Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

FIRST PACIFIC COMPANY LIMITED

(Incorporated with limited liability under the laws of Bermuda)

Website: http://www.firstpacific.com

(Stock code: 00142)

2012 Interim Results - Unaudited

FINANCIAL HIGHLIGHTS

- Recurring profit decreased by 7.4% to US$203.2 million (HK$1,585.0 million) from US$219.4 million (HK$1,711.3 million).
- Profit contribution from operations decreased by 3.7% to US$250.5 million (HK$1,953.9 million) from US$260.1 million (HK$2,028.8 million).
- Profit attributable to owners of the parent increased by 1.3% to US$222.2 million (HK$1,733.2 million) from US$219.3 million (HK$1,710.5 million).
- Non-recurring gains of US$15.3 million (HK$119.3 million) were recorded compared with non-recurring losses of US$4.0 million (HK$31.2 million).
- Turnover increased by 8.8% to US$2,989.5 million (HK$23,318.1 million) from US$2,747.9 million (HK$21,433.6 million).
- Recurring basic earnings per share (calculated based on recurring profit) decreased by 6.0% to U.S. 5.29 cents (HK41.3 cents) from U.S. 5.63 cents (HK43.9 cents).
- Basic earnings per share increased by 2.7% to U.S. 5.78 cents (HK45.1 cents) from U.S. 5.63 cents (HK43.9 cents).
- An interim dividend of HK8.00 cents (U.S. 1.03 cents) (2011: HK8.00 cents or U.S. 1.03 cents) per ordinary share has been declared, representing a dividend payout ratio of approximately 19% (2011: 21%, including a special dividend of HK1.20 cents or U.S. 0.15 cent per share) of recurring profit.
- Equity attributable to owners of the parent increased by 5.0% to US$3,174.1 million (HK$24,758.0 million) at 30 June 2012 from US$3,022.7 million (HK$23,577.1 million) at 31 December 2011.
- Consolidated gearing ratio remained unchanged at 0.26 times at 30 June 2012 compared with the position at 31 December 2011.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED INCOME STATEMENT - UNAUDITED

For the six months ended 30 June	Notes	**2012 US$m**	2011 US$m	**2012 HK$m***	2011 HK$m*
Turnover	2	**2,989.5**	2,747.9	**23,318.1**	21,433.6
Cost of sales		**(2,046.6)**	(1,859.4)	**(15,963.5)**	(14,503.3)
Gross profit		**942.9**	888.5	**7,354.6**	6,930.3
Gain/(loss) on dilutions, net		**14.4**	(0.1)	**112.3**	(0.8)
Distribution costs		**(208.4)**	(194.6)	**(1,625.5)**	(1,517.9)
Administrative expenses		**(228.7)**	(192.1)	**(1,783.9)**	(1,498.4)
Other operating income/(expenses), net		**13.7**	(4.2)	**106.9**	(32.7)
Interest income		**39.6**	28.6	**308.9**	223.0
Interest expenses		**(130.5)**	(124.3)	**(1,017.9)**	(969.5)
Share of profits less losses of associated companies and joint ventures		**153.4**	174.6	**1,196.5**	1,361.9
Profit before taxation	3	**596.4**	576.4	**4,651.9**	4,495.9
Taxation	4	**(111.9)**	(109.7)	**(872.8)**	(855.6)
Profit for the period		**484.5**	466.7	**3,779.1**	3,640.3
Attributable to:					
Owners of the parent	5	**222.2**	219.3	**1,733.2**	1,710.5
Non-controlling interests		**262.3**	247.4	**2,045.9**	1,929.8
		484.5	466.7	**3,779.1**	3,640.3
		US¢	US¢	**HK¢***	HK¢*
Earnings per share attributable to owners of the parent	6				
Basic		**5.78**	5.63	**45.1**	43.9
Diluted		**5.69**	5.43	**44.4**	42.4

Details of the dividend declared for the period is disclosed in Note 7.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME - UNAUDITED

For the six months ended 30 June	2012 US$m	2011 US$m	2012 HK$m*	2011 HK$m*
Profit for the period	**484.5**	466.7	**3,779.1**	3,640.3
Other comprehensive (loss)/income				
Exchange differences on translating foreign operations	**(54.0)**	181.3	**(421.2)**	1,414.1
Unrealized (losses)/gains on available-for-sale assets	**(10.9)**	15.7	**(85.0)**	122.5
Unrealized losses on cash flow hedges	**(4.7)**	(2.8)	**(36.7)**	(21.9)
Realized losses on cash flow hedges	**2.2**	3.6	**17.2**	28.1
Income tax related to cash flow hedges	**1.7**	0.3	**13.2**	2.3
Other comprehensive (loss)/income for the period, net of tax	**(65.7)**	198.1	**(512.5)**	1,545.1
Total comprehensive income for the period	**418.8**	664.8	**3,266.6**	5,185.4
Attributable to:				
Owners of the parent	**244.9**	292.1	**1,910.2**	2,278.4
Non-controlling interests	**173.9**	372.7	**1,356.4**	2,907.0
	418.8	664.8	**3,266.6**	5,185.4

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**(Unaudited) At 30 June 2012 US$m**	(Audited) At 31 December 2011 US$m	**(Unaudited) At 30 June 2012 HK$m***	(Audited) At 31 December 2011 HK$m*
Non-current assets					
Property, plant and equipment		**1,705.4**	1,651.7	**13,302.1**	12,883.2
Plantations		**1,277.3**	1,280.9	**9,962.9**	9,991.0
Associated companies and joint ventures		**3,271.2**	3,035.1	**25,515.4**	23,673.8
Goodwill		**807.1**	819.6	**6,295.4**	6,392.9
Other intangible assets		**2,218.0**	2,105.9	**17,300.4**	16,426.0
Accounts receivable, other receivable and prepayments	8	**26.8**	32.5	**209.0**	253.5
Available-for-sale assets		**40.6**	33.1	**316.7**	258.2
Deferred tax assets		**122.1**	109.9	**952.4**	857.2
Pledged deposits		**11.1**	11.1	**86.6**	86.6
Other non-current assets		**233.9**	236.0	**1,824.4**	1,840.8
		9,713.5	9,315.8	**75,765.3**	72,663.2
Current assets					
Cash and cash equivalents		**2,251.6**	1,875.4	**17,562.5**	14,628.1
Restricted cash		**32.7**	43.7	**255.1**	340.9
Available-for-sale assets		**54.7**	63.4	**426.6**	494.5
Accounts receivable, other receivables and prepayments	8	**638.6**	581.8	**4,981.1**	4,538.0
Inventories		**711.9**	731.7	**5,552.8**	5,707.3
		3,689.5	3,296.0	**28,778.1**	25,708.8
Current liabilities					
Accounts payable, other payables and accruals	9	**964.5**	796.5	**7,523.1**	6,212.7
Short-term borrowings		**693.2**	1,119.3	**5,407.0**	8,730.5
Provision for taxation		**60.0**	49.6	**468.0**	386.9
Current portion of deferred liabilities and provisions		**122.6**	137.6	**956.2**	1,073.3
		1,840.3	2,103.0	**14,354.3**	16,403.4
Net current assets		**1,849.2**	1,193.0	**14,423.8**	9,305.4
Total assets less current liabilities		**11,562.7**	10,508.8	**90,189.1**	81,968.6
Equity					
Issued share capital		**38.3**	38.5	**298.7**	300.3
Retained earnings		**1,402.5**	1,284.6	**10,939.5**	10,019.9
Other components of equity		**1,733.3**	1,699.6	**13,519.8**	13,256.9
Equity attributable to owners of the parent		**3,174.1**	3,022.7	**24,758.0**	23,577.1
Non-controlling interests		**3,893.4**	3,856.5	**30,368.5**	30,080.7
Total equity		**7,067.5**	6,879.2	**55,126.5**	53,657.8
Non-current liabilities					
Long-term borrowings		**3,415.5**	2,575.7	**26,640.9**	20,090.5
Deferred liabilities and provisions		**640.5**	607.2	**4,995.9**	4,736.1
Deferred tax liabilities		**439.2**	446.7	**3,425.8**	3,484.2
		4,495.2	3,629.6	**35,062.6**	28,310.8
		11,562.7	10,508.8	**90,189.1**	81,968.6

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY - UNAUDITED

	Equity attributable to owners of the parent												
US$ millions	Issued share capital	Share premium	Share options issued	Exchange reserve	Unrealized gains on available-for-sale assets	Unrealized (losses)/ gains on cash flow hedges	Income tax related to cash flow hedges	Differences arising from changes in equities of subsidiary companies	Capital and other reserves	Retained earnings	Total	Non-controlling interests	**Total equity**
Balance at 1 January 2011	39.0	1,273.0	40.2	95.4	27.7	(4.8)	(1.0)	235.4	11.6	858.7	2,575.2	3,036.9	5,612.1
Profit for the period	-	-	-	-	-	-	-	-	-	219.3	219.3	247.4	466.7
Other comprehensive income for the period	-	-	-	62.8	8.6	1.2	0.2	-	-	-	72.8	125.3	198.1
Total comprehensive income for the period	-	-	-	62.8	8.6	1.2	0.2	-	-	219.3	292.1	372.7	664.8
Issue of shares upon the exercise of share options	0.1	6.0	(2.0)	-	-	-	-	-	-	-	4.1	-	4.1
Repurchase and cancellation of shares	(0.4)	-	-	-	-	-	-	-	0.4	(35.9)	(35.9)	-	(35.9)
Equity-settled share option arrangements	-	-	2.5	-	-	-	-	-	-	-	2.5	-	2.5
2010 final dividend paid	-	-	-	-	-	-	-	-	-	(60.0)	(60.0)	-	(60.0)
2011 special dividend declared	-	-	-	-	-	-	-	-	-	(6.0)	(6.0)	-	(6.0)
Dividends declared and paid to non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	(105.6)	(105.6)
Acquisition, dilution and divestment of interests in subsidiary companies	-	-	-	-	-	-	-	6.1	-	-	6.1	375.6	381.7
Balance at 30 June 2011	38.7	1,279.0	40.7	158.2	36.3	(3.6)	(0.8)	241.5	12.0	976.1	2,778.1	3,679.6	6,457.7
Balance at 1 January 2012	38.5	1,289.2	39.7	52.4	51.5	9.4	(3.5)	248.6	12.3	1,284.6	3,022.7	3,856.5	**6,879.2**
Profit for the period	-	-	-	-	-	-	-	-	-	222.2	222.2	262.3	**484.5**
Other comprehensive (loss)/income for the period	-	-	-	31.6	(8.0)	(2.6)	1.7	-	-	-	22.7	(88.4)	**(65.7)**
Total comprehensive income for the period	-	-	-	31.6	(8.0)	(2.6)	1.7	-	-	222.2	244.9	173.9	**418.8**
Issue of shares upon the exercise of share options	0.2	12.0	(3.9)	-	-	-	-	-	-	-	8.3	-	**8.3**
Repurchase and cancellation of shares	(0.4)	-	-	-	-	-	-	-	0.4	(40.1)	(40.1)	-	**(40.1)**
Equity-settled share option arrangements	-	-	1.7	-	-	-	-	-	-	-	1.7	-	**1.7**
2011 final dividend paid	-	-	-	-	-	-	-	-	-	(64.2)	(64.2)	-	**(64.2)**
Dividends declared and paid to non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	(149.6)	**(149.6)**
Acquisition, dilution and divestment of interests in subsidiary companies	-	-	-	-	-	-	-	1.1	-	-	1.1	12.6	**13.7**
Dilution of interests in subsidiary companies of associated companies	-	-	-	-	-	-	-	(0.3)	-	-	(0.3)	-	**(0.3)**
Balance at 30 June 2012	**38.3**	**1,301.2**	**37.5**	**84.0**	**43.5**	**6.8**	**(1.8)**	**249.4**	**12.7**	**1,402.5**	**3,174.1**	**3,893.4**	**7,067.5**

	Equity attributable to owners of the parent												
HK$ millions*	Issued share capital	Share premium	Share options issued	Exchange reserve	Unrealized gains on available-for-sale assets	Unrealized (losses)/ gains on cash flow hedges	Income tax related to cash flow hedges	Differences arising from changes in equities of subsidiary companies	Capital and other reserves	Retained earnings	Total	Non-controlling interests	**Total equity**
Balance at 1 January 2011	304.2	9,929.4	313.5	744.2	216.0	(37.4)	(7.8)	1,836.1	90.5	6,697.9	20,086.6	23,687.8	43,774.4
Profit for the period	-	-	-	-	-	-	-	-	-	1,710.5	1,710.5	1,929.8	3,640.3
Other comprehensive income for the period	-	-	-	489.8	67.1	9.3	1.6	-	-	-	567.8	977.2	1,545.0
Total comprehensive income for the period	-	-	-	489.8	67.1	9.3	1.6	-	-	1,710.5	2,278.3	2,907.0	5,185.3
Issue of shares upon the exercise of share options	0.8	46.8	(15.6)	-	-	-	-	-	-	-	32.0	-	32.0
Repurchase and cancellation of shares	(3.1)	-	-	-	-	-	-	-	3.1	(280.0)	(280.0)	-	(280.0)
Equity-settled share option arrangements	-	-	19.5	-	-	-	-	-	-	-	19.5	-	19.5
2010 final dividend paid	-	-	-	-	-	-	-	-	-	(468.0)	(468.0)	-	(468.0)
2011 special dividend declared	-	-	-	-	-	-	-	-	-	(46.8)	(46.8)	-	(46.8)
Dividends declared and paid to non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	(823.6)	(823.6)
Acquisition, dilution and divestment of interests in subsidiary companies	-	-	-	-	-	-	-	47.6	-	-	47.6	2,929.7	2,977.3
Balance at 30 June 2011	301.9	9,976.2	317.4	1,234.0	283.1	(28.1)	(6.2)	1,883.7	93.6	7,613.6	21,669.2	28,700.9	50,370.1
Balance at 1 January 2012	300.3	10,055.7	309.6	408.8	401.7	73.3	(27.3)	1,939.1	96.0	10,019.9	23,577.1	30,080.7	**53,657.8**
Profit for the period	-	-	-	-	-	-	-	-	-	1,733.2	1,733.2	2,045.9	**3,779.1**
Other comprehensive (loss)/income for the period	-	-	-	246.4	(62.4)	(20.3)	13.3	-	-	-	177.0	(689.5)	**(512.5)**
Total comprehensive income for the period	-	-	-	246.4	(62.4)	(20.3)	13.3	-	-	1,733.2	1,910.2	1,356.4	**3,266.6**
Issue of shares upon the exercise of share options	1.5	93.7	(30.4)	-	-	-	-	-	-	-	64.8	-	**64.8**
Repurchase and cancellation of shares	(3.1)	-	-	-	-	-	-	-	3.1	(312.8)	(312.8)	-	**(312.8)**
Equity-settled share option arrangements	-	-	13.3	-	-	-	-	-	-	-	13.3	-	**13.3**
2011 final dividend paid	-	-	-	-	-	-	-	-	-	(500.8)	(500.8)	-	**(500.8)**
Dividends declared and paid to non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	(1,166.9)	**(1,166.9)**
Acquisition, dilution and divestment of interests in subsidiary companies	-	-	-	-	-	-	-	8.5	-	-	8.5	98.3	**106.8**
Dilution of interests in subsidiary companies of associated companies	-	-	-	-	-	-	-	(2.3)	-	-	(2.3)	-	**(2.3)**
Balance at 30 June 2012	**298.7**	**10,149.4**	**292.5**	**655.2**	**339.3**	**53.0**	**(14.0)**	**1,945.3**	**99.1**	**10,939.5**	**24,758.0**	**30,368.5**	**55,126.5**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS - UNAUDITED

