FIRST PACIFIC COMPANY LIMITED

(Incorporated with limited liability under the laws of Bermuda)

Website: www.firstpacific.com

(Stock Code: 00142)

2018 Annual Results - Audited

FINANCIAL HIGHLIGHTS

- Turnover increased by 6% to US$7,742.4 million (HK$60,390.7 million) from US$7,296.8 million (HK$56,915.0 million).
- Profit attributable to owners of the parent increased by 9% to US$131.8 million (HK$1,028.0 million) from US$120.9 million (HK$943.0 million).
- Profit contribution from operations decreased by 6% to US$393.9 million (HK$3,072.4 million) from US$420.5 million (HK$3,279.9 million).
- Recurring profit decreased by 4% to US$289.5 million (HK$2,258.1 million) from US$300.0 million (HK$2,340.0 million).
- Non-recurring losses decreased by 19% to US$157.8 million (HK$1,230.8 million) from US$195.6 million (HK$1,525.7 million).
- Basic earnings per share increased by 9% to U.S. 3.04 cents (HK23.7 cents) from U.S. 2.80 cents (HK21.8 cents).
- Recurring basic earnings per share (calculated based on recurring profit) decreased by 4% to U.S. 6.68 cents (HK52.1 cents) from U.S. 6.96 cents (HK54.3 cents).
- A final distribution of HK5.50 cents (U.S. 0.71 cents) (2017: 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) (2017: HK13.50 cents or U.S. 1.74 cents) for the full year or a distribution payout ratio of approximately 26% (2017: 25%) of recurring profit.
- Equity attributable to owners of the parent decreased by 4% to US$3,083.6 million (HK$24,052.1 million) at 31 December 2018 from US$3,227.1 million (HK$25,171.4 million) at 31 December 2017.
- Consolidated gearing ratio increased to 0.78 times at 31 December 2018 from 0.66 times at 31 December 2017.

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December	Notes	2018 US$m	2017 US$m	2018 HK$m*	2017 HK$m*
Turnover	2	**7,742.4**	7,296.8	**60,390.7**	56,915.0
Cost of sales		**(5,564.6)**	(5,144.3)	**(43,403.9)**	(40,125.5)
Gross profit		**2,177.8**	2,152.5	**16,986.8**	16,789.5
Selling and distribution expenses		**(553.4)**	(542.9)	**(4,316.5)**	(4,234.6)
Administrative expenses		**(621.0)**	(609.5)	**(4,843.8)**	(4,754.1)
Other operating (expenses)/income, net		**(63.9)**	10.7	**(498.4)**	83.4
Interest income		**64.6**	55.9	**503.9**	436.0
Finance costs		**(422.3)**	(386.5)	**(3,293.9)**	(3,014.7)
Share of profits less losses of associated companies and joint ventures		**319.5**	204.0	**2,492.1**	1,591.2
Profit before taxation	3	**901.3**	884.2	**7,030.2**	6,896.7
Taxation	4	**(292.6)**	(322.9)	**(2,282.3)**	(2,518.6)
Profit for the year		**608.7**	561.3	**4,747.9**	4,378.1
Attributable to:					
Owners of the parent	5	**131.8**	120.9	**1,028.0**	943.0
Non-controlling interests		**476.9**	440.4	**3,719.9**	3,435.1
		608.7	561.3	**4,747.9**	4,378.1
		US¢	US¢	**HK¢***	HK¢*
Earnings per share attributable to owners of the parent	6				
Basic		**3.04**	2.80	**23.7**	21.8
Diluted		**3.03**	2.80	**23.6**	21.8

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December	2018 US$m	2017 US$m	2018 HK$m*	2017 HK$m*
Profit for the year	**608.7**	561.3	**4,747.9**	4,378.1
Other comprehensive (loss)/income				
Items that will be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	**(535.0)**	(11.4)	**(4,173.0)**	(88.9)
Unrealized losses on debt investments at fair value through other comprehensive income	**(0.5)**	-	**(3.9)**	-
Unrealized gains on available-for-sale assets	**-**	31.4	**-**	244.9
Unrealized losses on cash flow hedges	**(16.1)**	(10.4)	**(125.6)**	(81.1)
Realized gains on cash flow hedges	**(33.4)**	-	**(260.5)**	-
Income tax related to cash flow hedges	**8.5**	1.8	**66.3**	14.0
Share of other comprehensive income of associated companies and joint ventures	**13.3**	7.6	**103.7**	59.3
Items that will not be reclassified to profit or loss:				
Changes in fair value of equity investments at fair value through other comprehensive income	**49.5**	-	**386.1**	-
Actuarial gains/(losses) on defined benefit pension plans	**40.5**	(35.3)	**315.9**	(275.3)
Share of other comprehensive income/(loss) of associated companies and joint ventures	**3.9**	(3.2)	**30.4**	(25.0)
Other comprehensive loss for the year, net of tax	**(469.3)**	(19.5)	**(3,660.6)**	(152.1)
Total comprehensive income for the year	**139.4**	541.8	**1,087.3**	4,226.0
Attributable to:				
Owners of the parent	**(67.3)**	145.7	**(525.0)**	1,136.5
Non-controlling interests	**206.7**	396.1	**1,612.3**	3,089.5
	139.4	541.8	**1,087.3**	4,226.0

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	At 31 December 2018 US$m	At 31 December 2017 US$m	At 31 December 2018 HK$m*	At 31 December 2017 HK$m*
Non-current assets					
Property, plant and equipment		**5,157.4**	5,321.1	**40,227.7**	41,504.5
Biological assets		**22.7**	23.1	**177.1**	180.2
Associated companies and joint ventures		**4,877.3**	5,203.2	**38,042.9**	40,585.0
Goodwill		**1,111.5**	1,095.1	**8,669.7**	8,541.8
Other intangible assets		**4,182.5**	3,659.4	**32,623.5**	28,543.3
Investment properties		**9.5**	10.1	**74.1**	78.8
Accounts receivable, other receivables and prepayments		**16.2**	7.0	**126.4**	54.6
Financial assets at fair value through other comprehensive income		**319.4**	-	**2,491.3**	-
Available-for-sale assets		**-**	173.6	**-**	1,354.1
Deferred tax assets		**195.4**	208.9	**1,524.1**	1,629.4
Other non-current assets		**749.1**	456.0	**5,843.0**	3,556.8
		16,641.0	16,157.5	**129,799.8**	126,028.5
Current assets					
Cash and cash equivalents and short-term deposits		**1,630.8**	2,157.2	**12,720.2**	16,826.2
Restricted cash		**103.2**	81.1	**805.0**	632.6
Financial assets at fair value through other comprehensive income		**289.6**	-	**2,258.9**	-
Available-for-sale assets		**-**	60.2	**-**	469.5
Accounts receivable, other receivables and prepayments	8	**1,133.9**	1,084.4	**8,844.4**	8,458.3
Inventories		**942.0**	874.3	**7,347.6**	6,819.6
Biological assets		**36.1**	39.8	**281.6**	310.4
		4,135.6	4,297.0	**32,257.7**	33,516.6
Assets classified as held for sale		**124.9**	-	**974.2**	-
		4,260.5	4,297.0	**33,231.9**	33,516.6
Current liabilities					
Accounts payable, other payables and accruals	9	**1,362.6**	1,333.9	**10,628.3**	10,404.4
Short-term borrowings		**2,281.1**	1,460.4	**17,792.6**	11,391.1
Provision for taxation		**57.3**	65.3	**446.9**	509.4
Current portion of deferred liabilities, provisions and payables		**419.8**	396.4	**3,274.4**	3,091.9
		4,120.8	3,256.0	**32,142.2**	25,396.8
Liabilities directly associated with the assets classified as held for sale		**19.5**	-	**152.1**	-
		4,140.3	3,256.0	**32,294.3**	25,396.8
Net current assets		**120.2**	1,041.0	**937.6**	8,119.8
Total assets less current liabilities		**16,761.2**	17,198.5	**130,737.4**	134,148.3
Equity					
Issued share capital		**43.4**	43.4	**338.5**	338.5
Shares held for share award scheme		**(4.9)**	(8.9)	**(38.2)**	(69.4)
Retained earnings		**1,582.1**	1,429.2	**12,340.4**	11,147.8
Other components of equity		**1,463.0**	1,763.4	**11,411.4**	13,754.5
Equity attributable to owners of the parent		**3,083.6**	3,227.1	**24,052.1**	25,171.4
Non-controlling interests		**5,626.8**	5,515.4	**43,889.0**	43,020.1
Total equity		**8,710.4**	8,742.5	**67,941.1**	68,191.5
Non-current liabilities					
Long-term borrowings		**6,236.8**	6,509.3	**48,647.0**	50,772.6
Deferred liabilities, provisions and payables		**1,488.9**	1,630.8	**11,613.5**	12,720.2
Deferred tax liabilities		**325.1**	315.9	**2,535.8**	2,464.0
		8,050.8	8,456.0	**62,796.3**	65,956.8
		16,761.2	17,198.5	**130,737.4**	134,148.3

