher revenue and improved gross margins

EBITDA margin to 14% from 13%

- propelled by higher EBITDA

Debt Profile

As at 31 December 2017, long-term debt of RHI stood at Pesos 5.7 billion (US$115.1 million) with maturities ranging from May 2018 to August 2024 at an annual interest of approximately 4.5%. Short-term debt stood at Pesos 4.4 billion (US$88.0 million) with an average interest rate of approximately 4.0%.

FCMI

In 2017, supply of copra was under pressure in the first three quarters as the harvest continued to be impacted by effects of El Niño, with some alleviation in the fourth quarter. Coconut oil is primarily used for food, cosmetics and pharmaceutical purposes and coconut by-products remain in high demand for their health and nutritional benefits. However, the higher average selling price of crude coconut oil was unable to compensate for the 19% increase in the cost of copra. FCMI sold 8,001 tonnes of crude coconut oil, 5,159 tonnes of cochin coconut oil and 1,194 tonnes of white refined, bleached and deodorized ("WRBD") coconut oil.

In 2017, FCMI's revenue remained at Pesos 1.2 billion (US$24.3 million), while core loss increased to Pesos 298 million (US$5.9 million) reflecting continued high raw material cost due to shortage of copra supply.

Debt Profile

As at 31 December 2017, FCMI had short-term debts of Pesos 300 million (US$6.0 million) with an average interest rate of approximately 3.8%.

2018 Outlook

RHI expects better performance from its alcohol segment with improved production efficiencies which will bring higher production volumes. Stable cane supply and stronger cost controls are expected to partially offset the impact of declining sugar prices and increasing fuel prices.

LIQUIDITY AND FINANCIAL RESOURCES

NET DEBT AND GEARING

(A) Head Office net debt

The increase in net debt mainly reflects the payments for interest expenses and the Company's distributions, partly offset by dividend income received. The Head Office's borrowings at 31 December 2017 comprise bonds of US$1,040.3 million (with an aggregated face value of US$1,045.5 million) which are due for redemption between June 2019 and April 2023 and bank loans of US$572.2 million (with a principal amount of US$580.0 million) which are due for repayment between March 2021 and June 2024.

Changes in Head Office net debt

US$ millions	Borrowings	Cash and cash equivalents[i]	Net debt
At 1 January 2017	1,759.5	(248.2)	1,511.3
Movement	(147.0)	157.5	10.5
At 31 December 2017	**1,612.5**	**(90.7)**	**1,521.8**

(i) Includes pledged deposits and restricted cash as at 31 December 2017 of US$0.1 million (2016: US$11.7 million)

Head Office free cash flow[ii]

For the year ended 31 December US$ millions	**2017**	2016
Dividend and fee income	**185.5**	199.7
Head Office overhead expense	**(26.5)**	(27.6)
Net cash interest expense	**(72.4)**	(91.7)
Net cash inflow from operating activities	**86.6**	80.4
(Net investments)[iii]/Net proceeds on sale of investment[iv]	**(23.5)**	163.2
Financing activities		
- Distributions/dividends paid	**(74.8)**	(74.2)
- Repayment of loans, net	**(167.6)**	(36.0)
- Others, mainly proceeds from issuance of shares upon the exercise of share options	**33.4**	0.5
(Decrease)/increase in cash and cash equivalents	**(145.9)**	133.9
Cash and cash equivalents at 1 January	**236.5**	102.6
Cash and cash equivalents at 31 December	**90.6**	236.5

(ii) Excludes pledged deposits and restricted cash as at 31 December 2017 of US$0.1 million (31 December 2016: US$11.7 million and 1 January 2016: US$11.5 million).

(iii) 2017's net investments principally represents the subscription of convertible notes issued by RHI.

(iv) 2016's net proceeds on sale of investment principally represents the net proceeds from the sale of 1.3 billion common shares in MPIC.