For the six months ended 30 June	Notes	2012 US$m	2011 US$m	2012 HK$m*	2011 HK$m*
Profit before taxation		**596.4**	576.4	**4,651.9**	4,495.9
Adjustments for:					
Interest expenses		**130.5**	124.3	**1,017.9**	969.5
Depreciation	3	**66.0**	56.8	**514.8**	443.0
Amortization of other intangible assets	3	**46.0**	40.3	**358.8**	314.3
Foreign exchange and derivative losses/(gains), net	3	**3.5**	(5.8)	**27.3**	(45.2)
Equity-settled share option expense		**1.6**	2.6	**12.5**	20.3
Share of profits less losses of associated companies and joint ventures		**(153.4)**	(174.6)	**(1,196.5)**	(1,361.9)
Interest income		**(39.6)**	(28.6)	**(308.9)**	(223.0)
(Increase)/decrease in accounts receivable, other receivables and prepayments (Non-current)		**(31.5)**	1.0	**(245.7)**	7.8
(Gain)/loss on dilution of interests in associated companies	3	**(14.4)**	0.1	**(112.3)**	0.8
(Increase)/decrease in other non-current assets		**(12.6)**	8.1	**(98.3)**	63.2
Gain on changes in fair value of plantations	3	**(7.1)**	(1.9)	**(55.4)**	(14.8)
Gain on sale of property, plant and equipment	3	**(0.9)**	(4.1)	**(7.0)**	(32.0)
Others		**(6.0)**	14.4	**(46.8)**	112.3
		578.5	609.0	**4,512.3**	4,750.2
Decrease/(increase) in working capital		**81.1**	(142.6)	**632.6**	(1,112.3)
Net cash generated from operations		**659.6**	466.4	**5,144.9**	3,637.9
Interest received		**38.8**	30.2	**302.6**	235.6
Interest paid		**(122.9)**	(121.4)	**(958.6)**	(946.9)
Taxes paid		**(111.5)**	(124.4)	**(869.7)**	(970.3)
Net cash flows from operating activities		**464.0**	250.8	**3,619.2**	1,956.3
Dividend received from associated companies		**159.7**	165.6	**1,245.7**	1,291.7
Preferred share dividends received from a joint venture		**6.6**	6.5	**51.5**	50.7
Proceeds from sale of property, plant and equipment		**1.5**	4.6	**11.7**	35.9
Purchase of property, plant and equipment		**(181.9)**	(108.5)	**(1,418.8)**	(846.3)
Investments in other intangible assets		**(83.1)**	(94.1)	**(648.2)**	(734.0)
Increased investments in a joint venture		**(63.2)**	-	**(493.0)**	-
Investments in plantations		**(45.7)**	(41.4)	**(356.5)**	(322.9)
Investment in an associated company		**(15.0)**	-	**(117.0)**	-
Acquisition of available-for-sale assets		**(6.3)**	(18.7)	**(49.1)**	(145.9)
Increased investments in associated companies		**(3.6)**	(14.4)	**(28.1)**	(112.3)
Net cash flows used in investing activities		**(231.0)**	(100.4)	**(1,801.8)**	(783.1)
Net borrowings raised/(repaid)		**377.1**	(41.7)	**2,941.4**	(325.3)
Decrease in restricted cash		**12.6**	2.9	**98.3**	22.7
Proceeds from issue of shares upon the exercise of share options		**8.3**	4.1	**64.7**	32.0
Proceeds from issue of shares to non-controlling shareholders by subsidiary companies		**2.8**	384.0	**21.8**	2,995.2
Proceeds from divestment of interest in subsidiary companies		**1.3**	9.0	**10.2**	70.2
Decrease in time deposits with original maturity of more than three months		**0.5**	0.1	**3.9**	0.8
Purchase of preferred shares of a joint venture		**(83.4)**	-	**(650.5)**	-
Dividends paid to shareholders		**(64.2)**	(60.0)	**(500.8)**	(468.0)
Dividends paid to non-controlling shareholders by subsidiary companies		**(47.8)**	(8.2)	**(372.8)**	(64.0)
Repurchase of shares		**(39.4)**	(35.5)	**(307.3)**	(276.9)
Repurchase of subsidiary companies' shares		**(2.1)**	(0.2)	**(16.4)**	(1.6)
Increased investments in subsidiary companies		**-**	(7.2)	**-**	(56.2)
Net cash flows from financing activities		**165.7**	247.3	**1,292.5**	1,928.9
Net increase in cash and cash equivalents		**398.7**	397.7	**3,109.9**	3,102.1
Cash and cash equivalents at 1 January		**1,874.9**	1,538.7	**14,624.2**	12,001.8
Exchange translation		**(37.4)**	37.3	**(291.7)**	291.0
Cash and cash equivalents at 30 June		**2,236.2**	1,973.7	**17,442.4**	15,394.9
Representing					
Cash and cash equivalents		**2,251.6**	1,973.7	**17,562.5**	15,394.9
Less bank overdrafts		**(15.4)**	-	**(120.1)**	-
Cash and cash equivalents at 30 June		**2,236.2**	1,973.7	**17,442.4**	15,394.9

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

Notes:-

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

(A) Basis of preparation

The Condensed Interim Consolidated Financial Statements have been prepared in accordance with Hong Kong Accounting Standard (HKAS) 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (HKICPA) and the disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the Listing Rules) issued by The Stock Exchange of Hong Kong Limited (SEHK). The Condensed Interim Consolidated Financial Statements have been prepared on a basis consistent with the accounting policies adopted in the Group's 2011 audited financial statements.

(B) Impact of New and Revised HKFRSs

During 2012, the Group has adopted the following new and revised Hong Kong Financial Reporting Standards (HKFRSs) (which include all HKFRSs, HKASs and Hong Kong (International Financial Reporting Interpretations Committee)-Interpretations) issued by the HKICPA:

HKAS 12 Amendments	"Recovery of Underlying Assets"(i)
HKFRS 1 Amendments	"Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters"(ii)
HKFRS 7 Amendments	"Transfers of Financial Assets"(ii)

(i) Effective for annual periods commencing on or after 1 January 2012
(ii) Effective for annual periods commencing on or after 1 July 2011

The adoption of the above pronouncements has had no effect on both the profit attributable to owners of the parent for the six-month periods ended 30 June 2012 and 30 June 2011 and the equity attributable to owners of the parent at 30 June 2012 and 31 December 2011.

2. **Turnover and segmental information**

For the six months ended 30 June	**2012 US$m**	2011 US$m	**2012 HK$m***	2011 HK$m*
Turnover				
Sale of goods	**2,617.5**	2,443.7	**20,416.5**	19,060.9
Rendering of services	**372.0**	304.2	**2,901.6**	2,372.7
Total	**2,989.5**	2,747.9	**23,318.1**	21,433.6

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 from both the 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 telecommunications, infrastructure, consumer food products and natural resources. Geographically, the Board of Directors considers the businesses of the Group are operating in the Philippines and Indonesia.

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 plantations and non-recurring items. Non-recurring items represent certain items, through occurrence or size, which are not considered as usual operating items.

The revenue, results and other information for the six months ended 30 June 2012 and 2011, and total assets and total liabilities at 30 June 2012 and 31 December 2011 regarding the Group's reportable businesses are as follows.

By principal business activity - 2012

For the six months ended/at 30 June	The Philippines Telecom-munications US$m	Infrastructure US$m	Natural Resources US$m	Indonesia Consumer Food Products US$m	Head Office US$m	**2012 Total US$m**	**2012 Total HK$m***
Revenue							
Turnover	-	318.8	-	2,670.7	-	**2,989.5**	**23,318.1**
Results							
Recurring profit	96.3	47.7	16.1	90.4	(47.3)	**203.2**	**1,585.0**
Assets and Liabilities							
Non-current assets (other than financial instruments and deferred tax assets)							
- Associated companies and joint ventures	1,557.0	1,009.8	681.4	23.0	-	**3,271.2**	**25,515.4**
- Others	-	2,340.7	-	3,842.2	0.1	**6,183.0**	**48,227.4**
	1,557.0	3,350.5	681.4	3,865.2	0.1	**9,454.2**	**73,742.8**
Other assets	-	475.6	-	2,900.1	573.1	**3,948.8**	**30,800.6**
Total assets	1,557.0	3,826.1	681.4	6,765.3	573.2	**13,403.0**	**104,543.4**
Borrowings	-	934.2	-	1,459.1	1,715.4	**4,108.7**	**32,047.9**
Other liabilities	-	801.9	-	1,305.8	119.1	**2,226.8**	**17,369.0**
Total liabilities	-	1,736.1	-	2,764.9	1,834.5	**6,335.5**	**49,416.9**
Other Information							
Depreciation and amortization	-	(44.6)	-	(67.5)	(1.5)	**(113.6)**	**(886.1)**
Impairment losses	-	(0.5)	-	-	-	**(0.5)**	**(3.9)**
Interest income	-	9.0	-	30.1	0.5	**39.6**	**308.9**
Interest expenses	-	(43.5)	-	(52.3)	(34.7)	**(130.5)**	**(1,017.9)**
Share of profits less losses of associated companies and joint ventures	109.5	26.7	18.2	(1.0)	-	**153.4**	**1,196.5**
Taxation	-	(10.3)	-	(91.5)	(10.1)	**(111.9)**	**(872.8)**
Additions to non-current assets (other than financial instruments and deferred tax assets)	-	256.4	3.6	239.3	-	**499.3**	**3,894.5**

By principal business activity - 2011

For the six months ended 30 June/at 31 December	The Philippines Telecom-munications US$m	Infrastructure US$m	Natural Resources US$m	Indonesia Consumer Food Products US$m	Head Office US$m	2011 Total US$m	2011 Total HK$m*
Revenue							
Turnover	-	243.7	-	2,504.2	-	2,747.9	21,433.6
Results							
Recurring profit	115.4	35.4	21.0	88.3	(40.7)	219.4	1,711.3
Assets and Liabilities							
Non-current assets (other than financial instruments and deferred tax assets)							
- Associated companies and joint ventures	1,547.8	799.8	677.6	9.9	-	3,035.1	23,673.8
- Others	-	2,186.0	-	3,847.7	0.1	6,033.8	47,063.6
	1,547.8	2,985.8	677.6	3,857.6	0.1	9,068.9	70,737.4
Other assets	-	585.3	-	2,845.9	111.7	3,542.9	27,634.6
Total assets	1,547.8	3,571.1	677.6	6,703.5	111.8	12,611.8	98,372.0
Borrowings	-	912.9	-	1,509.3	1,272.8	3,695.0	28,821.0
Other liabilities	-	765.4	-	1,159.0	113.2	2,037.6	15,893.2
Total liabilities	-	1,678.3	-	2,668.3	1,386.0	5,732.6	44,714.2
Other Information							
Depreciation and amortization	-	(32.9)	-	(64.5)	(2.3)	(99.7)	(777.6)
Impairment losses	-	(1.7)	-	-	-	(1.7)	(13.3)
Interest income	-	4.9	-	23.1	0.6	28.6	223.0
Interest expenses	-	(39.1)	-	(52.4)	(32.8)	(124.3)	(969.5)
Share of profits less losses of associated companies and joint ventures	128.8	13.6	29.5	(0.1)	2.8	174.6	1,361.9
Taxation	-	(5.4)	-	(90.3)	(14.0)	(109.7)	(855.6)
Additions to non-current assets (other than financial instruments and deferred tax assets)	-	99.7	-	146.7	-	246.4	1,921.9

3. Profit before taxation

For the six months ended 30 June	2012 US$m	2011 US$m	2012 HK$m*	2011 HK$m*
Profit before taxation is stated after (charging)/crediting				
Cost of inventories sold	**(1,450.1)**	(1,335.4)	**(11,310.8)**	(10,416.1)
Employees' remuneration	**(285.7)**	(254.2)	**(2,228.5)**	(1,982.8)
Cost of services rendered	**(123.2)**	(102.7)	**(961.0)**	(801.1)
Depreciation	**(66.0)**	(56.8)	**(514.8)**	(443.0)
Amortization of other intangible assets	**(46.0)**	(40.3)	**(358.8)**	(314.3)
Foreign exchange and derivative (losses)/gains, net	**(3.5)**	5.8	**(27.3)**	45.2
Impairment losses for accounts receivable(i)	**(0.5)**	(1.7)	**(3.9)**	(13.3)
Gain/(loss) on dilution of interest in associated companies	**14.4**	(0.1)	**112.3**	(0.8)
Gain on changes in fair value of plantations	**7.1**	1.9	**55.4**	14.8
Gain on sale of property, plant and equipment	**0.9**	4.1	**7.0**	32.0

(i) Included in distribution costs

4. Taxation

No Hong Kong profits tax (2011: Nil) has been provided as the Group had no estimated assessable profits (2011: Nil) in Hong Kong for the period. Taxation on assessable profits generated outside Hong Kong has been provided at the rates of taxation prevailing in the countries in which the Company's subsidiary companies operate.

For the six months ended 30 June	2012 US$m	2011 US$m	2012 HK$m*	2011 HK$m*
Subsidiary companies - overseas				
Current taxation	**121.0**	118.0	**943.8**	920.4
Deferred taxation	**(9.1)**	(8.3)	**(71.0)**	(64.8)
Total	**111.9**	109.7	**872.8**	855.6

Included within share of profits less losses of associated companies and joint ventures is taxation of US$48.4 million (HK$377.5 million) (2011: US$53.6 million or HK$418.1 million) and which is analyzed as follows.