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	Capital and other reserves	Contributed surplus	Retained earnings	Total	Non-controlling interests	**Total equity**
At 1 January 2017		42.8	(10.9)	5.3	72.3	(690.2)	459.6	12.6	1,915.0	1,305.5	3,112.0	4,922.3	8,034.3
Profit for the year		-	-	-	-	-	-	-	-	120.9	120.9	440.4	561.3
Other comprehensive income/(loss) for the year		-	-	-	-	21.8	-	-	-	3.0	24.8	(44.3)	(19.5)
Total comprehensive income for the year		-	-	-	-	21.8	-	-	-	123.9	145.7	396.1	541.8
Issue of shares upon the exercise of share options		0.6	-	56.6	(19.0)	-	-	-	-	-	38.2	-	38.2
Issue of shares under share award scheme		-	(0.1)	0.1	-	-	-	-	-	-	-	-	-
Purchase of shares under share award scheme		-	(5.8)	-	-	-	-	-	-	-	(5.8)	-	(5.8)
Shares vested under share award scheme		-	7.9	-	(7.0)	-	-	-	-	(0.9)	-	-	-
Forfeiture of share options		-	-	-	(0.7)	-	-	-	-	0.7	-	-	-
Employee share-based compensation benefits		-	-	-	15.3	-	-	-	-	-	15.3	-	15.3
Acquisition, divestment and dilution of interests in subsidiary companies		-	-	-	-	-	(3.5)	-	-	-	(3.5)	(15.2)	(18.7)
2016 final distribution paid		-	-	-	-	-	-	-	(30.5)	-	(30.5)	-	(30.5)
2017 interim distribution paid	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 to non-controlling shareholders		-	-	-	-	-	-	-	-	-	-	(253.6)	(253.6)
At 31 December 2017		43.4	(8.9)	62.0	60.9	(668.4)	456.1	12.6	1,840.2	1,429.2	3,227.1	5,515.4	8,742.5
At 1 January 2018		43.4	(8.9)	62.0	60.9	(668.4)	456.1	12.6	1,840.2	1,429.2	3,227.1	5,515.4	**8,742.5**
Impact on initial application of HKFRS 9	1	-	-	-	-	(19.4)	-	-	-	8.9	(10.5)	4.9	**(5.6)**
Impact on initial application of HKFRS 15	1	-	-	-	-	-	-	-	-	13.2	13.2	0.1	**13.3**
At 1 January 2018 (As adjusted)		43.4	(8.9)	62.0	60.9	(687.8)	456.1	12.6	1,840.2	1,451.3	3,229.8	5,520.4	**8,750.2**
Profit for the year		-	-	-	-	-	-	-	-	131.8	131.8	476.9	**608.7**
Other comprehensive loss for the year		-	-	-	-	(199.1)	-	-	-	-	(199.1)	(270.2)	**(469.3)**
Total comprehensive (loss)/income for the year		-	-	-	-	(199.1)	-	-	-	131.8	(67.3)	206.7	**139.4**
Purchase of shares under share award scheme		-	(3.0)	-	-	-	-	-	-	-	(3.0)	-	**(3.0)**
Shares vested under share award scheme		-	7.0	-	(5.6)	-	-	-	-	(1.4)	-	-	**-**
Forfeiture of share options		-	-	-	(0.4)	-	-	-	-	0.4	-	-	**-**
Employee share-based compensation benefits		-	-	-	2.4	-	-	-	-	-	2.4	-	**2.4**
Acquisition, divestment and dilution of interests in subsidiary companies		-	-	-	-	-	(3.7)	-	-	-	(3.7)	0.2	**(3.5)**
2017 final distribution paid	7	-	-	-	-	-	-	-	(30.4)	-	(30.4)	-	**(30.4)**
2018 interim distribution paid	7	-	-	-	-	-	-	-	(44.2)	-	(44.2)	-	**(44.2)**
Acquisition of subsidiary companies		-	-	-	-	-	-	-	-	-	-	136.4	**136.4**
Capital contributions from non-controlling shareholders		-	-	-	-	-	-	-	-	-	-	38.3	**38.3**
Dividends paid to non-controlling shareholders		-	-	-	-	-	-	-	-	-	-	(275.2)	**(275.2)**
At 31 December 2018		**43.4**	**(4.9)**	**62.0**	**57.3**	**(886.9)**	**452.4**	**12.6**	**1,765.6**	**1,582.1**	**3,083.6**	**5,626.8**	**8,710.4**