(B) Group net debt and gearing

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

Consolidated

US$ millions	**Net debt 2017**	**Total equity 2017**	**Gearing[i] (times) 2017**	Net debt 2016	Total equity 2016	Gearing[i] (times) 2016
Head Office	**1,521.8**	**1,837.7**	**0.83x**	1,511.3	2,016.7	0.75x
Indofood	**784.6**	**3,485.2**	**0.23x**	674.3	3,349.2	0.20x
MPIC	**2,717.4**	**4,302.5**	**0.63x**	1,492.9	3,775.5	0.40x
FPM Power	**509.1**	**398.1**	**1.28x**	470.2	344.8	1.36x
FP Natural Resources	**198.5**	**197.2**	**1.01x**	189.3	201.2	0.94x
Group adjustments[ii]	**-**	**(1,478.2)**	**-**	-	(1,653.1)	-
Total	**5,731.4**	**8,742.5**	**0.66x**	4,338.0	8,034.3	0.54x
Associated companies and joint venture						
PLDT	**2,798.0**	**2,223.1**	**1.26x**	2,942.7	2,183.0	1.35x
FPW	**457.9**	**1,005.0**	**0.46x**	368.6	952.8	0.39x
Philex	**176.5**	**495.3**	**0.36x**	185.4	470.6	0.39x

(i) Calculated as net debt divided by total equity

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

Head Office's gearing increased mainly because of a decrease in its equity reflecting its payments for interest expenses and the Company's distributions.

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

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

FPM Power's gearing decreased mainly because of an increase in its equity reflecting the capital injection from non-controlling interests through the conversion of PLP's S$ denominated shareholder's loan during the year, partly offset by an increase in its net debt as a result of the appreciation of the S$ against the U.S. dollar during the year.

FP Natural Resources' gearing increased because of an increase in its net debt as a result of RHI's payments for capital expenditure and FCMI's operating cash outflow, partly offset by RHI's operating cash inflow and the depreciation of the peso against the U.S. dollar.

The Group's gearing increased to 0.66 times which reflects a higher net debt level mainly as a result of MPIC's consolidation of Beacon Electric and GBPC and Indofood's payments for capital expenditure, partly offset by MPIC's proceeds from divestment of a 4.5% interest in Meralco, despite an increase in the Group's equity as a result of MPIC's consolidation of GBPC and the Group's profit recorded during the year.

PLDT's gearing decreased because of a decrease in its net debt mainly reflecting its receipt of upfront payment from MPIC for its disposal of the remaining 25.0% interest in Beacon Electric and a growth of its equity reflecting its profit recorded during the year, partly offset by dividends paid. FPW's gearing increased mainly because of an increase in its net debt reflecting its payments for capital expenditure, partly offset by its operating cash inflow. Philex gearing decreased mainly because of an increase in its equity reflecting its profit recorded during the year and a decrease in its net debt reflecting its operating cash inflow, partly offset by its payments for capital expenditure.

MATURITY PROFILE

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

Consolidated

	Carrying amounts		**Nominal values**	
US$ millions	**2017**	2016	**2017**	2016
Within one year	**1,460.4**	1,280.7	**1,448.2**	1,283.4
One to two years	**1,086.5**	953.8	**1,076.9**	958.6
Two to five years	**2,845.2**	2,040.6	**2,849.5**	2,051.4
Over five years	**2,577.6**	1,833.3	**2,586.2**	1,839.9
Total	**7,969.7**	6,108.4	**7,960.8**	6,133.3

The change in the Group's debt maturity profile from 31 December 2016 to 31 December 2017 mainly reflects a shift in long-term borrowings among the different maturity periods for Head Office, Indofood and MPIC, Head Office's repurchase of bonds and net new bank borrowings, Indofood's refinancing of Rupiah 2.0 trillion (US$147.6 million) of its bonds matured in May 2017 with new bonds issued with the same amount which mature in May 2022 and MPIC's consolidation of Beacon Electric and GBPC.