For the six months ended 30 June	2012 US$m	2011 US$m	2012 HK$m*	2011 HK$m*
Associated companies and joint ventures - overseas				
Current taxation	**42.1**	54.0	**328.4**	421.2
Deferred taxation	**6.3**	(0.4)	**49.1**	(3.1)
Total	**48.4**	53.6	**377.5**	418.1

5. Profit attributable to owners of the parent

The profit attributable to owners of the parent includes US$3.6 million (HK$28.1 million) (2011: US$3.9 million or HK$30.4 million) of net foreign exchange and derivative gains, which represent the foreign exchange translation differences on the Group's unhedged foreign currency denominated borrowings and payables and the changes in the fair values of derivatives, US$0.1 million (HK$0.8 million) of gain (2011: Nil) on changes in fair value of plantations and US$15.3 million (HK$119.3 million) of net non-recurring gains (2011: US$4.0 million or HK$31.2 million of net non-recurring losses).

Analysis of foreign exchange and derivative gains, net

For the six months ended 30 June	2012 US$m	2011 US$m	2012 HK$m*	2011 HK$m*
Foreign exchange and derivative (losses)/gains, net				
- Subsidiary companies	**(3.5)**	5.8	**(27.3)**	45.2
- Associated companies and joint ventures	**7.8**	6.0	**60.8**	46.8
Subtotal	**4.3**	11.8	**33.5**	92.0
Attributable taxation and non-controlling interests	**(0.7)**	(7.9)	**(5.4)**	(61.6)
Total	**3.6**	3.9	**28.1**	30.4

The non-recurring gains for 2012 mainly represents the Group's gain on dilution of a 0.2% interest in PLDT as a result of PLDT's issuance of new shares upon its tender offer for Digital Telecommunications Philippines, Inc. (Digitel)'s shares in January 2012. The non-recurring losses for 2011 mainly represent the Group's share of Meralco's non-recurring losses, and provision and write-off of certain assets.

6. Earnings per share attributable to owners of the parent

The calculation of basic earnings per share is based on the profit for the period attributable to owners of the parent of US$222.2 million (HK$1,733.2 million) (2011: US$219.3 million or HK$1,710.5 million) and the weighted average number of ordinary shares of 3,842.3 million (2011: 3,894.1 million) in issue during the period.

The calculation of diluted earnings per share is based on: (a) the profit for the period attributable to owners of the parent of US$222.2 million (HK$1,733.2 million) (2011: US$219.3 million or US$1,710.5 million) reduced by the dilutive impact of US$0.1 million (HK$0.8 million) in respect of the exercise of share options issued by its subsidiary and associated companies (2011: US$4.0 million or HK$31.2 million in respect of the exercise of share options issued by its subsidiary and associated companies and US$1.5 million or HK$11.7 million in respect of the conversion of convertible bonds issued by a subsidiary company) and (b) a share base equal to the aggregate of the weighted average number of ordinary shares of 3,842.3 million (2011: 3,894.1 million) in issue during the period (as used in the basic earnings per share calculation) and the weighted average number of ordinary shares of 59.0 million (2011: 46.2 million) assumed to have been issued at no consideration on the deemed exercise of all share options of the Company during the period.

7. Ordinary share dividend

At a meeting held on 29 August 2012, the Directors declared an interim cash dividend of HK8.00 cents (U.S. 1.03 cents) (2011: HK8.00 cents or U.S. 1.03 cents) per ordinary share.

In connection with the global offering carried out by PT Salim Ivomas Pratama Tbk (SIMP), a subsidiary company of Indofood, in June 2011, the Company was required, under Practice Note 15 (PN15) of the Listing Rules, to subscribe and distribute a certain number of new SIMP shares to its shareholders. For the purpose of meeting the requirement of PN15, the Company declared a special dividend, payable to shareholders by way of a distribution in specie, with an option of electing to receive cash in lieu of the distributable SIMP shares. The distribution in specie was equivalent to U.S. 0.15 cent (HK1.20 cents) per ordinary share of the Company. The special dividend was distributed to the shareholders on 8 August 2011.

8. Accounts receivable, other receivables and prepayments

Included in accounts receivable, other receivables and prepayments are accounts receivables of US$391.9 million (HK$3,056.8 million) (31 December 2011: US$371.1 million or HK$2.894.6 million) with an ageing profile as follows.

	At 30 June 2012 US$m	At 31 December 2011 US$m	**At 30 June 2012 HK$m***	At 31 December 2011 HK$m*
0 to 30 days	**359.6**	335.1	**2,804.9**	2,613.8
31 to 60 days	**10.0**	11.7	**78.0**	91.3
61 to 90 days	**4.3**	8.3	**33.5**	64.7
Over 90 days	**18.0**	16.0	**140.4**	124.8
Total	**391.9**	371.1	**3,056.8**	2,894.6

Indofood generally allows local customers an average of 30 days of credit and export customers 60 days of credit. MPIC (a) allows 14 days of credit for its water service customers, (b) collects toll fees through its associated company, Tollways Management Corporation, by cash, by prepaid and reloadable electronic toll collection devices and by credit card payment and (c) generally 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.

9. Accounts payable, other payables and accruals

Included in accounts payable, other payables and accruals are accounts payables of US$261.3 million (HK$2,038.1 million) (31 December 2011: US$234.2 million or HK$1,826.8 million) with an ageing profile as follows.

	At 30 June 2012 US$m	At 31 December 2011 US$m	**At 30 June 2012 HK$m***	At 31 December 2011 HK$m*
0 to 30 days	**234.7**	221.2	**1,830.7**	1,725.4
31 to 60 days	**4.5**	1.9	**35.1**	14.8
61 to 90 days	**6.1**	1.5	**47.5**	11.7
Over 90 days	**16.0**	9.6	**124.8**	74.9
Total	**261.3**	234.2	**2,038.1**	1,826.8

10. Contingent liabilities

(a) At 30 June 2012, except for US$95.7 million (HK$746.5 million) (31 December 2011: US$85.1 million or HK$663.8 million) guarantees given by Indofood for loan facilities obtained by certain plantation farmers in relation to arrangements for those farmers' production and sale of fresh fruit bunches to Indofood, the Group had no significant contingent liabilities (31 December 2011: Nil).

(b) On 29 June 2011, the Supreme Court of the Philippines promulgated a decision (the Decision) in the case of Wilson P. Gamboa vs. Finance Secretary Margarito B. Teves, et. al. (G.R. No. 176579) (the Gamboa Case), where the Supreme Court held that "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 (including both common and non-voting preferred shares)". The Decision of the Supreme Court reversed earlier opinions issued by the Philippine Securities and Exchange Commission (SEC) that non-voting preferred shares are included in determining compliance by a public utility, like PLDT, with the requirement under Section 11, Article XII of the 1987 Constitution that at least 60% of the capital of the public utility be owned by Filipinos and no more than 40% of the capital of such public utility be owned by foreigners. Several Motions for Reconsideration of the Decision were filed by the parties and are pending resolution by the Supreme Court.

While PLDT is not a party to the Gamboa Case, the Supreme Court directed the Philippine SEC in the Gamboa Case "to apply this definition of the term 'capital' in determining the extent of allowable foreign ownership in Philippine Long Distance Telephone Company, and if there is a violation of Section 11, Article XII of the 1987 Constitution, to impose the appropriate sanctions under the law".

In connection with the Motions for Reconsideration, the Supreme Court has allowed oral arguments by the parties the latest of which was held on 26 June 2012. To the best of PLDT's knowledge, the Philippine SEC has not commenced any proceeding to determine if PLDT is in violation of Section 11, Article XII of the 1987 Constitution. A finding by the Philippine SEC that there is a violation of Section 11, Article XII of the 1987 Constitution by PLDT may subject the latter to sanctions under Philippine law, including possible revocation of its franchise.

Nonetheless, on 5 July 2011, the board of directors of PLDT approved the amendments to the Seventh Article of PLDT's Articles of Incorporation consisting of the sub-classification of its authorized preferred capital into preferred shares with full voting rights (the Voting Preferred Shares), and serial preferred shares without voting rights, and other conforming amendments (the Amendments to the Articles). The Amendments to the Articles will require the approval by the stockholders of PLDT and the approval of the Philippine SEC. Upon approval of the Amendments to the Articles by the Philippine SEC, up to 150,000,000 Voting Preferred Shares could be initially issued by the board of directors of PLDT to, among others, Philippine citizens and Philippine corporations so that at least 60% of the capital stock entitled to vote is owned or held by such citizens, as and when the board of directors of PLDT determines such issuance to be necessary to avoid any disruptions on PLDT's operations and transactions and to protect the interests of PLDT and its stockholders. Upon issuance of such Voting Preferred Shares to Filipinos and Filipino-owned entities, the total foreign equity in the total resulting voting shares of PLDT will be reduced from the current 58% to about 35%. A Special Meeting of Stockholders of PLDT was scheduled on 20 September 2011, at which meeting the Amendments to the Articles were supposed to be submitted to PLDT's stockholders for approval. However, the Special Meeting was cancelled due to an anticipated lack of quorum. On 22 March 2012, PLDT's stockholders approved the amendments to the Seventh Article of PLDT's Articles of Incorporation consisting of the sub-classification of its authorized Preferred Capital Stock into: 150 million shares of Voting Preferred Stock with a par value of Peso 1.00 each, and 807.5 million shares of Non-Voting Serial Preferred Stock with a par value of Pesos 10.00 each, and other conforming amendment. Thereafter, the Amended Articles of Incorporation were submitted to the Philippine SEC for approval which the latter approved on 5 June 2012.

11. Employee information

For the six months ended 30 June	**2012**	2011	**2012**	2011
	US$m	US$m	**HK$m***	HK$m*
Employee remuneration (including Directors' remuneration)	**285.7**	254.2	**2,228.5**	1,982.8

Number of employees	**2012**	2011
At 30 June	**76,476**	71,109
Average for the period	**74,960**	70,910

12. Approval of the condensed interim consolidated financial statements

The condensed interim consolidated financial statements of the Company were approved and authorized for issue by the Board of Directors on 29 August 2012.

REVIEW OF OPERATIONS

First Pacific Group companies continued to fortify their market positions during the period when intensifying competition for PLDT and lower grades in the gold mined by Philex resulted in a decline in their contributions, while MPIC and Indofood saw their contributions increase. Consolidated contribution from operations fell 4% to US$250.5 million. PLDT, MPIC and Philex declared interim dividends which enabled First Pacific's Board of Directors to approve an interim dividend of HK8.0 cents (U.S. 1.03 cents), representing a payout of 19% of recurring profit. Last year's interim dividend of HK$8.0 cents (U.S. 1.03 cents) represented 18% of that period's recurring profit.

Below is an analysis of results by individual company.

Contribution Summary

For the six months ended 30 June US$ millions	Turnover 2012	Turnover 2011	Contribution to Group profit[i] 2012	Contribution to Group profit[i] 2011
PLDT[ii]	**-**	-	**96.3**	115.4
MPIC	**318.8**	243.7	**47.7**	35.4
Indofood	**2,670.7**	2,504.2	**90.4**	88.3
Philex[ii]	**-**	-	**16.1**	21.0
Contribution from operations[iii]	**2,989.5**	2,747.9	**250.5**	260.1
Head Office items:				
– Corporate overhead			**(11.3)**	(10.2)
– Net interest expense			**(34.6)**	(29.7)
– Other expenses			**(1.4)**	(0.8)
Recurring profit[iv]			**203.2**	219.4
Foreign exchange and derivative gains [v]			**3.6**	3.9
Gain on changes in fair value of plantations			**0.1**	-
Non-recurring items[vi]			**15.3**	(4.0)
Profit attributable to owners of the parent			**222.2**	219.3

(i) After taxation and non-controlling interests, where appropriate
(ii) Associated companies
(iii) Contribution from operations represents the recurring profit contributed to the Group by its operating companies.
(iv) Recurring profit represents the profit attributable to owners of the parent excluding the effects of foreign exchange and derivative gains, gain on changes in fair value of plantations and non-recurring items.
(v) Foreign exchange and derivative gains represent the gains on foreign exchange translation differences on the Group's unhedged foreign currency denominated borrowings and payables and the changes in the fair values of derivatives.
(vi) Non-recurring items represent certain items, through occurrence or size, which are not considered as usual operating items. 1H12's non-recurring gains of US$15.3 million mainly represent the Group's gain on dilution of a 0.2% interest in PLDT as a result of PLDT's issuance of new shares upon its tender offer for Digitel's shares in January 2012. 1H11's non-recurring losses of US$4.0 million mainly represent the Group's share of Meralco's non-recurring losses, and provision and write-off of certain assets.

Turnover up 9% to US$3.0 billion from US$2.7 billion	• owing to higher revenues at Indofood and MPIC
Recurring profit down 7% to US$203.2 million from US$219.4 million	• due to lower contributions from PLDT and Philex and higher net interest expense • offset by higher contributions from MPIC and Indofood
Non-recurring gains of US$15.3 million	• principally reflecting a gain on dilution of the Group's interest in PLDT as a result of PLDT's issuance of new shares upon its tender offer for Digitel's shares in January 2012
Reported profit up 1% to US$222.2 million from US$219.3 million	• reflecting a net non-recurring gain recorded in the current period compared with a net non-recurring loss recorded in the same period of last year • offset by lower contribution from operations and higher net interest expense

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

Closing	**At 30 June 2012**	At 31 December 2011	Six months change	At 30 June 2011	One year change
Peso	**42.12**	43.84	+4.1%	43.33	+2.9%
Rupiah	**9,480**	9,068	-4.3%	8,597	-9.3%

Average	**Six months ended 30 June 2012**	12 months ended 31 December 2011	Six months change	Six months ended 30 June 2011	One year change
Peso	**42.72**	43.24	+1.2%	43.43	+1.7%
Rupiah	**9,202**	8,762	-4.8%	8,723	-5.2%

During the period, the Group recorded net foreign exchange and derivative gains of US$3.6 million (1H11: US$3.9 million), which may be further analyzed as follows:

For the six months ended 30 June US$ millions	**2012**	2011
Head Office	**(2.6)**	(2.0)
PLDT	**5.6**	4.8
MPIC	**0.4**	(0.8)
Indofood	**0.4**	2.3
Philex	**(0.2)**	(0.4)
Total	**3.6**	3.9

Additional Investments

Infrastructure

- On 24 January 2012, Beacon Electric acquired an additional 2.7% interest in Meralco for a consideration of Pesos 8.85 billion (US$207.2 million).