HK$ millions	Notes	Equity attributable to owners of the parent										Non-controlling interests	**Total equity**
		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	Capital and other reserves	Contributed surplus	Retained earnings	Total		
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 under share award scheme		-	(45.2)	-	-	-	-	-	-	-	(45.2)	-	(45.2)
Shares vested under share award scheme		-	61.6	-	(54.6)	-	-	-	-	(7.0)	-	-	-
Forfeiture 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		-	-	-	-	-	-	-	(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 to non-controlling shareholders		-	-	-	-	-	-	-	-	-	-	(1,978.1)	(1,978.1)
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
At 1 January 2018		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**
Impact on initial application of HKFRS 9	1	-	-	-	-	(151.3)	-	-	-	69.4	(81.9)	38.2	**(43.7)**
Impact on initial application of HKFRS 15	1	-	-	-	-	-	-	-	-	103.0	103.0	0.8	**103.8**
At 1 January 2018 (As adjusted)		338.5	(69.4)	483.6	475.0	(5,364.8)	3,557.6	98.3	14,353.5	11,320.2	25,192.5	43,059.1	**68,251.6**
Profit for the year		-	-	-	-	-	-	-	-	1,028.0	1,028.0	3,719.9	**4,747.9**
Other comprehensive loss for the year		-	-	-	-	(1,553.0)	-	-	-	-	(1,553.0)	(2,107.6)	**(3,660.6)**
Total comprehensive (loss)/income for the year		-	-	-	-	(1,553.0)	-	-	-	1,028.0	(525.0)	1,612.3	**1,087.3**
Purchase of shares under share award scheme		-	(23.4)	-	-	-	-	-	-	-	(23.4)	-	**(23.4)**
Shares vested under share award scheme		-	54.6	-	(43.7)	-	-	-	-	(10.9)	-	-	**-**
Forfeiture of share options		-	-	-	(3.1)	-	-	-	-	3.1	-	-	**-**
Employee share-based compensation benefits		-	-	-	18.7	-	-	-	-	-	18.7	-	**18.7**
Acquisition, divestment and dilution of interests in subsidiary companies		-	-	-	-	-	(28.9)	-	-	-	(28.9)	1.6	**(27.3)**
2017 final distribution paid	7	-	-	-	-	-	-	-	(237.0)	-	(237.0)	-	**(237.0)**
2018 interim distribution paid	7	-	-	-	-	-	-	-	(344.8)	-	(344.8)	-	**(344.8)**
Acquisition of subsidiary companies		-	-	-	-	-	-	-	-	-	-	1,063.9	**1,063.9**
Capital contributions from non-controlling shareholders		-	-	-	-	-	-	-	-	-	-	298.7	**298.7**
Dividends paid to non-controlling shareholders		-	-	-	-	-	-	-	-	-	-	(2,146.6)	**(2,146.6)**
At 31 December 2018		**338.5**	**(38.2)**	**483.6**	**446.9**	**(6,917.8)**	**3,528.7**	**98.3**	**13,771.7**	**12,340.4**	**24,052.1**	**43,889.0**	**67,941.1**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December	Notes	2018 US$m	2017 US$m	2018 HK$m*	2017 HK$m*
Profit before taxation		**901.3**	884.2	**7,030.2**	6,896.7
Adjustments for:					
Finance costs		**422.3**	386.5	**3,293.9**	3,014.7
Depreciation	3	**344.0**	313.7	**2,683.2**	2,446.8
Provisions for impairment losses	3	**122.1**	58.7	**952.4**	457.9
Amortization of other intangible assets	3	**117.1**	107.5	**913.4**	838.5
Provision/(reversal of provision) for onerous contracts, net	3	**15.7**	(2.8)	**122.5**	(21.8)
Employee share-based compensation benefit expenses		**4.3**	9.6	**33.5**	74.9
Loss/(gain) on changes in fair value of biological assets	3	**2.2**	(2.6)	**17.2**	(20.3)
Loss on a deemed disposal of an interest in a joint venture	3	**2.0**	-	**15.6**	-
Loss/(gain) on divestment of an interest in an associated company	3	**0.2**	(14.5)	**1.6**	(113.1)
Share of profits less losses of associated companies and joint ventures		**(319.5)**	(204.0)	**(2,492.1)**	(1,591.2)
Interest income		**(64.6)**	(55.9)	**(503.9)**	(436.0)
Gain on remeasurement of previously held interests in associated companies	3	**(17.8)**	(27.6)	**(138.9)**	(215.3)
(Gain)/loss on remeasurement of previously held interests in joint ventures, net	3	**(14.8)**	28.2	**(115.5)**	220.0
Gain on sale of property, plant and equipment	3	**(1.7)**	(0.6)	**(13.3)**	(4.7)
Preferred share dividend income from a joint venture	3	-	(50.4)	-	(393.1)
Others		**4.0**	5.6	**31.2**	43.7
		1,516.8	1,435.6	**11,831.0**	11,197.7
Increase in accounts payable, other payables and accruals		**107.2**	62.0	**836.2**	483.6
Increase in inventories		**(112.5)**	(124.1)	**(877.5)**	(968.0)
(Increase)/decrease in accounts receivable, other receivables and prepayments		**(109.1)**	41.0	**(851.0)**	319.8
Increase in other non-current assets		**(18.9)**	(15.0)	**(147.4)**	(117.0)
Net cash generated from operations		**1,383.5**	1,399.5	**10,791.3**	10,916.1
Interest received		**67.3**	60.8	**524.9**	474.3
Interest paid		**(397.6)**	(349.1)	**(3,101.3)**	(2,723.0)
Taxes paid		**(319.1)**	(335.1)	**(2,488.9)**	(2,613.8)
Net cash flows from operating activities		**734.1**	776.1	**5,726.0**	6,053.6
Dividends received from associated companies		**251.2**	226.2	**1,959.3**	1,764.4
Decrease in time deposits with original maturity of more than three months		**152.5**	123.8	**1,189.5**	965.6
Proceeds from instalment payments for disposal of a subsidiary company		**31.4**	85.6	**244.9**	667.7
Proceeds from disposal of property, plant and equipment		**13.6**	6.5	**106.1**	50.7
Dividends received from financial assets at fair value through other comprehensive income/available-for-sale assets		**6.6**	5.9	**51.5**	46.0
Proceeds from divestment of interests in associated companies		**2.7**	246.6	**21.1**	1,923.5
Proceeds from disposal of financial assets at fair value through other comprehensive income/available-for-sale assets		**2.5**	2.9	**19.5**	22.6
Payments for purchases of property, plant and equipment		**(665.7)**	(614.1)	**(5,192.5)**	(4,790.0)
Investments in other intangible assets		**(569.6)**	(448.5)	**(4,442.9)**	(3,498.3)
Acquisitions of financial assets at fair value through other comprehensive income/available-for-sale assets		**(232.5)**	(20.8)	**(1,813.5)**	(162.2)
Acquisitions of subsidiary companies		**(79.5)**	(116.5)	**(620.1)**	(908.7)
Increased investments in joint ventures		**(75.9)**	(42.2)	**(592.0)**	(329.2)
Investments in associated companies		**(51.1)**	(208.4)	**(398.6)**	(1,625.5)
Instalment payment for acquisition of a subsidiary company		**(46.5)**	-	**(362.7)**	-
Increased investments in associated companies		**(35.6)**	(3.4)	**(277.7)**	(26.5)
Increase in restricted cash		**(17.3)**	(2.6)	**(134.9)**	(20.3)
Advances to a joint venture		**(7.9)**	(7.3)	**(61.6)**	(56.9)
Investments in joint ventures		**(6.8)**	(0.6)	**(53.0)**	(4.7)
Investments in biological assets		**(0.7)**	(0.4)	**(5.5)**	(3.1)
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
Disposal of subsidiary companies		-	0.9	-	7.0
Advances to an associated company		-	(37.3)	-	(290.9)
Acquisition of a business		-	(4.0)	-	(31.2)
Net cash flows used in investing activities		**(1,328.6)**	(687.8)	**(10,363.1)**	(5,364.8)
Proceeds from new borrowings		**3,983.4**	2,884.7	**31,070.5**	22,500.7
Capital contributions from non-controlling shareholders		**38.3**	15.8	**298.7**	123.2
Proceeds from divestment of an interest in a subsidiary company		**25.7**	-	**200.5**	-
Proceeds from shares issued to non-controlling shareholders by subsidiary companies		**0.8**	1.3	**6.3**	10.1
Borrowings repaid		**(3,325.5)**	(2,343.6)	**(25,938.9)**	(18,280.1)
Dividends paid to non-controlling shareholders by subsidiary companies		**(275.2)**	(203.9)	**(2,146.6)**	(1,590.4)
Distributions paid to shareholders		**(74.6)**	(74.8)	**(581.8)**	(583.5)
Increased investments in subsidiary companies		**(34.6)**	-	**(269.9)**	-
Payments for concession fees payable		**(19.1)**	(20.0)	**(149.0)**	(156.0)
Payments for purchase of shares under a long-term incentive plan		**(3.0)**	(5.9)	**(23.4)**	(46.0)
Repurchase of a subsidiary company's shares		**(0.2)**	-	**(1.6)**	-
Proceeds from the issue of shares under a long-term incentive plan		-	38.2	-	298.0
Net cash flows from financing activities		**316.0**	291.8	**2,464.8**	2,276.0
Net (decrease)/increase in cash and cash equivalents		**(278.5)**	380.1	**(2,172.3)**	2,964.8
Cash and cash equivalents at 1 January		**1,987.3**	1,611.2	**15,501.0**	12,567.4
Exchange translation		**(95.4)**	(4.0)	**(744.2)**	(31.2)
Cash and cash equivalents at 31 December		**1,613.4**	1,987.3	**12,584.5**	15,501.0
Representing					
Cash and cash equivalents and short-term deposits as stated in the consolidated statement of financial position		**1,630.8**	2,157.2	**12,720.2**	16,826.2
Less short-term deposits and time deposits with original maturity of more than three months		**(17.4)**	(169.9)	**(135.7)**	(1,325.2)
Cash and cash equivalents at 31 December		**1,613.4**	1,987.3	**12,584.5**	15,501.0

Notes:

1. **New Standards, Interpretations and amendments adopted by the Group**

During 2018, the Group has adopted the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs") (which include all HKFRSs, Hong Kong Accounting Standards ("HKASs") and Hong Kong (International Financial Reporting Interpretations Committee) – Interpretations ("HK(IFRIC)-Int")) effective for annual periods commencing on or after 1 January 2018 issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"):

HKAS 40 Amendments	"Transfer of Investment Property"
HKFRS 2 Amendments	"Classification and Measurement of Share-based Payment Transactions"
HKFRS 4 Amendments	"Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts"
HKFRS 9	"Financial Instruments"
HKFRS 15	"Revenue from Contracts with Customers"
HKFRS 15 Amendments	"Clarifications to HKFRS 15 Revenue from Contracts with Customers"
HK(IFRIC)-Int 22	"Foreign Currency Transactions and Advance Consideration"
Annual Improvements to HKFRSs 2014-2016	HKAS 28 Amendments "Investments in Associates and Joint Ventures"

The Group's adoption of the above pronouncements, except for HKFRS 9 and HKFRS 15, has had no effect on both the profit attributable to owners of the parent for the years ended 31 December 2018 and 2017 and the equity attributable to owners of the parent at 31 December 2018 and 2017. The Group adopted HKFRS 9 and HKFRS 15 using the modified retrospective approach with cumulative effect arising from the transition recognized as an adjustment to the opening balance of equity without restating comparative information. The following tables summarize the adjustments recognized for each individual line item affected:

Consolidated statement of financial position (extract)	At 31 December 2017 US$'m	Impact of HKFRS 9 US$'m	Impact of HKFRS 15 US$'m	At 1 January 2018 (As adjusted) US$'m
Non-current Assets				
Associated companies and joint ventures	5,203.2	(115.0)	13.1	5,101.3
Financial assets at fair value through other comprehensive income	-	284.5	-	284.5
Available-for-sale assets	173.6	(173.6)	-	-
	5,376.8	(4.1)	13.1	5,385.8
Current Assets				
Financial assets at fair value through other comprehensive income	-	60.2	-	60.2
Available-for-sale assets	60.2	(60.2)	-	-
Inventories	874.3	-	0.2	874.5
	934.5	-	0.2	934.7
Equity				
Retained earnings	1,429.2	8.9	13.2	1,451.3
Other components of equity	1,763.4	(19.4)	-	1,744.0
Non-controlling interests	5,515.4	4.9	0.1	5,520.4
	8,708.0	(5.6)	13.3	8,715.7
Non-current liabilities				
Deferred tax liabilities	315.9	1.5	-	317.4
	315.9	1.5	-	317.4