Associated companies and joint venture

	PLDT				**FPW**				**Philex**			
	Carrying amounts		**Nominal values**		**Carrying amounts**		**Nominal values**		**Carrying amounts**		**Nominal values**	
US$ millions	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
Within one year	**299.5**	669.2	**302.5**	673.2	**345.2**	306.8	**345.5**	307.1	**49.0**	62.0	**49.0**	62.0
One to two years	**400.7**	294.8	**402.7**	297.3	**0.3**	0.5	**0.3**	0.5	**-**	-	**-**	-
Two to five years	**1,142.2**	1,216.3	**1,146.0**	1,220.9	**222.6**	142.7	**224.5**	143.0	**139.2**	-	**144.2**	-
Over five years	**1,614.6**	1,541.2	**1,616.4**	1,542.8	**-**	-	**-**	-	**-**	132.6	**-**	144.8
Total	**3,457.0**	3,721.5	**3,467.6**	3,734.2	**568.1**	450.0	**570.3**	450.6	**188.2**	194.6	**193.2**	206.8

The change in PLDT's debt maturity profile from 31 December 2016 to 31 December 2017 mainly reflects new borrowings arranged to finance capital expenditure and/or refinance its loan obligations which were utilized for service improvements and expansion programs and loan repayments. The increase in FPW's debt mainly reflects its new long-term borrowings to finance its working capital and capital expenditure. The decrease in Philex's debt mainly reflects loan repayments.

CHARGES ON GROUP ASSETS

At 31 December 2017, certain bank and other borrowings were secured by the Group's property, plant and equipment, accounts receivable, pledged deposits, cash and cash equivalents and inventories amounting to a net book value of US$2,172.9 million (2016: US$1,336.2 million), receipts from future toll collections and funds in the related accounts of CIC and the Group's interests of 12.0% (2016: 12.0%) in PLDT, none (2016: 35.6%) in MPIC, 56.0% in GBPC (2016: None), 13.1% in Meralco (2016: None), 100% (2016: 100%) in CIC, 100% (2016: 100%) in AIF Toll Road Holdings (Thailand) Limited, 25.9% (2016: 25.9%) in DMT, 70.0% (2016: 70.0%) in PLP, 93.7% (2016: 93.7%) in SCBI and 45.1% (2016: 45.1%) in Hawaiian-Philippine Company, Inc.

FINANCIAL RISK MANAGEMENT

FOREIGN CURRENCY RISK

(A) Company risk

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

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

With the exception of the Head Office, the principal components of the Group's NAV mainly relate to investments denominated in the rupiah and the peso. Accordingly, any change in these currencies, against their respective 31 December 2017 exchange rates, would have an effect on the Group's NAV in U.S. dollar terms.

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

Company	Basis	**Effect on adjusted NAV**[i] US$ millions	**Effect on adjusted NAV per share** HK cents
Indofood	(i)	24.7	4.44
PLDT	(i)	16.4	2.94
MPIC	(i)	18.1	3.26
Philex	(i)	2.8	0.50
PXP	(i)	0.9	0.16
FP Natural Resources	(ii)	0.6	0.11
Head Office - Other assets	(iii)	1.0	0.18
Total		**64.5**	**11.59**

(i) Based on quoted share prices at 31 December 2017 applied to the Group's economic interests
(ii) Based on quoted share prices of RHI at 31 December 2017 applied to the Group's effective economic interest
(iii) Based on the investment cost in SMECI's convertible notes

(B) Group risk

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

NET DEBT BY CURRENCY

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

Consolidated

US$ millions	US$	Rupiah	Peso	S$	Others	**Total**
Total borrowings	2,213.0	1,245.8	3,858.1	566.8	86.0	**7,969.7**
Cash and cash equivalents[i]	(481.0)	(665.1)	(1,020.9)	(57.7)	(13.6)	**(2,238.3)**
Net debt	1,732.0	580.7	2,837.2	509.1	72.4	**5,731.4**
Representing:						
Head Office	1,535.0	(0.1)	(10.9)	-	(2.2)	**1,521.8**
Indofood	166.5	586.5	-	(3.6)	35.2	**784.6**
MPIC	35.1	(5.7)	2,648.6	-	39.4	**2,717.4**
FPM Power	(3.6)	-	-	512.7	-	**509.1**
FP Natural Resources	(1.0)	-	199.5	-	-	**198.5**
Net debt	1,732.0	580.7	2,837.2	509.1	72.4	**5,731.4**