Foods/Consumer

- On 9 July 2012, Indofood CBP Sukses Makmur Tbk PT ("ICBP"), a subsidiary of Indofood, announced that it had signed agreements with Asahi Group Holdings Southeast Asia Ltd. ("Asahi") to set up two joint ventures to produce and market non-alcoholic beverages in Indonesia.
- Two firms were established on 8 August 2012: a manufacturing company PT Asahi Indofood Beverage Makmur, and a marketing and distribution firm PT Indofood Asahi Sukses Beverage. ICBP has stake of 49% and 51% in the two firms, respectively.
- ICBP and Asahi will set aside an investment totaling between Rupiah 1.8 trillion and Rupiah 2.0 trillion (between US$189.9 million and US$211.0 million) for the two firms within the next two years, with the largest part to be invested in the construction of a non-alcoholic beverage plant.

Natural Resources

- In May 2012, IndoAgri invested Rupiah 138 billion (US$15.0 million) in Heliae Technology Holdings, Inc.
- On 28 May 2012, First Pacific acquired an approximately 7.4% direct interest in Pitkin Petroleum plc for a consideration of approximately US$6.3 million.
- On 6 June 2012, First Pacific acquired an approximately 3.3% direct interest in Forum Energy plc for a consideration of approximately US$3.6 million.

Capital Management

Interim Dividend

The First Pacific Board has declared an interim dividend of HK8.0 cents (U.S. 1.03 cents) (1H11: HK8.0 cents (U.S. 1.03 cents) per share, unchanged from a year earlier. The interim dividend represents a payout ratio of 19% of recurring profit to shareholders.

The Board has confirmed that capital allocation will remain as a combination of dividends and share repurchases taking into consideration Head Office's finances and investment plans. Full-year dividend payments will be at least 25% of recurring profit while share repurchases will be as large as 10% of recurring profit.

Share Repurchase Program

The two-year program to buy back up to US$130 million of First Pacific shares by way of "on-market" repurchases was completed on 4 June 2012. The Company had repurchased a total of 138.2 million shares at an average price of HK$7.30 (US$0.94) per share. As part of the focus on shareholder returns, the Board approved a renewed program in which First Pacific will spend up to 10% of recurring profit on share repurchases. Like the two-year program it replaces, the renewed share buyback program is conditional on the state of financial markets, economic conditions affecting Group companies, and potential opportunities for mergers and acquisitions.

Debt Profile
At 30 June 2012, net debt at the Head Office stood at US$1.2 billion while gross debt stood at US$1.7 billion with an average maturity of approximately 5.6 years. Approximately 37% of the Head Office's borrowings were on a floating rate basis while fixed rate borrowings comprised the remainder.

Net interest expense increased 16% during the period to US$34.6 million as a result of a higher average debt level and higher interest rates on debts with a longer average maturity.

Interest Cover
For the period, Head Office's recurring operating cash inflow before interest expenses was approximately US$151.2 million and net cash interest payments were approximately US$32.2 million. For the 12 months ended 30 June 2012, the cash interest cover was approximately 4.5 times.

Foreign Currency Hedging
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 currencies on a transactional basis.

2012 Outlook
PLDT, MPIC and Indofood have expressed cautious optimism regarding the second half of 2012. PLDT has maintained its core income forecast of Pesos 37.0 billion despite a continuing intense competitive environment. MPIC has lifted its guidance for core income to Pesos 6.3 billion, up 24% from last year. Indofood is on course towards its eighth successive record high core profit as higher sales feed down to its bottom line. Philex will be materially affected by its 1 August 2012 shutdown of mining operations at the Padcal Mine. The lower contributions to First Pacific from PLDT and Philex will have a corresponding effect on First Pacific's own expected full-year results.

The future is nevertheless positive for each of the Group's operating companies. PLDT expects to return to profit growth in 2013 while MPIC continues to seek new acquisitions and organic growth of its current businesses. Indofood continues to seek areas of expansion following the formation of its beverages joint ventures with Japan's Asahi Group as it continues to broaden its existing product lines. Philex continues development of the Silangan Project while exploration continues in several other areas as its Padcal operation works to return to mining operations and its business development team continues to search for investments in existing mining operations.

This cautious optimism for the Group's performance is tempered by continued instability across the world's financial markets, continuing uncertainty in Europe and weakness in the U.S. and Chinese economies.

PLDT

PLDT contributed a profit of US$96.3 million to the Group (1H11: US$115.4 million). This represents approximately 38% (1H11: 44%) of First Pacific's aggregate contribution derived from the operations of subsidiary and associated companies for the period. The 17% decline in profit contribution (after the impact of an approximately 2% appreciation of the average Peso rate against the U.S. dollar) was principally due to higher operating expenses relating mainly to the manpower reduction program, and selling and promotions initiatives, partly offset by higher service revenues.

Consolidated core net income down 11% to Pesos 18.7 billion (US$437.7 million) from Pesos 21.0 billion (US$483.5 million)	• due to more challenging operating environment in the first half of 2012 arising from competition • reflecting costs incurred in the manpower reduction program as well as increases in selling and promotion expenses and subsidies • partly offset by higher service revenues and the impact of some asset sales
Reported net income down 8% to Pesos 19.5 billion (US$456.5 million) from Pesos 21.3 billion (US$490.4 million)	• due to decline in core net income • slightly offset by higher net forex and derivative gains
Consolidated service revenues up 12% to Pesos 84.7 billion (US$2.0 billion) from Pesos 75.6 billion (US$1.7 billion)	• due to inclusion of Digitel financial results from 26 October 2011 • reflecting 17% increase in service revenues from business process outsourcing • offset by 4% decline in PLDT wireless service revenues and 1% decline in PLDT fixed line service revenues
EBITDA down 5% to Pesos 39.3 billion (US$919.9 million) from Pesos 41.5 billion (US$955.6 million)	• due to higher costs, specifically the Pesos 1.7 billion (US$39.8 million) manpower reduction cost, and the increases in selling and promotion expenses and subsidies
EBITDA margin down to 46% from 55%	• reflecting evolution of revenue mix from high-margin SMS and international long distance to lower-margin broadband and voice • increase in cash operating expenses • lower margins at Digitel
Consolidated free cash flow up 1% to Pesos 24.4 billion (US$571.2 million) from Pesos 24.2 billion (US$557.2 million)	• resulting from increase in cash of Pesos 3.6 billion (US$84.3 million) from sale of Beacon preferred shares • Pesos 1.3 billion (US$30.4 million) increase in cash from operations • partly offset by an increase in capex of Pesos 3.0 billion (US$70.2 million)

Debt Profile

As at 30 June 2012, PLDT recorded a consolidated net debt of US$2.0 billion, up from US$1.7 billion as at 31 December 2011, reflecting cash and cash equivalents lower by Pesos 14.4 billion (US$337.1 million) caused in part by dividend payout of Pesos 24.0 billion (US$561.8 million) in April 2012.

Capital Management

Interim Dividend

PLDT's Board of Directors declared an interim dividend of Pesos 60 (US$1.4) per share payable on 28 September 2012 to stockholders on record as of 31 August 2012, fulfilling PLDT's commitment to pay out a regular dividend of 70% of core net income. The interim dividend paid in 2011 was Pesos 78 (US$1.8) per share.

Share Buyback

In 2008, PLDT's board approved a share buyback program of up to 5 million shares. As of 30 June 2012, PLDT had bought back 2.7 million shares into treasury at an average cost of Pesos 2,388 (US$56) per share. Under the approved share buyback program, PLDT may still acquire up to 2.3 million shares from the market on an opportunistic basis.

Wireless

PLDT Group's combined cellular subscriber base grew by 6% to 67.4 million (31 December 2011: 63.7 million) representing approximately 68% of the total cellular market in the Philippines based on subscribers and approximately 61% in terms of revenues. Smart and Digitel's combined postpaid subscriber base stood at 2.1 million, the biggest in the Philippine market.

At the end of the period, the cellular SIM penetration rate (counting multiple SIM) in the Philippines was approximately 102%. About 97% of PLDT Group's subscribers are prepaid.

Combined broadband subscribers – Digital Subscriber Line ("DSL") fixed and wireless – grew 5% from the end of December 2011 to over 3.0 million, inclusive of about 0.6 million Digitel broadband subscribers. This accounted for approximately 63% of the broadband market in the Philippines. Total DSL, wireless broadband and internet service revenues were up 32% to Pesos 11.6 billion (US$271.5 million).

Wireless service revenues up 16% to Pesos 58.5 billion (US$1.4 billion) from Pesos 50.3 billion (US$1.2 billion)	• due to inclusion of Digitel financial results from 26 October 2011 • increases in wireless broadband and mobile internet browsing revenues • partly offset by decline in cellular voice and cellular data (SMS) service revenues at Smart
Wireless EBITDA down 3% to Pesos 28.2 billion (US$660.1 million) from Pesos 29.0 billion (US$667.7 million)	• due to a Pesos 7.1 billion (US$166.2 million) rise in cash expenses, with much of the increase attributable to higher selling, promotions and other cash expenses • partly offset by higher revenues
EBITDA margin down to 48% from 58%	• resulting from decline in EBITDA • partly owing to Digitel's lower EBITDA margin on consolidation from 26 October 2011
Net blended Smart's wireless ARPU down 3% to Pesos 141 (US$3.3) from Pesos 145 (US$3.3)	• owing largely to declining rates for voice and SMS services as a result of competitive pressures

Smart continues to invest in its cellular and multi-platform broadband networks while upgrading its existing transmission, core and access facilities. The 3G network now covers 65% of the Philippines population while single RAN deployment is 99% completed.

Fixed Line

The number of PLDT fixed line subscribers declined by 2% to 2.1 million at the end of the period from the end of December 2011, inclusive of approximately 0.3 million Digitel fixed line subscribers.

PLDT continues to lead in fixed line as it has the largest share in each of the retail and corporate segments of the market.

Fixed line service revenues up 5% to Pesos 30.4 billion (US$711.6 million) from Pesos 29.0 billion (US$667.7 million)	• due to consolidation of Digitel from 26 October 2011 • offset partly by Pesos 282 million (US$14.5 million) decline in international long distance revenues and Pesos 185 million (US$8.8 million) decline in national long distance revenues
Fixed line EBITDA down15% to Pesos 9.9 billion (US$231.7 million) from Pesos 11.6 billion (US$267.1 million)	• due to Pesos 2.2 billion (US$51.5 million) increase in compensation and employee benefits expenses due to manpower reduction programs
EBITDA margin at 33% from 40%	• due to decline in EBITDA • reflecting lower EBITDA margin at Digitel

The fixed line network is being upgraded to an all-IP next generation network (NGN) to enable PLDT to offer improved voice, data, and other services with vastly expanded network capacity.

Business Process Outsourcing (BPO)

In 2011, PLDT consolidated at SPi Global its BPO operations consisting of knowledge process solutions (KPS) and customer relationship management (CRM), previously under ePLDT. All other information and communications technology businesses of ePLDT including data center operations, internet and online gaming services and business solutions and applications were transferred to and are now reported under PLDT's fixed line business.

Service revenues up 17% to Pesos 4.8 billion (US$112.4 million) from Pesos 4.1 billion (US$94.4 million)	• due largely to an 18% increase in revenues from KPS owing to higher content services and inclusion of Laserwords from November 2011 and a 15% increase in revenues from CRM business owing largely to higher domestic sales
BPO EBITDA up 41% to Pesos 991 million (US$23.2 million) from Pesos 705 million (US$16.2 million)	• reflecting growth in service revenues higher than the increase in total expenses, which includes a 10% rise in compensation and benefits expenses to Pesos 2.7 billion (US$63.2 million) from Pesos 2.5 billion (US$57.6 million)
EBITDA margin at 20% from 17%	• driven by EBITDA growth • reflecting focus on high value offerings, better seat utilization, efficiencies of scale and location strategy

SPi is focusing on creating end-to-end BPO solutions including KPS provided by SPi Technologies, Inc. and its subsidiaries; and CRM provided by SPi CRM Inc. and Infocom.

Meralco

PLDT Communications and Energy Ventures, Inc. ("PCEV"), a 99.7% owned subsidiary of Smart, owns 50% of Beacon Electric, a special purpose company jointly owned with MPIC. In turn, Beacon Electric owns approximately 48% of Meralco as at 30 June 2012.

Meralco, the largest electricity distribution utility in the Philippines, has a franchise that allows it to distribute electricity in most of Luzon until 2028. The franchise area produces nearly half of the Philippines' gross domestic product. Meralco accounts for approximately 55% of total electricity sales in the Philippines. To help manage the high demand and cost of power, and in search of new sources of growth, Meralco is investing in power generation. It is a significant partner of Redondo Peninsula Energy, Inc which is on track of building two 300 MW of coal-fired base load plants with operations commencing in 2016.

Details of Meralco's performance in the first half of 2012 can be found in the MPIC section.

2012 Outlook

Assimilation of Digitel/Sun Cellular into the PLDT Group and the benefits that will arise from such integration will take some time to complete because of the PLDT Group's size and complexity. PLDT is encouraged by the opportunities for both synergy and growth following the acquisition. There have been some quick wins in the first half of 2012, mainly reductions in operating expenses and capital expenditures, which have already started to increase efficiencies and productivity. More significant benefits, especially to the bottom line, will take time to realize. 2012 is expected to be a year of alignment where PLDT will implement a number of requisite changes amid heightened competition as broadband continues to grow strongly. Core net income guidance for 2012 is Pesos 37.0 billion (US$866.1 million), with a return to growth starting in 2013.

Reconciliation of reported results between PLDT and First Pacific

PLDT's operations are principally denominated in peso, which averaged Pesos 42.72 (1H2011: Pesos 43.43) to the U.S. dollar. Its financial results are prepared under Philippine Generally Accepted Accounting Principles (GAAP) and reported in peso. First Pacific's financial results are prepared under Hong Kong GAAP and reported in U.S. dollars. Philippine GAAP and Hong Kong GAAP are largely based on International Financial Reporting Standards (IFRSs), however, certain adjustments need to be made to PLDT's reported peso results to ensure full compliance with Hong Kong GAAP. An analysis of these adjustments follows.