Consolidated statement of financial position (extract)	At 31 December 2017 HK$m*	Impact of HKFRS 9 HK$m*	Impact of HKFRS 15 HK$m*	At 1 January 2018 (As adjusted) HK$m*
Non-current Assets				
Associated companies and joint ventures	40,585.0	(897.0)	102.2	39,790.2
Financial assets at fair value through other comprehensive income	-	2,219.1	-	2,219.1
Available-for-sale assets	1,354.1	(1,354.1)	-	-
	41,939.1	(32.0)	102.2	42,009.3
Current Assets				
Financial assets at fair value through other comprehensive income	-	469.5	-	469.5
Available-for-sale assets	469.5	(469.5)	-	-
Inventories	6,819.6	-	1.6	6,821.2
	7,289.1	-	1.6	7,290.7
Equity				
Retained earnings	11,147.8	69.4	103.0	11,320.2
Other components of equity	13,754.5	(151.3)	-	13,603.2
Non-controlling interests	43,020.1	38.2	0.8	43,059.1
	67,922.4	(43.7)	103.8	67,982.5
Non-current liabilities				
Deferred tax liabilities	2,464.0	11.7	-	2,475.7
	2,464.0	11.7	-	2,475.7

Further information on the changes in accounting policies and the effect of adjustments upon the adoption of HKFRS 9 and HKFRS 15 are set out in the Group's 2018 annual report.

2. **Turnover and operating segmental information**

For the year ended 31 December	**2018 US$m**	2017 US$m	**2018 HK$m***	2017 HK$m*
Turnover				
Sale of goods				
- Consumer Food Products	**5,293.7**	5,407.3	**41,290.9**	42,176.9
- Infrastructure	**58.2**	49.2	**453.9**	383.8
Sale of electricity				
- Infrastructure	**1,241.5**	824.2	**9,683.7**	6,428.8
Rendering of services				
- Consumer Food Products	**144.3**	83.3	**1,125.5**	649.7
- Infrastructure	**1,004.7**	932.8	**7,836.7**	7,275.8
Total	**7,742.4**	7,296.8	**60,390.7**	56,915.0

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 is based on the locations of the customers.

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

The revenue, results and other information for the years ended 31 December 2018 and 2017, and total assets and total liabilities at 31 December 2018 and 2017 regarding the Group's operating segments are as follows:

By Principal Business Activity - 2018

For the year ended/at 31 December	Consumer Food Products US$m	Telecommunications US$m	Infrastructure US$m	Natural Resources US$m	Head Office US$m	**2018 Total US$m**	**2018 Total HK$m***
Revenue							
Turnover							
- Point in time	5,293.7	-	58.2	-	-	**5,351.9**	**41,744.8**
- Over time	144.3	-	2,246.2	-	-	**2,390.5**	**18,645.9**
Total	5,438.0	-	2,304.4	-	-	**7,742.4**	**60,390.7**
Results							
Recurring profit	155.6	120.7	114.7	2.9	(104.4)	**289.5**	**2,258.1**
Assets and Liabilities							
Non-current assets (other than financial instruments and deferred tax assets)							
- Associated companies and joint ventures	631.7	1,136.6	2,896.8	212.2	-	**4,877.3**	**38,042.9**
- Others	4,185.2	-	6,947.7	-	0.1	**11,133.0**	**86,837.4**
	4,816.9	1,136.6	9,844.5	212.2	0.1	**16,010.3**	**124,880.3**
Other assets	2,854.9	-	1,719.6	-	191.8	**4,766.3**	**37,177.2**
Segment assets	7,671.8	1,136.6	11,564.1	212.2	191.9	**20,776.6**	**162,057.5**
Assets classified as held for sale	101.1	-	23.8	-	-	**124.9**	**974.2**
Total assets	7,772.9	1,136.6	11,587.9	212.2	191.9	**20,901.5**	**163,031.7**
Borrowings	2,272.6	-	4,605.5	-	1,639.8	**8,517.9**	**66,439.6**
Other liabilities	1,259.5	-	2,273.3	-	120.9	**3,653.7**	**28,498.9**
Segment liabilities	3,532.1	-	6,878.8	-	1,760.7	**12,171.6**	**94,938.5**
Liabilities directly associated with the assets classified as held for sale	19.5	-	-	-	-	**19.5**	**152.1**
Total liabilities	3,551.6	-	6,878.8	-	1,760.7	**12,191.1**	**95,090.6**
Other Information							
Depreciation and amortization	(240.1)	-	(222.7)	-	(2.6)	**(465.4)**	**(3,630.1)**
Loss on changes in fair value of biological assets	(2.2)	-	-	-	-	**(2.2)**	**(17.2)**
Impairment losses	(8.8)	-	(31.2)	-	(82.1)	**(122.1)**	**(952.4)**
Interest income	29.5	-	28.4	-	6.7	**64.6**	**503.9**
Finance costs	(118.7)	-	(223.8)	-	(79.8)	**(422.3)**	**(3,293.9)**
Share of profits less losses of associated companies and joint ventures	8.6	94.3	216.3	0.3	-	**319.5**	**2,492.1**
Taxation	(159.0)	-	(133.3)	-	(0.3)	**(292.6)**	**(2,282.3)**
Additions to non-current assets (other than financial instruments and deferred tax assets)	711.2	-	1,125.0	-	0.1	**1,836.3**	**14,323.1**

By Geographical Market - 2018

For the year ended/at 31 December	Indonesia US$m	The Philippines US$m	Australasia US$m	Singapore US$m	Others US$m	**2018 Total US$m**	**2018 Total HK$m***
Revenue							
Turnover							
- Consumer Food Products	4,670.4	322.0	40.4	51.7	353.5	**5,438.0**	**42,416.4**
- Infrastructure	21.1	1,554.7	-	728.6	-	**2,304.4**	**17,974.3**
Total	4,691.5	1,876.7	40.4	780.3	353.5	**7,742.4**	**60,390.7**
Assets							
Non-current assets (other than financial instruments and deferred tax assets)	3,703.1	10,613.4	539.8	1,107.2	46.8	**16,010.3**	**124,880.3**

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							
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

There was no revenue from transactions with a single customer that accounted for 10% or more of the Group's consolidated revenues during the year (2017: None).

3. **Profit before taxation**

For the year ended 31 December	2018 US$m	2017 US$m	2018 HK$m*	2017 HK$m*
Profit before taxation is stated after (charging)/crediting				
Cost of inventories sold	**(2,806.8)**	(2,860.3)	**(21,893.0)**	(22,310.3)
Cost of services rendered	**(1,585.7)**	(1,089.6)	**(12,368.5)**	(8,498.9)
Employees' remuneration	**(816.4)**	(808.5)	**(6,367.9)**	(6,306.3)
Depreciation	**(344.0)**	(313.7)	**(2,683.2)**	(2,446.8)
Amortization of other intangible assets[(i)]	**(117.1)**	(107.5)	**(913.4)**	(838.5)
Impairment losses				
- Associated companies and joint ventures[(ii)]	**(96.4)**	(11.3)	**(751.9)**	(88.2)
- Accounts receivable[(iii)]	**(17.4)**	(2.8)	**(135.7)**	(21.8)
- Inventories[(iv)]	**(7.5)**	(7.1)	**(58.5)**	(55.4)
- Goodwill[(ii)]	**(0.8)**	(7.0)	**(6.3)**	(54.6)
- Other intangible assets[(ii)]	**-**	(27.4)	**-**	(213.7)
- Available-for-sale assets[(ii)]	**-**	(3.1)	**-**	(24.2)
Operating lease rentals				
- Land and buildings	**(21.9)**	(18.8)	**(170.8)**	(146.6)
- Hire of plant and equipment	**(20.8)**	(20.1)	**(162.2)**	(156.8)
- Others	**(8.9)**	(10.4)	**(69.4)**	(81.1)
(Provision)/reversal of provision for onerous contracts, net	**(15.7)**	2.8	**(122.5)**	21.8
Foreign exchange and derivative (losses)/gains, net	**(8.4)**	28.7	**(65.5)**	223.8
Auditor's remuneration				
- Audit services	**(4.5)**	(4.1)	**(35.1)**	(32.0)
- Non-audit services[(v)]	**(0.6)**	(0.7)	**(4.7)**	(5.5)
(Loss)/gain on changes in fair value of biological assets	**(2.2)**	2.6	**(17.2)**	20.3
Loss on a deemed disposal of an interest in a joint venture	**(2.0)**	-	**(15.6)**	-
(Loss)/gain on divestment of an interest in an associated company	**(0.2)**	14.5	**(1.6)**	113.1
Gain on remeasurement of previously held interests in associated companies	**17.8**	27.6	**138.9**	215.3
Gain/(loss) on remeasurement of previously held interests in joint ventures, net	**14.8**	(28.2)	**115.5**	(220.0)
Dividend income from financial assets at fair value through other comprehensive income/available-for-sale assets	**6.6**	4.7	**51.5**	36.7
Gain on sale of property, plant and equipment	**1.7**	0.6	**13.3**	4.7
Preferred share dividend income from a joint venture	**-**	50.4	**-**	393.1

(i) US$101.2 million (2017: US$81.8 million) included in cost of sales, US$14.2 million (2017: US$23.8 million) included in other operating (expenses)/income, net and US$1.7 million (2017: US$1.9 million) included in administrative expenses
(ii) Included in other operating (expenses)/income, net
(iii) Included in selling and distribution expenses
(iv) Included in cost of sales
(v) Pertained to due diligence, review of continuing connected transactions and other transactions relating to the Group's business development

4. **Taxation**

No Hong Kong profits tax (2017: Nil) has been provided as the Group had no estimated assessable profits (2017: Nil) arising in Hong Kong for the year. Taxation on assessable profits generated outside Hong Kong has been provided at the rates of taxation prevailing in the countries in which the Company's subsidiary companies operate.