Associated companies and joint venture

US$ millions	US$	Peso	A$	NZ$	Others	**Total**
Net debt						
PLDT	263.2	2,536.8	-	-	(2.0)	**2,798.0**
FPW	139.2	(0.1)	195.7	157.9	(34.8)	**457.9**
Philex	46.3	130.2	-	-	-	**176.5**

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

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

US$ millions	Total US$ exposure	Hedged amount	Unhedged amount	Profit effect of 1% change in currency	**Group net profit effect**
Head Office[(i)]	1,535.0	-	1,535.0	-	**-**
Indofood	166.5	-	166.5	1.7	**0.6**
MPIC	35.1	-	35.1	0.4	**0.1**
FPM Power	(3.6)	-	(3.6)	-	**-**
FP Natural Resources	(1.0)	-	(1.0)	-	**-**
PLDT	263.2	(92.4)	170.8	1.7	**0.3**
FPW	139.2	(142.7)	(3.5)	-	**-**
Philex	46.3	-	46.3	0.5	**0.1**
Total	**2,180.7**	**(235.1)**	**1,945.6**	**4.3**	**1.1**

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

EQUITY MARKET RISK

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

INTEREST RATE RISK

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

Consolidated

US$ millions	Fixed interest rate borrowings[(i)]	Variable interest rate borrowings[(i)]	Cash and cash equivalents[(ii)]	**Net debt**
Head Office	1,040.3	572.2	(90.7)	**1,521.8**
Indofood	294.3	1,500.8	(1,010.5)	**784.6**
MPIC	3,603.2	183.0	(1,068.8)	**2,717.4**
FPM Power	259.4	307.4	(57.7)	**509.1**
FP Natural Resources	115.1	94.0	(10.6)	**198.5**
Total	5,312.3	2,657.4	(2,238.3)	**5,731.4**
Associated companies and joint venture				
PLDT	3,184.7	272.3	(659.0)	**2,798.0**
FPW	143.0	425.1	(110.2)	**457.9**
Philex	139.2	49.0	(11.7)	**176.5**

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

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

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

US$ millions	Variable interest rate borrowings	Profit effect of 1% change in interest rates	**Group net profit effect**
Head Office	572.2	5.7	**5.7**
Indofood	1,500.8	15.0	**5.6**
MPIC	183.0	1.8	**0.5**
FPM Power	307.4	3.1	**1.1**
FP Natural Resources	94.0	0.9	**0.3**
PLDT	272.3	2.7	**0.5**
FPW	425.1	4.3	**1.5**
Philex	49.0	0.5	**0.2**
Total	**3,403.8**	**34.0**	**15.4**

ADJUSTED NAV PER SHARE

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

At 31 December US$ millions	Basis	**2017**	2016
Indofood	(i)	**2,474.2**	2,593.0
PLDT	(i)	**1,637.5**	1,516.7
MPIC	(i)	**1,814.1**	1,771.2
Philex	(i)	**276.9**	394.6
PXP	(i)	**88.6**	37.0
FPW	(ii)	**554.0**	554.0
FPM Power	(iii)	**230.0**	230.0
FP Natural Resources	(iv)	**58.5**	50.1
Head Office - Other assets	(v)	**100.9**	101.4
- Net debt		**(1,521.8)**	(1,511.3)
Total Valuation		**5,712.9**	5,736.7
Number of Ordinary Shares in Issue (millions)		**4,342.0**	4,281.7
Value per share - U.S. dollars		**1.32**	1.34
- HK dollars		**10.26**	10.45
Company's closing share price (HK$)		**5.30**	5.42
Share price discount to HK$ value per share (%)		**48.3**	48.1

(i) Based on quoted share prices applied to the Group's economic interests
(ii) Represents investment costs
(iii) Represents carrying amounts
(iv) Mainly represents RHI (based on quoted share price applied to the Group's effective economic interest)
(v) Represents investment costs in SMECI's convertible notes

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 December 2017, the Company has not repurchased any of its ordinary shares (2016: Nil) on The Stock Exchange of Hong Kong Limited (SEHK).