For the six months ended 30 June Peso millions	**2012**	2011
Net income under Philippine GAAP	**19,502**	21,299
Preference dividends[(i)]	**(25)**	(44)
Net income attributable to common shareholders	**19,477**	21,255
Differing accounting and presentational treatments[(ii)]		
- Reclassification of non-recurring items	**93**	517
- Others	**(2,547)**	(2,042)
Adjusted net income under Hong Kong GAAP	**17,023**	19,730
Foreign exchange and derivative gains[(iii)]	**(935)**	(793)
PLDT's net income as reported by First Pacific	**16,088**	18,937
US$ millions		
Net income at prevailing average rates for 1H12: Pesos 42.72 and 1H11: Pesos 43.43	**376.6**	436.0
Contribution to First Pacific Group profit, at an average shareholding of 1H12: 25.6% and 1H11: 26.5%	**96.3**	115.4

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

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

- *Reclassification of non-recurring items: Certain items, through occurrence or size, are not considered usual operating items which are reallocated and presented separately. Adjustment for 1H12 of Pesos 93 million (1H11: Pesos 517 million) represents share of Meralco's non-recurring losses.*
- *Others: The adjustments principally relate to the accrual of withholding tax on PLDT's net income in accordance with the requirements of HKAS 12 "Income Taxes", and the recognition of amortization for certain intangible assets identified as a result of the Group's acquisition of an additional 2.7% interest in PLDT in November 2011.*

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

MPIC

MPIC's infrastructure portfolio comprises the following assets offering water distribution, electricity distribution, toll roads and hospital services:

- 56.8% in Maynilad Water Services, Inc. ("Maynilad')
- 50.0% in Beacon Electric Asset Holdings Inc ("Beacon Electric") which owns 48.0% of Manila Electric Company ("Meralco")
- 99.8% in Metro Pacific Tollways Corporation ("MPTC") which owns 67.1% of Manila North Tollways Corporation ("MNTC") and 46.0% of Tollways Management Corporation
- 33.5% in Medical Doctors, Inc. ("MDI")
- 100% in Colinas Verdes Hospital Managers Corporation ("CVHMC"), the operator of Cardinal Santos Medical Center ("CSMC")
- 34.9% in Davao Doctors Hospital, Inc. ("DDH")
- 51.0% in Riverside Medical Center, Inc. ("RMCI")
- 100% in East Manila Hospital Managers Corporation ("EMHMC"), the operator of Our Lady of Lourdes Hospital ("OLLH")
- 85.7% in Asian Hospital, Inc. ("AHI"), which owns 100% of Asian Hospital and Medical Center

MPIC's contribution to the Group rose 34.7% to US$47.7 million (1H11: US$35.4 million) reflecting higher contributions from all its businesses.

Consolidated core net income up 30% to Pesos 3.5 billion (US$ 80.9 million) from Pesos 2.7 billion (US$61.2 million)	• reflecting higher contributions from each of the main operating divisions: Maynilad, Meralco, MPTC and Hospitals, and a decline in head office's net interest expense • Maynilad, Meralco, MPTC and Hospitals accounted for 43%, 33%, 19% and 5%, respectively, of MPIC's consolidated profit contributions from operations
Consolidated reported net income up 76% to Pesos 3.4 billion (US$80.6 million) from Pesos 2.0 billion (US$45.1 million)	• due largely to the higher core net income, lower amount of provisions at Meralco and Maynilad and the elimination of input value added tax provisions at MPTC
Revenues up 29% to Pesos 13.6 billion (US$318.8 million) from Pesos 10.6 billion (US$243.7 million)	• reflecting higher tariffs and billed water volume at Maynilad, higher traffic volumes at MPTC and acquisitions in the hospital division

Debt Profile
As at 30 June 2012, MPIC recorded a consolidated debt of Pesos 39.3 billion (US$934.2 million), down 2% from Pesos 40.0 billion (US$912.9 million) as at 31 December 2011, reflecting lower borrowing level at the head office, Maynilad, MPTC, RMCI and AHI.

Interim Dividend
The MPIC Board of Directors declared an interim cash dividend of Peso 0.012 (U.S. 0.028 cent) per share, up 20% from Peso 0.01 (U.S. 0.023 cent) per share a year earlier.

Maynilad
Maynilad operates a concession that runs until 2037 for water distribution and sewerage for the West Zone of Metro Manila, comprising a population of 9.6 million in 17 cities and municipalities at 30 June 2012. During MPIC's operation of Maynilad, pipeline network expansion and leak repair have reduced the unserved population in the concession area to 1.5 million and cut the population lacking 24-hour water supplies to 1.0 million and the number of people receiving water pressure of less than 7 pounds per square inch to 0.3 million. Maynilad currently serves a population of approximately 8.1 million.

Core net income up 13% to Pesos 3.3 billion (US$77.2 million) from Pesos 3.0 billion (US$69.1 million)	• owing largely to higher tariffs and billed water volume
Reported net income up 22% to Pesos 3.3 billion (US$77.2 million) from Pesos 2.7 billion (US$62.2 million)	• reflecting the higher core net income and the absence of provisions for an early retirement program
Revenues up 16% to Pesos 7.7 billion (US$180.2 million) from Pesos 6.6 billion (US$152.3 million)	• reflecting a 9% rise in billed water volume, additional water service connections and increased income from sewerage services as well as a 7.6% increase in the basic tariff in February 2011 and a further 8.2% increase in the basic tariff in January 2012

Average non-revenue water down to 45% from 50%	• reflecting leak repairs, pipe rehabilitation and more efficient management of water pressure and supply
Total billed water volume up 9% to 212 million cubic meters from 194 million cubic meters	• reflecting an 11% increase in billed customers to 1.0 million compared with a year earlier

Meralco

During the period, the volume of electricity sold by Meralco rose 10% to 16,215 gigawatt hours with growth driven by a 15% increase in demand from the industrial sector particularly by makers of electrical machinery and food and beverages, an 8% increase in demand from residential customers on warmer weather, and an 8% increase in commercial demand, particularly from new real estate developments and expansion in the business process outsourcing sector.

The distribution charge declined by 8% to Pesos 1.51/kilowatt hour ("kWh") from Pesos 1.64/kWh, while the average customer retail rates increased 7% to Pesos 9.57/ kWh reflecting an 12% increase in the generation charge as well as a 20% increase in the subsidies, taxes and universal charge Generation, distribution and transmission charges accounted for 58%, 16% and 11%, respectively, of customers' electricity bill, while the subsidies, taxes and universal charge accounted for 10%.

System loss fell to 7.35% from 7.48% a year earlier, setting a new record low, reflecting Meralco's continuing refinement of loss reduction programs and steady decline of electricity theft. Meralco will continue investing in its electricity distribution system for a franchise area which produces nearly half of the Philippines' gross domestic product.

Core net income up 15% to Pesos 9.0 billion (US$210.7 million) from Pesos 7.8 billion (US$179.6 million)	• reflecting higher volume of energy sales and recovery of local franchise taxes • offset by a lower average distribution charge
Reported net income up 60% to Pesos 9.8 billion (US$229.4 million) from Pesos 6.1 billion (US$140.5 million)	• reflecting the higher core net income, a decrease in various provisions and gains on divestment of Rockwell Land Corporation
Revenues up 17% to Pesos 143.6 billion (US$3.4 billion) from Pesos 122.6 billion (US$2.8 billion)	• reflecting mainly a 12% increase in the generation charge and a 20% increase in the subsidies, taxes and universal charge and a 10% increase in sales volume • offset by an 8% decline in the average distribution charge
EBITDA margin up to 11% from 10%	• reflecting improved operating performance and recovery of local franchise taxes

As at 30 June 2012, Meralco recorded a consolidated debt of Pesos 24.9 billion (US$591.2 million), up 2% from Pesos 24.4 billion (US$556.6 million) as at 31 December 2011, reflecting additional borrowings to finance increase in capital expenditure.

The board of directors of Meralco declared an interim dividend of Peso 4.00 (US$0.09) per share, representing a payout ratio of 50% of its 2012 first half core earnings.

Meralco is continuing its efforts to reduce electricity costs, further improve operational efficiency and increase service reliability. During the period, it signed various new highly cost-effective long-term Power Supply Agreements with power generators for a capacity of up to 2,880 megawatts ("MW"). In power generation, Meralco is the controlling joint venture partner in Redondo Peninsula Energy, Inc. which is on track to build two 300 MW coal-fired base load plants with operations commencing in 2016. Further initiatives include a pilot scheme for prepaid electricity, adding new value-added services, improving cost management and employing technologies for innovation.

MPTC

MPTC, through its 67.1% interest in MNTC and 46.0% interest in TMC, operates the North Luzon Expressway ("NLEX"), the Subic Clark Tarlac Expressway ("SCTEX") and the Subic Freeport Expressway. The concession for NLEX runs until 2037 and for SCTEX until 2043.

Core net income up 12% to Pesos 810 million (US$19.0 million) from Pesos 725 million (US$16.7 million)	• due largely to the increase in revenues
Reported net income up 50 % to Pesos 808 million (US$18.9 million) from Pesos 539 million (US$12.4 million)	• reflecting the higher core net income and the elimination of provision for input value added taxes included in 2011
Revenues up 5% to Pesos 3.4 billion (US$79.6 million) from Pesos 3.3 billion (US$75.2 million)	• reflecting a 3% increase in average daily vehicle entries, longer distances traveled and mix change of vehicles types with higher toll fees
Core EBITDA up 7% to Pesos 2.3 billion (US$53.8 million) from Pesos 2.2 billion (US$50.7 million)	• due mainly to higher revenues and lower provisions for heavy maintenance • offset by higher operator fees and lower advertising income than in 2011

MPTC, through its subsidiary, MNTC was awarded the rights to the SCTEX in an agreement with the Bases Conversion Development Authority (BCDA) dated 9 June 2010. This agreement was renegotiated thereafter and a revised agreement on the takeover of SCTEX concession was signed with BCDA in July 2011. MNTC continues to coordinate with BCDA and the Philippine Government to complete the turnover of management of SCTEX. MPTC plans to invest Pesos 400 million (US$9.5 million) to integrate SCTEX with NLEX to facilitate seamless travel between the two expressways.

MPTC's Harbour Link project to connect the NLEX to the port area of Manila is divided into two parts, "Segment 9" and "Segment 10". The Philippine Government is securing the right of way access for Segment 9, with 50% of the needed lot area acquired so far ahead of construction starting at the end of this year and completion of the entire project targeted for 2015. The Harbour Link will allow commercial vehicles 24-hour access to Manila's port area from the NLEX, in contrast with the current ban at peak times of day. The Harbour Link will also reduce travel time for motorists accessing NLEX from Western Metro Manila.

The Philippine Government recently announced the approval of the implementation of two elevated expressways that will connect the Northern and Southern toll road systems. Metro Pacific Tollways Development Corporation's Connector Road Project, a four-lane elevated expressway, will connect the Harbour Link to Southern Luzon. Detailed engineering drawing and design are largely complete in preparation for the Swiss Challenge and expected awarding of the project in late 2012.

MPTC expects the Connector Road to increase traffic on existing northern and southern toll road systems by enabling commercial vehicles to traverse Metro Manila without violating the aforementioned truck ban, and slashing travel time between systems to no more than 20 minutes from over an hour today.

Hospitals

MPIC is developing the Philippines' first premier portfolio of hospitals to deliver world-class services including diagnostic, therapeutic and preventive medicine services through all three major island groupings of the Philippine. The Hospital group now comprises Makati Medical Center, Cardinal Santos Medical Center, Our Lady of Lourdes Hospital and Asian Hospital in Metro Manila, as well as Riverside Medical Center in Bacolod City and Davao Doctors Hospital in Davao City.

The MPIC hospital division's total bed capacity rose 13% to 1,806 beds during the period. There were on average a total of 4,438 accredited medical doctors and consultants as well as 2,944 students during the period.

Core net income up 24% to Pesos 307 million (US$7.2 million) from Pesos 248 million (US$5.7 million)	• reflecting the addition of Asian Hospital to the portfolio and strong cost controls
Reported net income up 37% to Pesos 306 million (US$7.2 million) from Pesos 223 million (US$5.1 million)	• reflecting the higher core net income and lower provisions
Revenues up 33% to Pesos 5.4 billion (US$126.4 million) from Pesos 4.1 billion (US$94.4 million)	• reflecting the addition of Asian Hospital and the 5% growth from businesses held as of June 2011

The hospital division continues to invest in improving infrastructure, equipment and facilities, leveraging its technical and professional expertise to expand services and enhance operational efficiency across its hospitals. It continues to evaluate opportunities for expansion through the acquisition of additional hospitals in strategic areas of the Philippines, aiming for a size of 3,000 beds across 15 hospitals.

2012 Outlook

MPIC has released guidance of Pesos 6.3 billion for its full year core net income – a 24% increase over 2011's core income. In addition, MPIC continues to investigate investment opportunities in the infrastructure space, including but not limited to toll roads and light rail.

Meralco expects to see a continuing rise in electricity sales in the second half of the year although at a slower pace than the increase seen in the first half of the year with capital expenditure rising to Pesos 11.9 billion (US$278.6 million) from Pesos 8.7 billion (US$201.2 million) in 2011. Of the 600 MW in already-announced power generation projects, the first coal-fired power plant is expected to come on stream by 2016 followed by the second in 2017. Meralco is currently in active discussions with potential partners for a liquefied natural gas-fired power plant while continuing to negotiate potential partnerships on coal-fired power plants ranging from 300MW to 500MW per project. Meralco is also studying the acquisition of surrounding distribution concessions and is finalizing power supply contracts.

Maynilad has implemented a 10% increase in the all-in tariff effective January 2012 that is expected to help support earnings growth. In addition, it is forecasting an 8% growth in billed volume as well as Pesos 8.4 billion (US$196.6 million) of capital expenditure. Maynilad is also evaluating potential acquisitions in bulk water and distribution. Looking further ahead, Maynilad management are preparing for a rate rebasing scheduled to be implemented in January 2013 following submission of a business plan by Maynilad, regulatory review and public consultation.

The toll roads division forecasts a 3% traffic growth for NLEX in 2012 and a 6% for SCTEX. The latter highway has seen a 19% tariff increase effective from April 2012. Overall, the division forecasts capital expenditure of Pesos 2.6 billion (US$60.9 million), including the beginning of construction on Segment 9 in the fourth quarter of 2012. MPTC is currently awaiting a Swiss Challenge as early as the fourth quarter of 2012 for its proposal to build a 13.5-km Connector Road between the North Luzon and South Luzon Expressways at an estimated cost of Pesos 22 billion (US$522.3 million) with completion targeted by 2016. MPTC is also pursuing other potential toll road investments in the Philippines.

The hospital division will be boosted by the full-year impact of CSMC and AHI on its earnings. It aims to acquire one or two additional hospitals in 2012 and spend Pesos 1.8 billion (US$42.1 million) on capital expenditure to improve service levels at all hospitals.

Reconciliation of reported results between MPIC and First Pacific

MPIC's operations are principally denominated in peso, which averaged Pesos 42.72 (1H11: Pesos 43.43) to the U.S. dollar. Its financial results are prepared under Philippine GAAP and reported in peso. First Pacific's financial results are prepared under Hong Kong GAAP and reported in U.S. dollars. Philippine GAAP and Hong Kong GAAP are largely based on IFRSs, however, certain adjustments need to be made to MPIC's reported peso results to ensure full compliance with Hong Kong GAAP. An analysis of these adjustments follows.