For the year ended 31 December	2018 US$m	2017 US$m	2018 HK$m*	2017 HK$m*
Subsidiary companies - overseas				
Current taxation	**308.7**	305.6	**2,407.9**	2,383.7
Deferred taxation	**(16.1)**	17.3	**(125.6)**	134.9
Total	**292.6**	322.9	**2,282.3**	2,518.6

Included within the share of profits less losses of associated companies and joint ventures is taxation of US$94.6 million (HK$737.9 million) (2017: US$99.1 million or HK$773.0 million) which is analyzed as follows.

For the year ended 31 December	2018 US$m	2017 US$m	2018 HK$m*	2017 HK$m*
Associated companies and joint ventures - overseas				
Current taxation	**120.6**	131.2	**940.7**	1,023.4
Deferred taxation	**(26.0)**	(32.1)	**(202.8)**	(250.4)
Total	**94.6**	99.1	**737.9**	773.0

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

The profit attributable to owners of the parent includes US$0.4 million (HK$3.1 million) (2017: US$16.4 million or HK$127.9 million) of net foreign exchange and derivative gains, which represent the foreign exchange translation differences on the Group's unhedged foreign currency denominated net assets/liabilities and the changes in the fair values of derivatives, US$0.3 million (HK$2.3 million) of loss on changes in fair value of biological assets (2017: US$0.1 million or HK$0.8 million of gain) and US$157.8 million (HK$1,230.8 million) (2017: US$195.6 million or HK$1,525.7 million) of net non-recurring losses.

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

For the year ended 31 December	2018 US$m	2017 US$m	2018 HK$m*	2017 HK$m*
Foreign exchange and derivative (losses)/gains				
- Subsidiary companies	**(8.4)**	28.7	**(65.5)**	223.8
- Associated companies and joint ventures	**10.9**	6.1	**85.0**	47.6
Subtotal	**2.5**	34.8	**19.5**	271.4
Attributable to taxation and non-controlling interests	**(2.1)**	(18.4)	**(16.4)**	(143.5)
Total	**0.4**	16.4	**3.1**	127.9

The non-recurring losses represent certain items, through occurrence or size, which are not considered as usual operating items. For the year ended 31 December 2018, non-recurring losses of US$157.8 million (HK$1,230.8 million) mainly represent the Group's impairment provisions for assets, including the Group's investment in Philex (US$82.1 million or HK$640.4 million), PLDT's wireless network assets, including accelerated depreciation (US$25.0 million or HK$195.0 million), and Philex's mining assets (US$10.3 million or HK$80.3 million), PLP's provision for onerous contracts (US$11.0 million or HK$85.8 million), Head Office's bond tender and debt refinancing costs (US$10.7 million or HK$83.5 million) and Goodman Fielder's network transformation costs (US$9.3 million or HK$72.5 million).

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

The calculation of the basic earnings per share is based on the profit for the year attributable to owners of the parent, and the weighted average number of ordinary shares of 4,342.0 million (2017: 4,320.2 million) in issue less the weighted average number of ordinary shares held for a share award scheme of 8.7 million (2017: 9.6 million) during the year.

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

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

For the year ended 31 December	2018 US$m	2017 US$m	2018 HK$m*	2017 HK$m*
Earnings				
Profit attributable to owners of the parent used in the basic earnings per share calculation	**131.8**	120.9	**1,028.0**	943.0
Less: Dilutive impact in respect of the exercise of share options issued by the Group's subsidiary companies	**(0.1)**	(0.1)	**(0.8)**	(0.8)
Profit attributable to owners of the parent used in the diluted earnings per share calculation	**131.7**	120.8	**1,027.2**	942.2

For the year ended 31 December	Number of shares	
Millions	**2018**	2017
Shares		
Weighted average number of ordinary shares issued during the year	**4,342.0**	4,320.2
Less: Weighted average number of ordinary shares held for a share award scheme	**(8.7)**	(9.6)
Weighted average number of ordinary shares used in the basic earnings per share calculation	**4,333.3**	4,310.6
Add: Dilutive impact of share options and awarded shares on the weighted average number of ordinary shares	**7.5**	0.7
Weighted average number of ordinary shares used in the diluted earnings per share calculation	**4,340.8**	4,311.3

7. **Ordinary share distribution**

For the year ended 31 December	Per ordinary share				Total			
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017
	US¢	US¢	**HK¢***	HK¢*	**US$m**	US$m	**HK$m***	HK$m*
Interim	**1.03**	1.03	**8.00**	8.00	**44.2**	44.3	**344.8**	345.6
Proposed final/final	**0.71**	0.71	**5.50**	5.50	**30.6**	30.4	**238.7**	237.0
Total	**1.74**	1.74	**13.50**	13.50	**74.8**	74.7	**583.5**	582.6

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$705.9 million (HK$5,506.0 million) (2017: US$656.2 million or HK$5,118.4 million), with an aging profile based on the invoice date as follows:

At 31 December	**2018**	2017	**2018**	2017
	US$m	US$m	**HK$m***	HK$m*
0 to 30 days	**601.7**	559.5	**4,693.3**	4,364.1
31 to 60 days	**35.8**	44.5	**279.2**	347.1
61 to 90 days	**12.8**	15.2	**99.8**	118.6
Over 90 days	**55.6**	37.0	**433.7**	288.6
Total	**705.9**	656.2	**5,506.0**	5,118.4

Indofood generally allows customers 30 to 60 days of credit. MPIC generally allows 15 to 30 days of credit for its power generation customers, seven 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$425.9 million (HK$3,322.0 million) (2017: US$462.5 million or HK$3,607.5 million), with an aging profile based on invoice date as follows:

At 31 December	**2018**	2017	**2018**	2017
	US$m	US$m	**HK$m***	HK$m*
0 to 30 days	**374.1**	410.9	**2,918.0**	3,205.0
31 to 60 days	**13.5**	12.3	**105.3**	96.0
61 to 90 days	**8.0**	7.4	**62.4**	57.7
Over 90 days	**30.3**	31.9	**236.3**	248.8
Total	**425.9**	462.5	**3,322.0**	3,607.5

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

	Exchange Reserve US$m	Fair value reserve of available-for-sale assets/ financial assets at fair value through other comprehensive income US$m	Unrealized gains/ (losses) on cash flow hedges US$m	Income tax related to cash flow hedges US$m	Actuarial (losses)/ gains 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***
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)
At 31 December 2017	(588.6)	59.9	3.8	(1.3)	(27.3)	(114.9)	(668.4)	(5,213.5)
At 1 January 2018	(588.6)	59.9	3.8	(1.3)	(27.3)	(114.9)	**(668.4)**	**(5,213.5)**
Impact on initial application of HKFRS 9 (Note 1)	-	3.6	-	-	-	(23.0)	**(19.4)**	**(151.3)**
At 1 January 2018 (As adjusted)	(588.6)	63.5	3.8	(1.3)	(27.3)	(137.9)	**(687.8)**	**(5,364.8)**
Other comprehensive (loss)/income for the year	(226.3)	22.9	(23.1)	4.0	12.2	11.2	**(199.1)**	**(1,553.0)**
At 31 December 2018	**(814.9)**	**86.4**	**(19.3)**	**2.7**	**(15.1)**	**(126.7)**	**(886.9)**	**(6,917.8)**

11. **Contingent liabilities**

(a) At 31 December 2018, except for guarantees of US$48.0 million (HK$374.4 million) (2017: US$53.1 million or HK$414.2 million) given by Indofood for loan facilities obtained by certain plantation farmers in relation to arrangements for those farmers' production and sale of fresh fruit bunches to Indofood, the Group had no significant contingent liabilities (2017: Nil).