On 4 January 2017, the Company made tender offers inviting holders of the US$300 million 7.375% Guaranteed Secured Bonds due July 2017 issued by FPMH Finance Limited (2017 Bonds) and the US$400 million 6.375% Guaranteed Secured Bonds due September 2020 issued by FPT Finance Limited (2020 Bonds) to tender their Bonds for purchase by the Company for cash (Tender Offer). The purchase price for the two bonds under the Tender Offer was 103.25% of the principal amount of the 2017 Bonds and 109.00% of the principal amount of the 2020 Bonds, respectively. On expiration deadline of the Tender Offer, the Company received valid tenders for an aggregate principal amount of US$68.98 million in respect of the 2017 Bonds (2016: US$12.5 million repurchased) and US$83.21 million in respect of the 2020 Bonds (2016: US$4.6 million repurchased), which were accepted by the Company for purchase, with settlement completed on 18 January 2017. These purchased bonds were subsequently cancelled.

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

In addition to the Tender Offer and redemption of the 2017 Bonds, during the year the Company also repurchased US$8.47 million (2016: US$17.0 million) in principal amount of the US$400 million 4.5% Guaranteed Bonds due April 2023 issued by FPC Treasury Limited at an aggregate consideration of US$8.8 million (2016: US$17.6 million) and US$25.53 million (2016: Nil) in principal amount of the US$400 million 6% Guaranteed bonds due June 2019 issued by FPC Finance Limited, at an aggregate consideration of US$27.7 million (2016: Nil). All such repurchased bonds were subsequently cancelled.

During the year ended 31 December 2017, the independent trustee managing the Company's share award scheme subscribed 134,342 new shares (2016: 4,284,489 shares) issued by the Company at an aggregate consideration of HK$0.8 million (approximately US$0.1 million) (2016: HK$21.3 million (approximately US$2.8 million)) and purchased 7,452,000 shares (2016: 6,764,000 shares) of the Company at an aggregate consideration of HK$45.6 million (approximately US$5.8 million) (2016: HK$37.1 million (approximately US$4.7 million)) at the cost of the Company.

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

CORPORATE GOVERNANCE

Corporate Governance Practices

First Pacific is committed to building and maintaining high standards of corporate governance. The Company's Corporate Governance Committee, comprised of a majority of Independent Non-executive Directors (INEDs) and chaired by an INED, was delegated with the responsibility for supervision of the Company's corporate governance functions. The Committee carried out a review of its corporate governance practices in respect of the year ended 31 December 2017 to ensure its compliance with the Listing Rule requirements. This Committee is also tasked with the responsibility to oversee the process of Environmental, Social and Governance (ESG) reporting, in compliance with the Listing Rule requirements. With the approval of the Corporate Governance Committee, the Company's first ESG report was published on the websites of the SEHK and the Company in mid-July 2017.

The Company has adopted its own Corporate Governance Code (the First Pacific Code), which incorporates the principles and requirements set out in the Corporate Governance Code contained in Appendix 14 of the Main Board Listing Rules (the CG Code). The First Pacific Code will be updated regularly following relevant amendments to the Listing Rules.

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

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

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

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

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

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

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

Compliance of the Model Code for Securities Transactions by Directors of Listed Issuers
The Company has adopted its own Model Code for Securities Transactions by Directors (the Model Code) on terms no less exacting than the required standards of the Model Code for Securities Transactions by Directors of Listed Issuers, as set out in Appendix 10 of the Listing Rules. All Directors have confirmed, following specific enquiries by the Company, that they have complied with the required standards set out in the Model Code for the year ended 31 December 2017.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- 6 September 2017 announcement: following the Company's previous announcement made on 10 November 2016 and the Company's circular dated 30 December 2016 in relation to certain CCTs relating to the Indofood Group, due to expansion of businesses, the Company has undertaken a review in respect of Indofood's Plantations Business Transactions, Distribution Business transactions, Flour Business Transactions, Beverages Business – Salim Transactions, Dairy Business Transactions and Beverages Business – Asahi Transactions. As a result of that review, the Company has revised the Annual Caps for each of those business categories for the remainder of 2017 and for 2018 and 2019 in order to more closely reflect the projected transaction amounts. As for Indofood's Packaging Business Transactions, due to expansion of business and the addition of new CCTs, the 2017-2019 aggregated Annual Caps in respect of the Packaging Business transactions have been revised and are subject to the reporting and announcement requirements, but not the Independent Shareholders' approval requirements, under Chapter 14A of the Listing Rules.