For the six months ended 30 June Peso millions	**2012**	2011
Net income under Philippine GAAP	**3,444**	1,957
Preference dividends[(i)]	**(2)**	(3)
Net income attributable to common shareholders	**3,442**	1,954
Differing accounting and presentational treatments[(ii)]		
- Reclassification of non-recurring items	**37**	639
- Others	**(4)**	36
Adjusted net income under Hong Kong GAAP	**3,475**	2,629
Foreign exchange and derivative (gains)/losses[(iii)]	**(25)**	62
MPIC's net income as reported by First Pacific	**3,450**	2,691
US$ millions		
Net income at prevailing average rates for 1H12: Pesos 42.72 and 1H11: Pesos 43.43	**80.8**	62.0
Contribution to First Pacific Group profit, at an average shareholding of 1H12: 59.0% and 1H11: 56.9%	**47.7**	35.4

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

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

- *Reclassification of non-recurring items: Certain items, through occurrence or size, are not considered usual operating items which are reallocated and presented separately. Adjustment for 1H12 of Pesos 37 million principally represents write-off of certain project costs. Adjustment for 1H11 of Pesos 639 million principally represents share of Meralco's non-recurring losses of Pesos 338 million and expenses in relation to Maynilad's early retirement program of Pesos 179 million.*

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

INDOFOOD

Indofood recorded increased sales from all four complementary strategic businesses: Consumer Branded Products ("CBP"), Bogasari, Agribusiness and Distribution.

Indofood's contribution to the Group increased 2.4% to US$90.4 million (1H11: US$88.3 million), reflecting higher core net income, partly offset by a 5% depreciation of the average rupiah rate against the dollar.

Core net income up 9% to Rupiah 1.7 trillion (US$182.1 million) from Rupiah 1.5 trillion (US$176.4 million)	• on higher sales by every division (except the Plantations division) • offset by higher costs
Net income up 7% to Rupiah 1.7 trillion (US$183.0 million) from Rupiah 1.6 trillion (US$181.1 million)	• on higher income from operations
Consolidated net sales up 13% to Rupiah 24.6 trillion (US$2.7 billion) from Rupiah 21.8 trillion (US$2.5 billion)	• all divisions (except the Plantations division) contributed to the increase in sales mainly driven by higher sales volumes • offset by lower commodity prices
Gross profit margin declined to 27.4% from 28.9%	• due mainly to weaker performance of the Plantations division owing to lower CPO and rubber prices as well as higher production costs
Consolidated operating expenses up 14% to Rupiah 3.2 trillion (US$347.8 million) from Rupiah 2.9 trillion (US$332.5 million)	• Due mainly to increase in employee-related expense, freight and handling expense in conjunction with the increase in sales volume, and advertising and promotion spending
EBIT margin declined to 14.5% from 15.9%	• due mainly to a lower gross profit margin
Net gearing to nearly nil from 0.02 times at the end of 2011	

Debt Profile

As at 30 June 2012, Indofood recorded a gross debt of Rupiah 13.8 trillion (US$1.5 billion), up from Rupiah 13.7 trillion (US$1.5 billion) as at the end of December 2011. Of this total, Rupiah 6.2 trillion (US$0.7 billion) matures within this year. The remaining Rupiah 7.6 trillion (US$0.8 billion) matures between July 2013 and 2019.

Consumer Branded Products (CBP)

The CBP group comprises Noodles, Dairy, Food Seasonings, Snack Foods (including Biscuits) and Nutrition & Special Foods**.**

Indofood's Noodles division is one of the world's largest producers of instant noodles. It has 15 production plants in Indonesia and one in Malaysia with a combined annual production capacity of around 15.8 billion packs per year. Indomie, Supermi, Sarimi, Sakura, Pop Mie, Pop Bihun and Mi Telur Cap 3 Ayam are popular Indofood brands.

The Dairy division, Indolakto, is one of the largest dairy products manufacturers in Indonesia with the flagship brand Indomilk encompassing sweetened condensed milk, UHT milk, sterilized bottled milk, pasteurized liquid milk as well as powdered milk, ice cream, yogurt drinks and butter. Consumption per capita for dairy products in Indonesia remains low at around 11 liters per year. In conjunction with increasing consumer awareness of the nutritional value of dairy products, demand continued to grow during the period. To meet increasing demand, Indolakto is building a new factory with completion coming in stages starting in 2012.

The Food Seasonings division manufactures a wide range of culinary products, of which instant seasonings and chili sauce are the most popular. The division also produces soy sauce, tomato sauce and other condiments.

The Snack Foods division maintained its leadership position through its leading brands Chitato and Lays (potato chips), and Qtela (cassava & soybean chips). Biscuits are marketed under the brand names Trenz and Wonderland. Sales continued to increase across the snack foods and biscuits categories, stimulated by focused marketing programs, new product launches, enhanced product visibility in modern and traditional outlets as well as by increased distribution penetration in traditional outlets.

The Nutrition & Special Foods division produces food for babies, children, and milk for expectant and lactating mothers under two brands: Promina caters to higher-income groups, while SUN is targeted to the mass-market segment.

Sales up 16% to Rupiah 10.8 trillion (US$1.2 billion) from Rupiah 9.3 trillion (US$1.1 billion)	• on the back of higher sales across the divisions except for the Nutrition and Special Foods division • increase in sales mainly driven by volume growth
Sales volume	• Noodles up 17% to 6.3 billion packs from 5.4 billion packs • Dairy up 8 % to 150.7 thousand tonnes from 139.0 thousand tonnes • Food Seasonings up 20% to 48.4 thousand tonnes from 40.4 thousand tonnes • Snack Foods up 27 % to 14.7 thousand tonnes from 11.6 thousand tonnes • Nutrition & Special Foods down 4% to 7.7 thousand tonnes from 8.0 thousand tonnes
EBIT margin down slightly to 13.8% from 14.1%	• reflecting higher energy cost, employee-related expense and advertising and promotion despite lower raw material prices

Bogasari

Bogasari has been operating in Indonesia for more than three decades and has long been a member of the Indofood group, with flour mills located in Jakarta and Surabaya. Bogasari produces wheat flour as well as pasta for both domestic and international markets. Its brands, among others, are Cakra Kembar, Segitiga Biru, Kunci Biru and Lencana Merah for wheat flour, and La Fonte for pasta. It also has its own maritime unit which has two Panamax and six Handymax vessels that are used mainly to transport wheat from suppliers in Australia and the northern hemisphere. In addition, it also operates a packaging factory that produces polypropylene bags.

Sales up 5% to Rupiah 7.7 trillion (US$834.2 million) from Rupiah 7.3 trillion (US$836.2 million)	• due mainly to a 10% increase in sales volume of food flour • offset by lower average selling prices in conjunction with lower international wheat prices
Sales volume of food flour up 10% to 1,307 thousand tonnes from 1,189 thousand tonnes	• owing to higher demand both from internal and external parties
EBIT margin up to 7.6% from 7.5%	• on lower material costs

The flour industry is expected to continue growing, as wheat consumption at around 26 kg per capita annually is still low in comparison with neighboring countries. Urbanization will also catalyze the industry's growth in light of the growing popularity of modern fast-food franchises and associated lifestyle changes, primarily within younger generations. However, competition will likely to intensify with the continuing entrance of new players.

Agribusiness

The Agribusiness group consists of two divisions: Plantations and Edible Oils and Fats (EOF), which operate through Indofood's 58.3%-owned Singapore-listed subsidiary Indofood Agri Resources Ltd. ("IndoAgri") and IndoAgri's 72.0%-owned Indonesia-listed subsidiary PT Salim Ivomas Pratama Tbk ("SIMP") which in turn owns 59.5% of Indonesia-listed subsidiary PT PP London Sumatra Indonesia Tbk ("Lonsum"). The Agribusiness group is a market leader in Indonesia's branded cooking oil segment, and is one of the lowest-cost palm oil producers in the world.

The Agribusiness group is vertically integrated, producing a number of leading food products derived from palm oil. Its operations cover the entire value chain from research and development, oil palm seed breeding and oil palm cultivation to milling, refining, branding and marketing of cooking oil, margarine, shortening and other palm oil derivative products. It also operates rubber, sugar cane, cocoa, coconut and tea plantations.

Plantations

SIMP and Lonsum have a combined planted area of 257,867 hectares, up 1% from 254,989 hectares at the end of December 2011. Oil palm is the dominant crop, and 40% of the oil palms are younger than seven years old. Total planted area of oil palm was 220,178 hectares, up 2% from 216,837 hectares at the end of December 2011. Fresh fruit bunch nucleus and CPO production both grew by 5% period-on-period to 1,333 thousand tonnes and 400 thousand tonnes, respectively.

The division also operates 37,689 hectares of area planted with other crops including rubber, sugar cane, cocoa and tea. At the end of June 2012, the total planted area of rubber was 21,813 hectares, the planted area of sugar cane was 12,323 hectares and the planted area of remaining crops was 3,553 hectares. This division operates 21 palm oil mills with a total annual processing capacity of 4.9 million tonnes of fresh fruit bunches. The North and South Sumatra oil palm estates and mills, which produce 195 thousand tonnes of sustainable CPO annually, have attained certification from the Roundtable on Sustainable Palm Oil.

Edible Oils and Fats

This division manufactures cooking oils and fats and markets products under various brands for both export and domestic consumption. Bimoli and Simas Palmia are leading cooking oil and margarine brands in Indonesia. The division also produces crude coconut oil and derivative products, most of which are exported to the United States, Europe, and Asia. The division has refinery capacity of 1.4 million tonnes of CPO per annum as of 30 June 2012 and most of this division's needs are sourced from the plantation division's CPO production.

Sales up 16% to Rupiah 6.9 trillion (US$754.2 million) from Rupiah 6.0 trillion (US$687.9 million)	• due mainly to higher sales volume of CPO and EOF products
EBIT margin declined to 19.2% from 26.3%	• due mainly to weaker performance of Plantations division attributable to lower CPO and rubber prices as well as higher production costs and operating expenses
Sales volume of CPO up 5% to 402 thousand tonnes from 382 thousand tonnes	• in line with increased production

The Agribusiness group's expansion focus is on oil palm and sugar new plantings. It just completed one palm oil mill in Kalimantan with processing capacity of 40 tonnes of fresh fruit bunches per hour, and the expansion in sugar mill and refinery in Central Java to 4,000 tonne cane per day. The expansion in bottling and margarine plant on the new Jakarta refinery in Tanjung Priok was completed in the first quarter of 2012. It is building another palm oil mills in South Sumatra, capable of processing 40 tonnes of fresh fruit bunches per hour.

Distribution

The Distribution group is a major component of Indofood's Total Food Solutions chain of operations as it has the most extensive distribution network of stock points in Indonesia. It distributes the majority of Indofood's consumer products and third-party products across the archipelago. Indofood increased its market penetration and service standard through its stock points which are located in areas with a high density of retail outlets, ensuring high product availability. To further improve product visibility and increase availability, the group engaged merchandisers and canvassers, in conjunction with marketing efforts and promotions with its principals.

Sales up 16% to Rupiah 1.9 trillion (US$202.1 million) from Rupiah 1.6 trillion (US$183.2 million)	• principally reflecting stronger sales volumes of the CBP division
EBIT margin up to 4.0% from 2.6%	• on the back of higher sales

The Distribution group will further leverage its distribution system for increasing penetration in rural areas. Internal controls will continue to ensure higher cost efficiency. Its sales force will enhance communication with retail outlets to better understand and respond to customers' needs, while its team of merchandisers will ensure high product visibility in retail outlets.

2012 Outlook

The Indonesian economy continues to expand at a strong rate while inflation remains at a manageable level. Per capita income is rising consistently and is now seen approaching US$4,000 in 2012, establishing a new base for the next wave of consumerism. The middle class is increasing in size and now accounts for more than half of Indonesia's 240 million population, the world's fourth-largest. The economy presents huge potential but at the same time new challenges will also emerge. Indofood will continue to assess its strategies to address these challenges and capture new opportunities. Focus will be directed toward maintaining market leadership by enhancing operations to ensure competitiveness, increasing investment in marketing initiatives and sharpening strategies to strengthen our brand equity and image as well as enhance consumer loyalty. Indofood will also continue to expand its plantation area, particularly in oil palm and sugar to sustain its Agribusiness growth.

Reconciliation of reported results between Indofood and First Pacific

Indofood's operations are principally denominated in rupiah, which averaged Rupiah 9,202 (1H11: Rupiah 8,723) to the U.S. dollar. Its financial results are prepared under Indonesian GAAP and reported in rupiah. First Pacific's financial results are prepared under Hong Kong GAAP and reported in U.S. dollars. Accordingly, certain adjustments need to be made to Indofood's reported rupiah results to ensure full compliance with Hong Kong GAAP. An analysis of these adjustments follows.

For the six months ended 30 June Rupiah billions	**2012**	2011
Net income under Indonesian GAAP	**1,684**	1,580
Differing accounting and presentational treatments(i)		
– Gain on changes in fair value of plantations	**2**	-
– Foreign exchange accounting	**27**	27
– Others	**(42)**	(27)
Adjusted net income under Hong Kong GAAP	**1,671**	1,580
Foreign exchange and derivative gains(ii)	**(7)**	(41)
Gain on changes in fair value of plantations(ii)	**(2)**	-
Indofood's net income as reported by First Pacific	**1,662**	1,539
US$ millions		
Net income at prevailing average rates for 1H12: Rupiah 9,202 and 1H11: Rupiah 8,723	**180.6**	176.4
Contribution to First Pacific Group profit, at an average shareholding of 1H12: 50.1% and 1H11: 50.1%	**90.4**	88.3

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

- *Gain on changes in fair value of plantations: Under Indonesian GAAP, Indofood measures its plantations (biological assets) on a historical cost basis. HKAS 41 "Agriculture" requires the measurement of plantations at fair value less costs to sell. The adjustment relates to the change in fair value of plantations during the period.*
- *Foreign exchange accounting: The adjustment relates to the reversal of the amortization of foreign exchange losses that were previously capitalized by Indofood on certain fixed assets under construction, as the originating capitalized foreign exchange losses have already been written off by First Pacific.*
- *Others: The adjustments principally relate to the reversal of amortization of plantations and accrual of withholding tax on Indofood's net income in accordance with the requirements of HKAS 12 "Income Taxes". Under Indonesian GAAP, Indofood amortizes plantations over their estimated useful lives. HKAS41 "Agriculture" requires the measurement of plantations at fair value less costs to sell.*

(ii) To illustrate the underlying operational results and profit contributions, foreign exchange and derivative gains (net of related tax) and gain on changes in fair value of plantations are excluded and presented separately.

PHILEX

Philex's natural resources portfolio comprises:

Philex Mining Corporation for metal-related assets
• 100% in Philex Gold Philippines, Inc.
• 100% in Silangan Mindanao Mining Co., Inc.