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

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

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

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

The Court, in its 22 November 2016 decision, dismissed the Petition and Petition-In-Intervention and upheld the validity of MC No. 8. In the course of discussing the Petition, the Court expressly rejected petitioners' argument that the 60% Filipino ownership requirement for public utilities must be applied to each class of shares. According to the Court, the position is "simply beyond the literal text and contemplation of Section 11, Article XII of the 1987 Constitution" and that the petitioners' suggestion would "effectively and unwarrantedly amend or change" the Court's ruling in 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. On 5 August 2017, PLDT received a copy of the Entry of Judgment.

12. **Employee information**

For the year ended 31 December	**2018** **US$m**	2017 US$m	**2018** **HK$m***	2017 HK$m*
Employees' remuneration (including Directors' remuneration)	**816.4**	808.5	**6,367.9**	6,306.3

Number of employees	**2018**	2017
At 31 December	**110,394**	102,530
Average for the year	**107,289**	99,879

13. **Event after the reporting period**
On 11 March 2019, Oceanica Developments Limited ("Oceanica"), the Company's indirect wholly-owned subsidiary, entered into a Share Purchase Agreement ("SPA") with Wilmar International Limited ("Wilmar"). Pursuant to the SPA, Oceanica has agreed to sell, and Wilmar has agreed to purchase, Oceanica's 50% shareholding in FPW Singapore Holdings Pte. Ltd. ("FPW") and the benefit of the shareholder's loans made by Oceanica to FPW Australia Pty Ltd. ("FPW Australia") prior to the date of the SPA. FPW is a special purpose entity established as a 50:50 joint venture by the Company and Wilmar for the purpose of holding Goodman Fielder.

The aggregate purchase price payable under the SPA for the 50% shareholding in FPW and the shareholder's loans to FPW Australia is US$300.0 million (HK$2,340.0 million), including a contingent instalment payment in respect of the shareholder's loans, rising to US$325.0 million (HK$2,535.0 million) if an additional earn-out payment becomes payable. Completion of the sale and purchase is conditional on the fulfilment (or waiver by Wilmar) of the conditions precedent to completion mainly various regulatory approvals. The transaction is expected to be completed on or before 31 December 2019.

As a result of the signing of the SPA on 11 March 2019, the Group will reclassify its investment in FPW as asset held for sale. Accordingly, an impairment loss of approximately US$280.0 million (HK$2,184.0 million) will be recognized to write-down the Group's carrying cost in FPW to its fair value less costs to sell.

14. **Approval of the consolidated financial statements**
The audited consolidated financial statements of the Company were approved and authorized for issue by the Board of Directors on 26 March 2019.

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

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

Turnover up 6% to US$7.7 billion from US$7.3 billion

- reflecting higher revenues at MPIC with the consolidations of PT Nusantara Infrastructure Tbk ("PT Nusantara") from July 2018 and Global Business Power Corporation ("GBPC") from July 2017, FPM Power and FP Natural Resources
- partly offset by weakness of the Indonesian rupiah reducing the U.S. dollar value of revenue growth at Indofood

Recurring profit down 4% to US$289.5 million from US$300.0 million

- reflecting lower contributions from Indofood, Philex, FPW and PLDT due to lower core net incomes and the depreciation of the average rupiah and peso exchange rates against the U.S. dollar
- partly offset by lower losses at FPM Power and FP Natural Resources and higher contribution from MPIC
- lower other expenses, Head Office net interest expense and corporate overhead

Non-recurring losses down 19% to US$157.8 million from US$195.6 million

- the losses mainly reflecting the Group's impairment provisions for assets, including First Pacific's investment in Philex, PLDT's wireless network assets and Philex's mining asset, and PLP's provision for onerous contracts
- PLDT's accelerated depreciation of wireless network assets
- Head Office's bond tender and debt refinancing costs

Reported profit up 9% to US$131.8 million from US$120.9 million

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

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

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

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

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

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

Asset Disposal

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

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

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

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

Capital Management

Distribution

First Pacific's Board of Directors, taking into consideration cash flow trends and following consistent prudent risk management practices, declared a final distribution of 5.5 HK cents (U.S. 0.71 cents) per share which brings the total distribution for 2018 to HK13.5 cents (U.S. 1.74 cents). The total distribution representing a payout ratio of approximately 26% (2017: 25%) of the Group's 2018 recurring profit attributable to shareholders, higher than a payout ratio commitment of 25%.

Debt Profile

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

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

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

As at 26 March 2019, the principal amount of the following bonds remain outstanding:
- US$214.9 million 7-year at 6.0% coupon with maturity on 28 June 2019
- US$251.9 million 10-year at 6.375% coupon with maturity on 28 September 2020
- US$358.8 million 10-year at 4.5% coupon with maturity on 16 April 2023
- US$175.0 million 7-year at 5.75% coupon with maturity on 30 May 2025

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

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

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

Interest Cover

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

Foreign Currency Hedging

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

Outlook

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

Indofood

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

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

Debt Profile

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

Additional Investments

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

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

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

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

CBP

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

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

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

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

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

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

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

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

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

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

Bogasari

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

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

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

Agribusiness

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

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

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

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

Plantations

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

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

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

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

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

EOF

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

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

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

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

Distribution

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

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

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

Outlook

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

PLDT

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

Consolidated core net income down 7% to 25.9 billion pesos (US$490.7 million) from 27.7 billion pesos (US$549.2 million)

- reflecting the gain from the sale of shares in Rocket Internet
- net impact of Voyager losses and a gain from loss of control following the entry of new investors
- partly offset by accelerated depreciation in connection with the modernization and rationalization of the fixed and wireless networks
- core income from pure telco operations (excluding the impact of Voyager, asset sale gains, and accelerated depreciation) rose 2% to 24.0 billion pesos (US$455.5 million)

Reported net income up 41% to 18.9 billion pesos (US$359.0 million) from 13.4 billion pesos (US$265.4 million)

- reflecting lower network swap out costs recognized in 2018

Consolidated service revenues (net of interconnection costs and on pro-forma basis*) up 5% to 150.5 billion pesos (US$2.9 billion) from 143.5 billion pesos (US$2.8 billion)

- reflecting higher data and broadband revenues, together representing 60% (2017: 46%) of consolidated service revenues
- combined 9% rise in Individual, Enterprise and Home service revenues, which each growing 7%, 10% and 10% respectively
- date and broadband remained growth drivers, accounting for 60%, 64% and 75% of Individual, Enterprise and Home service revenues, respectively
- partly offset by lower revenues from cellular SMS and international and domestic voice services

EBITDA down 3% to 64.0 billion pesos (US$1.2 billion) from 66.2 billion pesos (US$1.3 billion)

- reflecting higher service revenues
- offset by higher cash operating expenses, subsidies and provisions, and cost of services
- on pro-forma basis, and excluding Voyager and manpower reduction program ("MRP") expenses, EBITDA rose by Pesos 0.2 billion (US$3.8 million) to Pesos 69.2 billion (US$1.3 billion)

EBITDA margin to 42% from 44%

- mainly due to lower EBITDA
- wireless and fixed line EBITDA margin to 41% and 38% from 40% and 39%, respectively
- on pro-forma basis, and excluding Voyager and MRP expenses, EBITDA margin stood at 44%

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

Capital Expenditures

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

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

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

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

Debt Profile

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

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

Capital Management

Dividends

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

Asset Divestment and Additional Investment

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

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

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

Service Revenues by Business Segment

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

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

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

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

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

Outlook

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

MPIC

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

Power distribution and generation

- 45.5% of Meralco through direct interest and its wholly-owned subsidiary Beacon Electric which in turn owns:
  - 100.0% of Meralco PowerGen Corporation ("Meralco PowerGen") with investments in:
    - 100.0% of Atimonan One Energy, Inc. ("A1E")
    - 51.4% of San Buenaventura Power Ltd. Co. ("SBPL")
    - 50.0% of St. Raphael Power Generation Corporation ("St. Raphael")
    - 49.9% of Mariveles Power Generation Corporation ("Mariveles Power")
    - 47.0% of Redondo Penisula Energy, Inc. ("RP Energy")
    - 40.0% of PacificLight Power Pte. Ltd. ("PLP")
    - 14.0% of Global Business Power Corporation ("GBPC")
  - 65.0% of Clark Electric Distribution Corporation ("CEDC")
- 62.4% of GBPC through Beacon Electric and Meralco which in turn owns:
  - 100.0% of Toledo Power Company ("TPC")
  - 100.0% of GBH Power Resource, Inc. ("GPRI")
  - 100.0% of Global Energy Supply Corporation ("GESC")
  - 89.3% of Panay Power Corporation ("PPC")
  - 89.3% of Panay Energy Development Corporation ("PEDC")
  - 52.2% of Cebu Energy Development Corporation ("CEDC")
  - 50.0% of Alsons Thermal Energy Corporation ("ATEC")