  Set out in that announcement are details of the revised Annual Caps for the remainder of 2017, 2018 and 2019 in respect of each of the Plantations Business Transactions, Distribution Business Transactions, Flour Business Transactions, Beverages Business – Salim Transactions, Dairy Business Transactions, Beverages Business – Asahi Transactions and Packaging Business Transactions.

- 2 October 2017 announcement: the Company announced that Indofood's consumer branded products subsidiary, PT Indofood CBP Sukses Makmur Tbk. (ICBP), replied to and accepted a non-legally binding letter of intent from Asahi Group Holdings, Limited (Asahi) in relation to the possible sale of the entire equity interest of Asahi Group Holdings Southeast Asia Pte. Ltd. (Asahi Group SEA), a wholly-owned subsidiary of Asahi, in each of PT Asahi Indofood Beverage Makmur (AIBM) and PT Indofood Asahi Sukses Beverage (IASB).

  As at the date of that announcement, AIBM is owned by ICBP as to 49% and by Asahi Group SEA as to 51%, while IASB is owned by ICBP as to 51% and by Asahi Group SEA as to 49%. Following completion, both AIBM and IASB would be wholly owned by ICBP.

- 22 December 2017 announcement: following the Company's previous announcement made on 2 October 2017 in relation to the possible purchase of a 51% interest in AIBM and a 49% interest in IASB by the Indofood Group from the Asahi Group, ICBP and PT Prima Intipangan Sejati (as Purchasers), Asahi Group SEA (as Seller) and Asahi entered into a conditional sale and purchase agreement (CSPA), pursuant to which the Purchasers agreed to purchase, and the Seller agreed to sell, 617,100 shares in AIBM (representing approximately 51% of the total issued share capital of AIBM) and 632,100 shares in IASB (representing approximately 49% of the total issued share capital of IASB) at the total consideration of US$20 million (equivalent to approximately HK$156.0 million).

  Within five business days after completion, the Purchasers shall satisfy or procure the satisfaction of the following conditions subsequent:-

  (a) ICBP shall pay or procure IASB, AIBM, IASB subsidiaries and AIBM subsidiaries (collectively known as the Target Group) to pay all outstanding principal amount and any unpaid interest owing under certain bank loan facilities provided by the Japanese Banks to the Target Group specified in the CSPA, to each of the relevant Japanese Banks, and to release the guarantees provided by Asahi in connection with those bank loan facilities; and

  (b) ICBP shall repay, or procure the Target Group to repay, all outstanding shareholder loan amount owed by the Target Group to Asahi under certain facility agreements specified in the CSPA.

  As of 30 November 2017, the total outstanding principal amount drawn under those bank loan facilities was Rupiah 2.0 trillion (equivalent to approximately US$147.6 million and HK$1.2 billion), of which the total amount guaranteed by Asahi was Rupiah 1.5 trillion (equivalent to approximately US$110.7 million and HK$863.5 million). The total outstanding shareholder loan amount drawn under those facility agreements was Rupiah 60.5 billion (equivalent to approximately US$4.5 million and HK$34.8 million).

  As one or more of the applicable percentage ratios in respect of the transaction contemplated under the CSPA exceeds 5% but all the applicable percentage ratios are less than 25%, it would constitute a discloseable transaction for the Company under Chapter 14 of the Listing Rules.

  As at the date of that announcement, IASB is a 51%-owned subsidiary of Indofood. Asahi Group SEA, the remaining 49% shareholder of IASB, and Asahi, the holding company of Asahi Group SEA, are connected persons of the Company. In this respect, the aforesaid transaction would also be a connected transaction for the Company under Chapter 14A of the Listing Rules.