Philex Petroleum Corporation for energy-related assets
• 100% in Brixton Energy and Mining Corporation
• 51.2% in FEC Resources, Inc.
• 48.8% in Forum Energy Plc which owns 70.0% of Exploration License Service Contract 72
• 18.5% in Pitkin Petroleum Plc
• 10.3% in Petro-energy Resources Corp.

Philex is currently the largest listed mining company in the Philippines. It has been operating the Padcal Mine since 1958 and was the first operator of an underground block cave mine in the Far East. The work force is currently approximately 2,747 and total reserves stood at 80.8 million tonnes as at 30 June 2012.

Philex's contribution to the Group decreased 23.3% to US$16.1 million (1H11: US$21.0 million) as lower mineral grades at the Padcal Mine, particularly for gold, were partly offset by higher average realized gold prices.

Total ore milled in the first half of 2012 was flat at 4.7 million tonnes (1H11: 4.7 million tonnes), with an average grade of 0.500 grams (1H11: 0.591 grams per tonne) of gold per tonne and 0.221% copper per tonne (1H11: 0.221%). The lower gold grade resulted in a 3% decline in concentrate production to 33,233 dry metric tonnes (1H11: 34,263 dry metric tonnes). Gold production fell 19% to 58,681 ounces (1H11: 72,784 ounces) and copper production declined 2% to 18.3 million pounds (1H11: 18.7 million pounds).

During the period, the average realized price for gold rose 16% to US$1,618 per ounce (1H11: US$1,398 per ounce) and the average realized copper price fell 1% to US$4.05 per pound (1H11: US$4.09 per pound).

As at 30 June 2012, Philex had Pesos 3.2 billion (US$75.9 million) of cash and cash equivalents, and Pesos 350 million (US$8.3 million) of short-term bank loans.

Core net income down 26% to Pesos 2.1 billion (US$49.4 million) from Pesos 2.8 billion (US$65.3 million)	• due primarily to a 7% decline in gold operating revenues and a 2% decline in copper operating revenues, and higher operating costs and expenses
Net income down 34% to Pesos 2.1 billion (US$48.9 million) from Pesos 3.2 billion (US$73.3 million)	• due to lower core net income and the absence of an exceptional gain
Operating revenues down 8% to Pesos 7.5 billion (US$175.6 million) from Pesos 8.2 billion (US$188.8 million)	• due to lower gold grades partly offset by higher realized gold prices • lower average gold grade resulting in a 19% decline in gold output • the second-highest first half revenues in corporate history • revenues from gold contributed 54% of total, with copper accounting for 44% and the balance of 2% attributable to silver, petroleum and coal
EBITDA down 30% to Pesos 3.4 billion (US$79.6 million) from Pesos 4.8 billion (US$110.5 million)	• due to lower operating revenues and slightly higher cash expenses
Operating costs and expenses up 14% to Pesos 4.4 billion (US$103.0 million) from Pesos 3.9 billion (US$89.8 million)	• due to higher energy costs followed by higher labor costs and prices of materials and supplies • due to higher cash costs, higher depreciation, depletion and amortization charges • offset by lower marketing charges, excise taxes and royalties
Operating cost per tonne of ore milled up 10% to Pesos 795 (US$18.6) from Pesos 724 (US$16.7)	• Referred to above

Capital expenditure (including exploration costs) up 34% to Pesos 1.5 billion (US$35.1 million) from Pesos 1.1 billion (US$25.3 million)	• reflecting additional capital expenditure for the Padcal Mine • reflecting additional pre-development expenditure for the Silangan Project

Interim dividend

The board of directors of Philex declared on 25 July 2012 an interim dividend of Peso 0.11 (US$0.003) per share payable on 3 September 2012, representing a payout ratio of 25% of 2012 first half core net income.

Silangan Project

The gold and copper mine development project is located in Surigao del Norte, Northern Mindanao in the Philippines, and comprises the Boyongan and Bayugo deposits.

The mineral resource estimate of the Silangan Project's Boyongan and Bayugo ore deposits, conducted in compliance with the Philippine Mineral Reporting Code, was completed in early August 2011, following an independent estimate for mineral resources prepared by SRK Perth, Australia released in June 2011. The estimate reported at a cut-off of 0.5% copper equivalent, based on metal prices of US$2.75 per pound copper and US$900 per ounce gold. Earlier, in October 2008, Independent Resources Estimations ("IRES") of South Africa completed a pre-feasibility study on Boyongan, concluding that, based on the assumptions used in their report, the Boyongan deposit is technically and financially feasible, with proven mineral reserves of 65.8 million tonnes at an average grade of 1.39 grams of gold and 0.87% copper per tonne.

The estimated capital expenditure for Silangan Project is US$1.2 billion with most spending between 2014 and 2016. Digging of the decline, blasting and construction of above-ground infrastructure are underway. An Integrated Development Plan and Pre-Feasibility Study are expected to be completed by the end of 2012.

Listed below are the mineral resources and proved reserves of the Padcal Mine and Silangan Project based on the most recent data:

		Silangan Project (as at 5 August 2011)	
	Padcal Mine (As at 31 December 2011)	Boyongan	Bayugo
Resources(million tonnes)	142(i)	273(ii)	125(ii)
Gold (gram/tonne)	0.49	0.72	0.66
Copper (%/tonne)	0.24	0.52	0.66
Contained copper (thousand lbs)	760,000	3,120,000	1,820,000
Contained gold (ounces)	2,200,000	6,300,000	2,700,000
Copper equivalent(iii) cutoff (%)	0.30	-	-
Copper equivalent cutoff (%)	-	0.50	0.50
Proved reserves (million tonnes)	81		
Gold (gram/tonne)	0.40		
Copper (%/tonne)	0.21		
Recoverable copper (thousand lbs)	313,600		
Recoverable gold (ounces)	739,000		
Copper equivalent(iii) cutoff (%)	0.246		

(i) Measured
(ii) Measured and indicated
(iii) Copper equivalent = % copper + 0.43 x gram/tonne gold; Metal prices: US$3.00/lb copper, US$1,000/oz gold; Metal resources: 82% copper, 73% gold

Bulawan Mine

The Bulawan Mine produced a total of 467,000 ounces of gold from 1995 to 2001 and was then closed due to low gold prices. Philex is exploring reopening the mine to access indicated remaining reserves of 17.5 million tonnes of ore with an average grade of 2.25 grams of gold per tonne. A geotechnical drilling program is currently underway.

Exploration License Service Contract 72

The project is located in the Reed Bank Basin in the West Philippines Sea. A 2D and 3D seismic program conducted in 2011 produced a best estimate of 2.6 trillion cubic feet of gas-in-place and 65 million barrels of oil-in-place classified as Contingent Resources, and 8.8 trillion cubic feet of gas-in-place and 220 million barrels of oil-in-place classified as Prospective Resources. A drilling program is expected to start in the first half of 2013 at an estimated cost of US$75 million.

Hedging position

As at 30 June 2012, Philex has five outstanding put/call contracts for gold totaling 53,200 ounces at an average put price at US$1,550 per ounce and an average call price at US$1,874 per ounce, a gold forward contract for 4,450 ounces at US$1,641 per ounce; an outstanding contract for purchased copper put options amounting to 3,780 tonnes at a put price of US$3.00 per pound, and three copper forward contracts for 8,320 tonnes at an average forward price of $3.80 per pound. The outstanding contracts have a maturity up to January 2013.

Philex also holds three currency put/call contracts at US$96 million with the average put price at Pesos 43.00 per US$1 and the average call price at Pesos 44.85 per US$1, and covering the period from July 2012 to December 2012.

2012 Outlook

Philex's first half results reflect the lower gold grade from production during the period. Second half results will be materially impacted as compared with a year earlier owing to the voluntary suspension on 1 August 2012 of Padcal mining operations to conduct an inspection and rehabilitation of its tailings pond after a discharge of water and sediment from one of the two underground tunnels that drain water from the tailings pond.

Philex is continuing exploratory drilling in the vicinities of the Padcal Mine, the Bulawan Mine, and the Silangan and Sibutad Projects, as well as reviewing potential mining acquisitions. Development of the Silangan Project continues with the build-out of infrastructure aiming for production to begin in 2017.

Reconciliation of reported results between Philex and First Pacific

Philex's operations are principally denominated in peso, which averaged Pesos 42.72 (1H11: Pesos 43.43) to the U.S. dollar. Its financial results are prepared under Philippine GAAP and reported in peso. First Pacific's financial results are prepared under Hong Kong GAAP and reported in U.S. dollars. Philippine GAAP and Hong Kong GAAP are largely based on IFRSs, however, certain adjustments need to be made to Philex's reported peso results to ensure full compliance with Hong Kong GAAP. An analysis of these adjustments follows.

For the six months ended 30 June Peso millions	**2012**	2011
Net income under Philippine GAAP	**2,089**	3,184
Differing accounting and presentational treatments(i)		
- Reclassification of non-recurring items	**-**	(386)
- Depreciation of revaluation increment of assets	**(190)**	(190)
- Revenue recognition regarding sale of mine products	**(196)**	(356)
- Others	**(235)**	(318)
Adjusted net income under Hong Kong GAAP	**1,468**	1,934
Foreign exchange and derivative losses(ii)	**20**	38
Philex's net income as reported by First Pacific	**1,488**	1,972
US$ millions		
Net income at prevailing average rates for 1H12: Pesos 42.72 and 1H11: Pesos 43.43	**34.8**	45.4
Contribution to First Pacific Group profit, at an average shareholding of 1H12: 46.3% and 1H11: 46.3%	**16.1**	21.0

(i) Differences in accounting treatments under Philippine GAAP, compared with Hong Kong GAAP, and other presentational differences. The principal adjustments include:

- *Reclassification of non-recurring items: Certain items, through occurrence or size are not considered usual operating items which are reallocated and presented separately. Adjustment for 1H11 of Pesos 386 million represents a gain of Pesos 524 million arising from a reclassification of an investment from an associated company to available-for-sale assets due to loss of significant influence in this investment, partly offset by asset impairment provisions of Pesos 138 million.*
- *Depreciation of revaluation increment of assets: A fair value assessment was performed at the date of acquisition of Philex and certain revaluation increment adjustments have been made to property, plant and equipment. The adjustment relates to the recognition of additional depreciation based on the revalued fair value of property, plant and equipment.*
- *Revenue recognition regarding sale of mine products: Philex recognizes revenue based on the production of mine products. HKAS 18 "Revenue" requires the recognition of revenue based on the satisfaction of certain conditions, which includes the transfer of significant risks and rewards of ownership of the products to the buyers and the absence of continuing managerial involvement to the degree usually associated with ownership and effective control over the products sold.*
- *Others: The adjustments principally relate to the accrual of withholding tax on Philex's net income in accordance with the requirements of HKAS 12 "Income Taxes".*

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

2012 GOALS: HALF-YEAR REVIEW

FIRST PACIFIC

Goal: Continue to explore investment opportunities in existing core businesses across the region
Achievement: Ongoing. First Pacific continues to search in emerging Asia economies for potential investment opportunities meeting our investment criteria with a particular focus on natural resources and infrastructure. Proceeds from US$400 million of unsecured 7-year bonds issued in June 2012 provide the financial resources for this purpose.

Goal: Fortify PLDT's position of market leadership in telecommunications, integrate Digitel, consolidate networks, position for return to earnings growth in 2013
Achievement: Achieved and ongoing. Leading market position retained as PLDT group's broadband subscriber base increased by 5% to more than 3.0 million at the end of June 2012 from the end of 2011. In the period, the combined cellular subscriber base grew 6% to more than 67.4 million subscribers.

Goal: Invest in a new infrastructure project in the Philippines via MPIC
Achievement: Ongoing. MPIC continues to evaluate potential investments in infrastructure projects across the Philippines, including participation in the Philippine Government's Public-Private Partnership initiatives. On 24 April 2012 the company formed a 50-50 joint venture with Ayala Corporation to pursue and develop light rail projects in the greater Metro Manila. MPIC continues to seek further infrastructure projects across the country.

Goal: Grow MPIC's toll road network by building roads and/or by investing in other toll road assets
Achievement: Ongoing. Construction of "Segment 9," a key part of the Harbour Link project to connect the North Luzon Expressway to the port area of Manila, is set to begin before the end of 2012. The Philippine Government has granted approval for the implementation of two elevated expressways to connect the northern and southern toll road systems through central Manila, and Management are evaluating these options while continuing to search for suitable investment opportunities.

Goal: Reverse decline in EBIT margin at Indofood
Achievement: Ongoing. The EBIT margin declined to 14.5% in the first half of 2012 from 15.9% in the first half of 2011 as strong competition remained in key sectors together with lower selling prices for crude palm oil ("CPO"). The development and introduction of higher-margin products, in particular in the Consumer Branded Products business, remains a focus within all the businesses.

Goal: Grow the plantation business so that Indofood becomes a net seller of CPO
Achievement: Ongoing. Plantation area expanded to 257,867 hectares as at 30 June 2012, up 1% from 254,989 hectares at the end of 2011. Acquisition of a further 20,000 hectares of plantation land is also sought.

Goal: Expand sources of production at Philex from just one mine, Padcal, to others, through organic growth and/or via acquisition
Achievement: Ongoing. Evaluation continues of potential acquisitions of mines currently in operation. Exploratory drilling continues at the Kalayaan Project, Vista Alegre, Libertad and Sibutad-Lalab, while an in-house study of drilling and infrastructure at the Bulawan Gold Mine advances with a Feasibility Study due for completion in the first half of 2013.

PLDT

Goal: Complete the integration of Digitel into the PLDT Group to produce savings in areas such as capital expenditure and marketing/distribution operating expenditures while improving yields
Achievement: Ongoing. Completed process for 200 out of 1,000 cell sites identified for co-location or consolidation, as well as the implementation of national roaming on the Smart network to increase Digitel's 2G and 3G geographic coverage without any significant additional capital expenditure. Consolidation of PLDT/Digitel outside plant facilities completed in addition to increasing the number of Digitel/PLDT points of interconnect to 16 from five. Digitel call centers requirements transferred to SPi Global. Over 850 employees of Digitel's fixed line business participated in the Voluntary Retirement Program resulting in a streamlined operations. Management engaged in further study of the possible integration of technical operations for additional improved services and lower costs.

Goal: Maintain double-digit growth in broadband subscribers and revenues
Achievement: Ongoing. Growth of 5% from year-end 2011 to 3.1 million combined PLDT group broadband subscribers on track for full-year double-digit growth. Revenue growth of 32% to Pesos 11.6 billion (US$271.5 million) achieves the revenue goal.