Toll roads

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

Water production, distribution and sewage management

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

Hospitals

- 60.1% interest in Metro Pacific Hospital Holdings, Inc. ("MPHHI") which in turn owns:
  - 100.0% of Colinas Verdes Hospital Managers Corporation, the operator of Cardinal Santos Medical Center ("CSMC")
  - 100.0% of East Manila Hospital Managers Corporation, the operator of Our Lady of Lourdes Hospital ("OLLH")
  - 100.0% of Metro Pacific Zamboanga Hospital Corporation, the operator of West Metro Medical Center ("WMMC")
  - 93.1% of Marikina Valley Medical Center, Inc. ("MVMC")
  - 85.6% of Asian Hospital, Inc. ("AHI"), the operator of Asian Hospital and Medical Center ("AHMC")
  - 80.0% of St. Elizabeth Hospital, Inc. ("SEHI")
  - 78.0% of Riverside Medical Center, Inc. ("RMCI")
  - 65.0% of Delgado Clinic Inc. ("DCI"), the owner and operator of the Dr. Jesus C. Delgado Memorial Hospital ("JDMH")
  - 58.0% of De Los Santos Medical Center, Inc. ("DLSMC")
  - 51.0% of Central Luzon Doctors' Hospital, Inc. ("CLDH")
  - 51.0% of Sacred Heart Hospital of Malolos, Inc. ("SHHM")
  - 50.0% of Metro Sanitas Corporation, the owner of 51.0% of The Megaclinic, Inc. ("Megaclinic"), 80.0% of TopHealth Medical Clinics ("TopHealth") and 100.0% of Keralty Manila, Inc. ("Keralty")
  - 49.9% of Davao Doctors Hospital, Inc. ("DDH")
  - 33.3% of Medical Doctors, Inc. ("MDI"), the owner and operator of Makati Medical Center ("MMC")
  - 20.0% of Manila Medical Services, Inc. ("MMSI"), the owner and operator of Manila Doctors Hospital ("MDH")

Rail

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

Logistics

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

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

Consolidated core net income up 7% to 15.1 billion pesos (US$285.8 million) from 14.1 billion pesos (US$280.0 million)

- reflecting higher average ownership of and higher energy sales at the power business, strong volume growth at all toll roads in the Philippines, steady volume growth, inflationary and rebased tariff increases in the water business, and earnings growth in the rail business
- partly offset by a higher net interest expense at MPIC head office level due to a higher average debt level and higher interest costs in relation to the acquisition of a 25% interest in Beacon Electric in June 2017, and a higher loss from the logistics business
- power, toll roads, water, and hospitals and others accounted for 55%, 23%, 19% and 3%, respectively, of MPIC’s consolidated profit contribution from operations
- a 15% increase in contribution from the power business to 10.8 billion pesos (US$205.4 million) resulting from higher average shareholdings in and higher energy sales at Meralco and GBPC, partly offset by higher depreciation and interest costs at GBPC
- a 13% rise in contribution from the toll roads business to 4.4 billion pesos (US$83.9 million) reflecting strong traffic growth at all toll roads in the Philippines and an 11% higher toll rate charged by the North Luzon Expressway (“NLEX”) Closed System effective from November 2017
- a 2% increase in contribution from the water business to 3.8 billion pesos (US$72.0 million) reflecting higher billed volumes and tariff increases in relation to inflation and rate rebasing at Maynilad, partly offset by higher head office expenses and interest expenses at MPW
- a 13% increase in contribution from the hospitals business to 771 million pesos (US$14.6 million) reflecting organic growth of patient revenues across all hospitals and the full year effect of contribution from SEHI, partly offset by higher start-up costs for new service programs
- a 39% rise in contribution from the rail business to 394 million pesos (US$7.5 million) reflecting higher average daily ridership and advertising income, and lower provision for income tax associated with an income tax holiday starting from January 2018
- partly offset by a higher operating and support services costs at the logistics business, and higher MPIC head office expenses and net interest expense

Consolidated reported net income up 7% to 14.1 billion pesos (US$268.2 million) from 13.2 billion pesos (US$261.0 million)

- reflecting a higher core net income and a lower non-core expense
- non-core expense in 2018 mainly related to the net effect of a weaker peso, project write-downs, loan refinancing cost and provisions for asset impairment

Revenues up 33% to 83.0 billion pesos (US$1.6 billion) from 62.5 billion pesos (US$1.2 billion)

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

Debt Profile

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

Dividend

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

Additional Investments

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

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

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

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

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

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

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

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

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

Power

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

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

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

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

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

Toll Roads

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

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

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

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

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

On 5 March 2019, NLEX's regulator Toll Regulatory Board approved the tariff adjustment due in 2013 and 2015 with a 50% increase effective from 20 March 2019, and the remaining 50% to be implemented in subsequent years.

However, tariff adjustments for CAVITEX and SCTEX under the terms of these road concessions have been delayed since 2012 even as talks continue with the Philippine government's Toll Regulatory Board to resolve these enduring tariff issues. The continuous delay is threatening planned long-term capital expenditure.

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

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

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

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

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

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

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

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

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

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

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

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

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

Logistics

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

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

Outlook

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

FPW/Goodman Fielder

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

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

International Business

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

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

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

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

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

New Zealand Business

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

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

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

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

Australia Business

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

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

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

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

Debt Profile

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

Outlook

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

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

Philex

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

Philex for metal-related assets

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

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

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

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

Philex's contribution to the Group declined 76% to US$3.0 million (2017: US$12.7 million), reflecting lower volumes of metal sold due to lower production from lower ore grades.

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

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

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

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

Debt Profile

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

Capital Management

Dividend

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

No final dividend for 2018 was declared.

Additional Investment in PXP

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

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

Silangan Project

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

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

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

PXP

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

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

SC 72

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

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

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

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

SC 75

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

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

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

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

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

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

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

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

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

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

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

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

FPM Power/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 fueled solely by liquefied natural gas and is equipped with some of the most modern and efficient facilities for power generation. The plant's fuel is provided by Shell Gas under a long-term agreement through the SLNG Terminal developed by the Singaporean Government.

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

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

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

Core net loss down 46% to S$43.7 million (US$32.4 million) from S$80.9 million (US$58.9 million)	▪ reflecting lower interest expense on shareholder loans ▪ higher contribution from improved non-fuel margins for retail and pool market sales following an increase in oil prices ▪ partly offset by higher marketing and distribution expenses
Net loss up 9% to S$83.5 million (US$61.9 million) from S$76.6 million (US$55.7 million)	▪ reflecting higher provision for onerous contracts ▪ foreign exchange losses on U.S. dollar-denominated shareholder loans versus gains in 2017 ▪ partly offset by a lower core net loss
Revenues up 27% to S$983.5 million (US$728.5 million) from S$776.8 million (US$565.4 million)	▪ reflecting a higher average selling price per unit of electricity sold due to higher fuel costs ▪ higher volume of electricity sold
Operating expenses up 5% to S$23.3 million (US17.3 million) from S$22.1 million (US$16.1 million)	▪ reflecting higher marketing and distribution expenses due to the opening up of retail competition ▪ partly offset by higher other operating income
EBITDA down 27% to S$9.5 million (US$7.0 million) from S$13.0 million (US$9.5 million)	▪ reflecting higher provision for onerous contracts ▪ partly offset by higher revenues

Debt Profile

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

Outlook

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

FP Natural Resources/RHI

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

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

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

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

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

Core net loss of 47 million pesos (US$0.9 million) instead of a core net income of 240 million pesos (US$4.8 million)	▪ reflecting higher production costs ▪ lower sales volumes of premium raw sugar and raw sugar ▪ higher operating expenses and finance cost ▪ partly offset by higher sugar prices
Reported net loss of 47 million pesos (US$0.9 million) instead of a reported net income of 120 million pesos (US$2.4 million)	▪ reflecting core net loss instead of core net income for the year
Revenue up 38% to 15.9 billion pesos (US$302.0 million) from 11.5 billion pesos (US$228.9 million)	▪ driven by higher sales volumes of refined sugar and ethanol and higher average selling prices of sugar products ▪ the recognition of milling revenue under HKFRS15 ▪ partly offset by lower sales volumes of raw sugar and premium raw sugar
Operating expenses up 12% to 1.0 billion pesos (US$19.8 million) from 936 million pesos (US$18.6 million)	▪ reflecting higher staff costs
EBITDA down 37% to 1.0 billion pesos (US$19.6 million) from 1.6 billion pesos (US$32.4 million)	▪ reflecting a decline in gross margins due to higher production costs
EBITDA margin to 6% from 14%	▪ reflecting lower EBITDA despite higher revenue