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

5-year contract between Maynilad and VA Tech Wabag - D.M. Consunji, Inc. Joint Venture in relation to the 1500 MLD La Mesa Water Treatment Plant 2

On 16 January 2015, the Company announced, among other things, the entering into of a framework agreement (the Framework Agreement) between DMCI and Maynilad, in relation to the provision of engineering, procurement and/or construction services by DMCI to Maynilad for the period from 13 January 2015 to 31 December 2017. The entering into of the framework agreement constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

On 16 November 2017, Maynilad awarded to VA Tech Wabag - D.M. Consunji, Inc. Joint Venture (the Joint Venture) in which DMCI is a member, a project (the Project) in relation to structural retrofitting, engineering design, construction, installation, testing, commissioning and process-proving works of 1500 MLD La Mesa Water Treatment Plant 2, under the Framework Agreement, following an open competitive bidding process. The service contract for the project (the EPC Agreement) has a term of five years, commencing on 16 November 2017 and ending on 21 November 2022. Under the EPC Agreement, the Joint Venture is required to complete the design and construction of the works within the first three years of the term, and the following two years is the overall process-proving and defects notification period.

The Company has engaged Somerley Capital Limited (Somerley) as the independent financial adviser to provide independent advice in respect of the EPC Agreement pursuant to the requirement under Rule 14A.52 of the Listing Rules to explain why a period exceeding three years for the EPC Agreement is required and to confirm that it is normal business practice for agreements of this type to be of a duration longer than three years. Somerley has considered, based on information provided by the management of the Company, the following factors when formulating its opinion:

(a) Comparable transactions

Somerley has reviewed copies of agreements in connection with three other expansion/ rehabilitation projects launched by Maynilad with comparable scale, complexity and technical requirements as the Project, all of which were signed with contractors which are independent third parties. Somerley notes that duration of these three agreements range from 1,275 calendar days (i.e. around three and a half years) to 1,832 calendar days (i.e. around five years). Somerley also notes that the duration of each of these three agreements included a 365-day process-proving period and a 730-day defects notification period (as the defects notification period commences with the start of the process-proving period and lasts up to 365 calendar days following the end of the process proving period) (collectively, the "730-day PP & DN Period"), which according to the management of Maynilad, is common and industry practice for contracts of this type.

Amongst the three agreements, Somerley also notes that one of them, being the contract for the design and construction for the rehabilitation and process improvement of La Mesa Water Treatment Plant 1 which is a project similar to the Project in terms of nature, scope of work and complexity, has a duration of 1,832 calendar days (i.e. around five years, inclusive of the 730-day PP & DN Period) which is same as the duration of the EPC Agreement.

Based on the above, having considered that (i) the inclusion of the 730-day PP & DN Period in the EPC Agreement is in accordance with normal business and industry practice; and (ii) the EPC Agreement has the same duration as the other agreement for a similar project with comparable nature and scope of work, Somerley is of the view that the duration of the EPC Agreement can be considered in accordance with normal business practice for contracts of this type.

(b) Duration of the EPC Agreement coincides with completion of the Project

Somerley has discussed with the management of the Group that works to be carried out according to work plan under the EPC Agreement, from structural design to actual implementation of engineering and construction works, and from test-running to defects notification, are integral and indispensable parts for achieving a smooth progress of construction and successful completion of the Project. In addition, Somerley is further advised that the process-proving period and the defects notification period are also of utmost importance and beneficial as well to Maynilad because during such periods, Maynilad will be warranted of remedies and rectification pursuant to the terms of the EPC Agreement in case of defects or malfunctioning of the Plant and/or its process being identified after the refurbished Plant is handed over by the Joint Venture.

Given that (i) the planned time for completion of the Project, which includes time for completion of design and construction works of around three years and process-proving and defects notification of around two years, is over three years; (ii) the process-proving period and the defects notification period are considered essential for ensuring the proper functioning of the Plant and are beneficial to Maynilad as during which the Joint Venture will be obliged to remedy any defect or damage at its own costs; (ii) as discussed in paragraph namely "Comparable transactions" above, the inclusion of the 730-day PP & DN Period in the EPC Agreement is in accordance with normal business practice, Somerley considers the duration of the EPC Agreement of longer than a three-year term, coinciding with the completion of the Project, is required.

Having considered the factors set out above, Somerley is of the view that the duration of the EPC Agreement, being longer than three years, is required and is in accordance with normal business practice for contracts of this type.