Debt Profile

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

Outlook

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

FINANCIAL REVIEW

LIQUIDITY AND FINANCIAL RESOURCES

NET DEBT AND GEARING

(A) Head Office net debt

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

Changes in Head Office net debt

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

(i) Includes restricted cash as at 31 December 2018 of US$0.1 million (2017: US$0.1 million)

Head Office free cash flow(ii)

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

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

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

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

(B) Group net debt and gearing

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

Consolidated

US$ millions	**Net Debt(i) 2018**	**Total equity 2018**	**Gearing(ii) (times) 2018**	Net Debt(i) 2017	Total equity 2017	Gearing(ii) (times) 2017
Head Office	**1,550.2**	**2,039.7**	**0.76x**	1,521.8	1,837.7	0.83x
Indofood	**1,444.7**	**3,456.1**	**0.42x**	784.6	3,485.2	0.23x
MPIC	**3,083.9**	**4,529.9**	**0.68x**	2,717.4	4,302.5	0.63x
FPM Power	**498.7**	**321.6**	**1.55x**	509.1	398.1	1.28x
FP Natural Resources	**206.4**	**188.1**	**1.10x**	198.5	197.2	1.01x
Group adjustments(iii)	**-**	**(1,825.0)**	**-**	-	(1,478.2)	-
Total	**6,783.9**	**8,710.4**	**0.78x**	5,731.4	8,742.5	0.66x
Associated companies and joint venture						
PLDT	**2,370.1**	**2,218.8**	**1.07x**	2,798.0	2,223.1	1.26x
FPW	**379.0**	**1,012.2**	**0.37x**	457.9	1,005.0	0.46x
Philex	**163.9**	**450.7**	**0.36x**	176.5	495.3	0.36x

(i) Includes short-term deposits and restricted cash

(ii) Calculated as net debt divided by total equity

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

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

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

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

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

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

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

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

MATURITY PROFILE

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

Consolidated

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

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

Associated companies and joint venture

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

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

CHARGES ON GROUP ASSETS

At 31 December 2018, certain bank and other borrowings were secured by the Group's property, plant and equipment, accounts receivable, cash and cash equivalents and inventories amounting to a net book value of US$2,081.3 million (2017: US$2,172.9 million) and the Group's interests of 12% (2017: 12%) in PLDT, 56% (2017: 56%) in GBPC, 5% (2017: 13.1%) in Meralco, 100% (2017: 100%) in AIF Toll Road Holdings (Thailand) Limited, 29.5% (2017: 29.5%) in DMT, 70% (2017: 70%) in PLP and 45.1% (2017: 45.1%) in Hawaiian-Philippine Company, Inc.

FINANCIAL RISK MANAGEMENT

FOREIGN CURRENCY RISK

(A) Company risk

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

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

With the exception of the Head Office, the principal components of the Group's NAV mainly relate to investments denominated in the rupiah and the peso. Accordingly, any change in these currencies, against their respective 31 December 2018 exchange rates, would have an effect on the Group's NAV in U.S. dollar terms.

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

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

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

(B) Group risk

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

NET DEBT BY CURRENCY

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

Consolidated

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

(i) Includes short-term deposits and restricted cash

Associated companies and joint venture

US$ millions	US$	Peso	A$	NZ$	Others	**Total**
Net debt						
PLDT	(269.7)	2,642.8	-	-	(3.0)	**2,307.1**
FPW	135.2	(1.1)	185.1	110.1	(50.3)	**379.0**
Philex	26.9	137.0	-	-	-	**163.9**

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

US$ millions	Total US$ exposure	Hedged amount	Unhedged amount	Profit effect of 1% change in currency	**Group net profit effect**
Head Office[i]	1,561.0	-	1,561.0	-	**-**
Indofood	395.6	-	395.6	4.0	**1.5**
MPIC	95.9	-	95.9	1.0	**0.3**
FPM Power	(1.2)	-	(1.2)	-	**-**
FP Natural Resources	(1.3)	-	(1.3)	-	**-**
PLDT	(269.7)	(45.4)	(315.1)	(3.2)	**(0.6)**
FPW	135.2	(177.9)	(42.7)	(0.4)	**(0.1)**
Philex	26.9	-	26.9	0.3	**0.1**
Total	**1,942.4**	**(223.3)**	**1,719.1**	**1.7**	**1.2**

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

EQUITY MARKET RISK

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

INTEREST RATE RISK

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

Consolidated

US$ millions	Fixed interest rate borrowings[i]	Variable interest rate borrowings[i]	Cash and cash equivalents[ii]	**Net debt**
Head Office	996.7	643.1	(89.6)	**1,550.2**
Indofood	275.6	1,777.4	(608.3)	**1,444.7**
MPIC	3,857.7	233.1	(1,006.9)	**3,083.9**
FPM Power	254.8	259.9	(16.0)	**498.7**
FP Natural Resources	65.3	154.3	(13.2)	**206.4**
Total	5,450.1	3,067.8	(1,734.0)	**6,783.9**
Associated companies and joint venture				
PLDT	2,633.3	719.2	(982.4)	**2,370.1**
FPW	289.6	282.9	(193.5)	**379.0**
Philex	139.5	41.0	(16.6)	**163.9**

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

(ii) Includes short-term deposits and restricted cash

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

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

ADJUSTED NAV PER SHARE

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

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

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

(ii) Based on the total consideration (including US$25 million contingent instalment payment and another US$25 million earn-out payment) as per SPA dated 11 March 2019 (2017: investment costs)

(iii) Represents carrying amounts

(iv) Based on quoted share price of RHI applied to the Group's economic interests

(v) Represents the carrying amount of SMECI's notes

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

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

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

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

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

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.

On 13 December 2018, Mr. Robert C. Nicholson resigned as an Executive Director (ED) of the Company due to retirement and ceased to be a member of the Corporate Governance Committee. Mr. Christopher H. Young (Mr. Young), ED and Chief Financial Officer of the Company, was appointed as a member of the Corporate Governance Committee in his stead.

As at the date of this announcement, the Corporate Governance Committee comprises of two INEDs and one ED, being Mrs. Margaret Leung Ko May Yee (Chairperson of the Corporate Governance Committee), Mr. Philip Fan Yan Hok and Mr. Young.

The Committee carried out a review of its corporate governance practices in respect of the year ended 31 December 2018 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 ESG report 2017 was published on the websites of the SEHK and the Company on 10 July 2018.

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

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.

As an investment holding and management company, the Company does not have an internal audit department. However, the Group has multiple listed companies in Philippines, Indonesia and Singapore, 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 2018.

Continuing Connected Transactions

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

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

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

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

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

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

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's Risk Assessment Committee, currently comprising of one ED and senior executives, oversees head office's risk management function, in relation to its role as an investment holding and management company. This Committee will report to the Audit and Risk Management Committee twice each year.

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

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

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

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

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

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

AUDIT OPINION
The auditor has expressed an unqualified opinion on the Group's financial statements for the year ended 31 December 2018 in their report dated 26 March 2019.

REVIEW STATEMENT BY THE AUDIT AND RISK MANAGEMENT COMMITTEE
The Audit and Risk Management Committee has reviewed the 2018 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 auditor.

FINAL DISTRIBUTION
The Board has recommended a final cash distribution of HK5.5 cents (US0.71 cent) per ordinary share. Subject to approval by shareholders at the 2019 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 Thursday, 11 July 2019.

CLOSURE OF REGISTER OF MEMBERS

1. **Annual General Meeting**
   The Register of Members will be closed from Wednesday, 19 June 2019 to Friday, 21 June 2019, 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 Tuesday, 18 June 2019.

2. Proposed Final Distribution

Upon Shareholders' approval of the proposed final distribution, the Register of Members will be closed from Thursday, 27 June 2019 to Tuesday, 2 July 2019, both days inclusive, during which period no transfer of shares will be registered. The ex-dividend date will be Tuesday, 25 June 2019. 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 Wednesday, 26 June 2019. The final distribution will be paid to shareholders whose names appear on the Register of Members on Tuesday, 2 July 2019 and the payment date will be on or about Thursday, 11 July 2019.

AGM

The AGM will be held at Mandarin Oriental, Hong Kong on Friday, 21 June 2019 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 2019.

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 2018 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 2019.

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

Hong Kong, 26 March 2019

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

Executive Directors:
Manuel V. Pangilinan, *Managing Director and Chief Executive Officer*
Christopher H. Young, *Chief Financial Officer*

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