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

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

The Board is responsible for maintaining an adequate system of risk management and internal controls in the Group and reviewing their effectiveness through the Audit and Risk Management Committee.

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

In respect of the financial year ended 31 December 2017, the Board confirmed that it has received confirmations from the operating companies' audit committees, risk committees and/or internal auditor/chief risk officer on the effectiveness of the Group's risk management and internal control systems and that there is no significant area of concern to be disclosed.

During the year ended 31 December 2017, the Audit and Risk Management Committee reviewed and advised that:

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

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

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

AUDIT OPINION
The auditors have expressed an unqualified opinion on the Group's financial statements for the year ended 31 December 2017 in their report dated 20 March 2018.

REVIEW STATEMENT BY THE AUDIT AND RISK MANAGEMENT COMMITTEE
The Audit and Risk Management Committee has reviewed the 2017 annual results, including the accounting policies and practices adopted by the Group. The Audit and Risk Management Committee also has discussed financial reporting, auditing, risk management and internal control matters with the Company's management and its external auditors.

FINAL DISTRIBUTION
The Board has recommended a final cash distribution of HK5.50 cents (US0.71 cent) per ordinary share. Subject to approval by shareholders at the 2018 Annual General Meeting (AGM), the final distribution will be paid in cash in a currency to be determined based on the registered address of each Shareholder on the Company's Register of Members as follows: Hong Kong dollars for Shareholders with registered addresses in Hong Kong, Macau and PRC, Sterling pounds for Shareholders with registered addresses in the United Kingdom and US dollars for Shareholders with registered addresses in all other countries. It is expected that the distribution warrants will be dispatched to shareholders on or about Tuesday, 26 June 2018.

CLOSURE OF REGISTER OF MEMBERS

1. **Annual General Meeting**
   The Register of Members will be closed from Friday, 1 June 2018 to Tuesday, 5 June 2018, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for attending and voting at the AGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong Branch Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Thursday, 31 May 2018.

2. Proposed Final Distribution

Upon Shareholders' approval of the proposed final distribution, the Register of Members will be closed from Tuesday, 12 June 2018 to Thursday, 14 June 2018, both days inclusive, during which period no transfer of shares will be registered. The ex-dividend date will be Friday, 8 June 2018. In order to qualify for the proposed final distribution, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong Branch Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Monday, 11 June 2018. The final distribution will be paid to shareholders whose names appear on the Register of Members on Thursday, 14 June 2018 and the payment date will be on or about Tuesday, 26 June 2018.

AGM

The AGM will be held at Mandarin Oriental, Hong Kong on Tuesday, 5 June 2018 at 2:30 p.m. A shareholder's circular containing, among others, the Notice of AGM, will be uploaded to the websites of the Company (www.firstpacific.com) and the SEHK (www.hkexnews.hk), and be despatched to those shareholders requiring printed copies by the end of April 2018.

Resignation of member of the Audit and Risk Management Committee

Mr. Benny S. Santoso (Mr. Santoso), a Non-executive Director, resigned as a member of the Audit and Risk Management Committee of the Company with effect from 20 March 2018. Mr. Santoso will continue to be a Non-executive Director of the Company and he confirmed that he has no disagreement with the Audit and Risk Management Committee and that there are no matters in relation to his resignation that should be brought to the attention of the shareholders of the Company.

As at the date of this announcement, the Audit and Risk Management Committee comprises of three INEDs, being Ms. Madeleine Lee Suh Shin (Chairperson of the Audit and Risk Management Committee), Mrs. Margaret Leung Ko May Yee and Prof. Edward K.Y. Chen.

Results Announcement and Annual Report

This final results announcement is published on the website of the Company (www.firstpacific.com) and the website of SEHK (www.hkexnews.hk). The 2017 annual report containing all the information required by the Listing Rules will be uploaded to the above websites and be despatched to those shareholders requiring printed copies by the end of April 2018.

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

Hong Kong, 20 March 2018

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

Executive Directors:
Manuel V. Pangilinan, *Managing Director and CEO*
Robert C. Nicholson
Christopher H. Young

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

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