Goal: Complete the two-year network modernization program
Achievement: Ongoing. Full-year 2012 capex budget of Pesos 38 billion (US$890 million) completes the Group's two-year program. 3G population coverage of 65% achieved at end-June 2012 with coverage seen reaching 90% by end-2012. Single RAN (radio access network) deployment is 99% complete enabling the deployment of 3G and LTE mobile telecommunications technology. Fiber assets now totaling over 54,000 kms with capacity seen reaching 3 terabits per second by end-2012.

MPIC

Goal: Continue to grow the hospital network through the acquisition of hospitals across the country
Achievement: Ongoing. Following completion of a tender offer in April 2012, the stake in Asian Hospital, Inc. was raised to 85.7% from 51.9% as at the end of 2011. Management continue to seek further hospital investments.

Goal: Continue to expand the toll road portfolio at MPTC by targeting acquisitions and new road-building in heavily trafficked areas
Achievement: Ongoing. Construction of "Segment 9," a key part of the Harbour Link project to connect the North Luzon Expressway to the port area of Manila, is set to begin by the end of 2012 at the earliest and the first quarter of 2013 at the latest. Given the Philippine Government's approval of the implementation of two elevated expressways to connect the northern and southern toll road systems, Management is exploring its options for its Connector Road project while continuing the search for other investment opportunities.

Goal: Participate in further development of the country's infrastructure, such as airports or Manila's Metro Rail Transit ("MRT") 3 light rail system
Achievement: Ongoing. MPIC is continuing its talks with the Department of Transportation and Communication of the Philippines for its proposal to expand the capacity and improve the reliability of the Metro Rail Transit 3 system. MPIC recently signed an agreement with Ayala Corporation to jointly pursue and develop light rail projects in the greater Metro Manila area. The first project of the consortium is participation in the bidding for the expansion of the Light Rail Transit 1 system put up for bid by the Philippine Government.

INDOFOOD

Goal: Increase investments in advertising and promotion and strengthen marketing capabilities
Achievement: Ongoing. Advertising and promotion spending increased 29% to further enhance brand equities. Revamped the corporate marketing structure and enhanced the marketing team.

Goal: Accelerate new products innovation
Achievement: Ongoing**.** Pipelined new products to be launched in the third quarter of 2012. Formed joint venture companies with Asahi Group Holdings Ltd. in August 2012 to manufacture and market non- alcoholic beverages in Indonesia.

Goal: Increase plantation area for main crop
Achievement: Ongoing. Plantation area expanded to 257,867 hectares as at 30 June 2012, up 1% from 254,989 hectares at the end of 2011 as a result of new planting of approximately 3,500 hectares and replanting of approximately 600 hectares. Acquisition of a further 20,000 hectares of plantations is being sought.

PHILEX

Goal: Move forward on development of the Silangan Project
Achievement: Ongoing. Silangan's Integrated Development Plan and Pre-Feasibility Study are expected to be completed by the end of 2012. The estimated capital expenditure for the Silangan Project is US$1.2 billion with most spending between 2014 and 2016. Development of the Silangan Project continues with the build-out of infrastructure aiming for production to begin in 2017.

Goal: Continue exploring opportunities to acquire new mining operations
Achievement: Ongoing. The aim is to acquire project(s) which are already in production to increase copper and gold output ahead of the opening of Silangan Project in 2017.

Goal: Determine the feasibility and cost-effectiveness of reopening the Bulawan Gold Mine
Achievement: Ongoing. An in-house study of drilling and infrastructure is advancing with a Feasibility Study due for completion in the first half of 2013. Initial geological data indicate there are remaining reserves of 17.5 million tonnes of ore with an average grade of 2.25 grams of gold per tonne. An engineering study and a geotechnical drilling program are underway.

Goal: Intensify exploration for further mining opportunities
Achievement: Ongoing. Several exploratory drilling programs are continuing at Padcal to determine the extent of potential new resources at the site: at 840 meter level within the mine itself, and in promising prospects within the surrounding license area (Southwest, Clinton, Bumolo and more). Exploratory drilling continues at the Kalayaan Project, Vista Alegre, Libertad and Sibutad-Lalab.

Goal: Improve the public's perception of the benefits of mining to the Philippines
Achievement: Ongoing. A newly strengthened Corporate Affairs Department is working closely with all stakeholders in the mining industry (including government agencies, non-government organizations, the Bureau of Mines, private institutions and the public) to improve the reputation of the mining industry and promote mining's economic benefits to the Philippines.

Goal: Establish the commerciality of the hydrocarbons in Service Contract 72, a petroleum exploration license area located offshore West Palawan, through seismic interpretation and drilling
Achievement: Ongoing. An exploration program conducted in 2011 estimated the area with 8.8 trillion cubic feet of natural gas reserves and 220 million barrels of oil. A drilling program is expected to start in 2013 at an estimated cost of US$75 million.

FINANCIAL REVIEW
LIQUIDITY AND FINANCIAL RESOURCES
NET DEBT AND GEARING
An analysis of net debt and gearing for principal consolidated and associated companies follows.

Consolidated

US$ millions	At 30 June 2012 Net debt/(cash)(i)	At 30 June 2012 Total equity	At 30 June 2012 Gearing(ii) (times)	At 31 December 2011 Net debt/(cash)(i)	At 31 December 2011 Total equity	At 31 December 2011 Gearing(ii) (times)
Head Office	**1,153.2**	**1,768.3**	**0.65x**	1,170.3	1,647.1	0.71x
MPIC	**658.2**	**2,151.5**	**0.31x**	524.2	1,953.2	0.27x
Indofood	**1.9**	**3,902.2**	**-**	70.3	4,018.4	0.02x
Group adjustments(iii)	**-**	**(754.5)**	**-**	-	(739.5)	-
Total	**1,813.3**	**7,067.5**	**0.26x**	1,764.8	6,879.2	0.26x
Associated						
PLDT	**1,961.6**	**3,474.0**	**0.56x**	1,624.8	3,472.1	0.47x
Philex	**(67.6)**	**623.0**	**-**	(82.1)	617.0	-

(i) Includes pledged deposits and restricted cash
(ii) Calculated as net debt divided by total equity
(iii) Group adjustments mainly represents elimination of goodwill arising from acquisitions prior to 1 January 2001 against the Group's retained earnings and other standard consolidation adjustments to present the Group as a single economic entity.

Head Office's gearing decreased principally because of a growth of its equity as a result of its profit recorded for the period. MPIC's gearing increased principally reflecting its payments for additional investments in Beacon Electric's common and preferred shares which increased net debt, partly offset by a growth of its equity as a result of its profit recorded for the period. Indofood's gearing decreased principally because of a reduction in net debt which reflects its strong operating cash flow, partly offset by its payments for capital expenditure. PLDT's gearing increased as its net debt increased as a result of its payments for the establishment of a trust fund for the redemption of its preferred shares and investment in media business. Philex's net cash reduced which reflects its payments for capital expenditure, partly offset by its operating cash flow.

The Group's gearing remained unchanged at 0.26 times which reflects a higher net debt level, offset by a growth of its equity.

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

Consolidated

US$ millions	Carrying amounts At 30 June 2012	Carrying amounts At 31 December 2011	Nominal values At 30 June 2012	Nominal values At 31 December 2011
Within one year	**693.2**	1,119.3	**693.4**	1,120.0
One to two years	**151.7**	126.0	**153.1**	126.7
Two to five years	**1,584.9**	1,125.8	**1,601.4**	1,136.6
Over five years	**1,678.9**	1,323.9	**1,699.9**	1,343.0
Total	**4,108.7**	3,695.0	**4,147.8**	3,726.3

The change in the Group's debt maturity profile from 31 December 2011 to 30 June 2012 principally reflects (a) Indofood's issuance of Rupiah 2.0 trillion (US$211.0 million) of five-year bonds for refinancing its Rupiah 2.0 trillion (US$211.0 million) of bonds matured in May 2012 and (b) Head Office's refinancing of US$200 million of its short-term borrowings with long-term borrowings and issuance of US$400 million of 7-year bonds in June 2012.

Associated

US$ millions	PLDT Carrying amounts At 30 June 2012	PLDT Carrying amounts At 31 December 2011	PLDT Nominal values At 30 June 2012	PLDT Nominal values At 31 December 2011	Philex Carrying amounts At 30 June 2012	Philex Carrying amounts At 31 December 2011	Philex Nominal values At 30 June 2012	Philex Nominal values At 31 December 2011
Within one year	**330.8**	593.3	**331.8**	595.8	**8.3**	8.0	**8.3**	8.0
One to two years	**599.3**	239.7	**636.0**	275.0	**-**	-	**-**	-
Two to five years	**1,418.1**	1,055.3	**1,420.3**	1,066.1	**-**	-	**-**	-
Over five years	**363.9**	787.1	**364.1**	787.2	**-**	-	**-**	-
Total	**2,712.1**	2,675.4	**2,752.2**	2,724.1	**8.3**	8.0	**8.3**	8.0

The change in PLDT's debt maturity profile from 31 December 2011 to 30 June 2012 principally reflects loan repayments and new borrowings arranged to finance capital expenditure and/or refinance its loan obligations which were utilized for service improvements and expansion programs.

CHARGES ON GROUP ASSETS
At 30 June 2012, certain bank and other borrowings were secured by the Group's property, plant and equipment, plantations, other intangible assets, pledged deposits, cash and cash equivalents, accounts receivables and inventories equating to a net book value of US$941.7 million (31 December 2011: US$820.6 million) and the Group's interests of 16.4% (31 December 2011: 16.7%) in PLDT, 45.5% (31 December 2011: 45.5%) in MPIC, 14.6% (31 December 2011: 9.7%) in Philex, 46.8% (31 December 2011: 46.8%) in Maynilad and 99.8% (31 December 2011: 99.8%) in MPTC.

FINANCIAL RISK MANAGEMENT
FOREIGN CURRENCY RISK
(A) Company risk

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

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

With the exception of the Head Office, the principal components of the Group's net asset value (NAV) relate to investments denominated in the peso and rupiah. Accordingly, any change in these currencies, against their respective 30 June 2012 exchange rates, would have an effect on the Group's NAV in U.S. dollar terms.

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

Company	**Effect on adjusted NAV**[(i)] US$ millions	**Effect on adjusted NAV per share** HK cents
PLDT	34.8	7.08
MPIC	14.4	2.93
Indofood	22.5	4.58
Philex	12.9	2.63
Philex Petroleum	3.1	0.64
Total	**87.7**	**17.86**

(i) Based on quoted share prices as at 30 June 2012 applied to the Group's economic interest

(B) Group risk

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

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

Consolidated

US$ millions	US$	Rupiah	Peso	Others	**Total**
Total borrowings	2,254.8	1,041.3	812.6	-	**4,108.7**
Cash and cash equivalents[(i)]	(879.9)	(1,068.5)	(287.1)	(59.9)	**(2,295.4)**
Net debt/(cash)	1,374.9	(27.2)	525.5	(59.9)	**1,813.3**
Representing:					
Head Office	1,170.5	-	(11.2)	(6.1)	**1,153.2**
MPIC	121.5	-	536.7	-	**658.2**
Indofood	82.9	(27.2)	-	(53.8)	**1.9**
Net debt/(cash)	1,374.9	(27.2)	525.5	(59.9)	**1,813.3**

Associated

US$ millions	US$	Peso	Others	**Total**
Net debt/(cash)				
PLDT	1,196.7	769.2	(4.3)	**1,961.6**
Philex	(55.6)	(12.0)	-	**(67.6)**

(i) Includes pledged deposits and restricted cash

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

US$ millions	Total US$ exposure	Hedged amount	Unhedged amount	Profit effect of 1% change in currency	**Group net profit effect**
Head Office(i)	1,170.5	-	1,170.5	-	**-**
MPIC	121.5	-	121.5	1.2	**0.5**
Indofood	82.9	-	82.9	0.8	**0.3**
PLDT	1,196.7	222.5	974.2	9.7	**1.7**
Philex	(55.6)	-	(55.6)	(0.6)	**(0.2)**
Total	**2,516.0**	**222.5**	**2,293.5**	**11.1**	**2.3**

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

EQUITY MARKET RISK

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

First Pacific's listed investments are located in the Philippines, Indonesia and Singapore. Accordingly, in addition to operating factors within the Company's control, the Company also has an equity market risk in respect of general investor sentiment towards these countries.

INTEREST RATE RISK

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

Consolidated

US$ millions	Fixed interest rate borrowings	Variable interest rate borrowings	Cash and cash equivalents(i)	**Net debt/ (cash)**
Head Office	1,085.9	629.5	(562.2)	**1,153.2**
MPIC(ii)	640.3	293.9	(276.0)	**658.2**
Indofood	455.8	1,003.3	(1,457.2)	**1.9**
Total	2,182.0	1,926.7	(2,295.4)	**1,813.3**
Associated				
PLDT	1,778.7	933.4	(750.5)	**1,961.6**
Philex	-	8.3	(75.9)	**(67.6)**

(i) Includes pledged deposits and restricted cash

(ii) In March 2011, MNTC, a subsidiary company of MPIC, entered into an interest rate swap agreement, which effectively changed US$46.1 million of its bank loans from Philippine Reference Rates (PHIREF)-based variable interest rate to fixed interest rate.

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	629.5	6.3	**6.3**
MPIC	293.9	2.9	**1.2**
Indofood	1,003.3	10.0	**3.8**
PLDT	933.4	9.3	**1.7**
Philex	8.3	0.1	**-**
Total	**2,868.4**	**28.6**	**13.0**

ADJUSTED NAV PER SHARE

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

US$ millions	Basis	**At 30 June 2012**	At 31 December 2011
PLDT	(i)	**3,475.7**	3,203.3
MPIC	(i)	**1,437.8**	1,212.5
Indofood	(i)	**2,249.1**	2,230.0
Philex	(i)	**1,291.9**	1,085.0
Philex Petroleum	(i)	**312.5**	45.7
Head Office - Net debt		**(1,153.2)**	(1,170.3)
Total valuation		**7,613.8**	6,606.2
Number of ordinary shares in issue (millions)		**3,829.5**	3,850.4
Value per share			
- U.S. dollar		**1.99**	1.72
- HK dollars		**15.51**	13.38
Company's closing share price (HK$)		**8.01**	8.08
Share price discount to HK$ value per share (%)		**48.4**	39.6

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

On 1 June 2010, the Company announced that its Directors have approved a program to repurchase up to US$130 million (HK$1 billion) in value of the Company's shares from the open market, by way of "on market" repurchases, over a 24-month period. On 20 March 2012, the Company's Directors approved a new share repurchase program to spend, subject to the state of the financial markets, economic conditions affecting group companies and potential merger and acquisition opportunities, up to 10% of its annual recurring profit on share repurchases. The new program replaced the previous two-year program that ended in early June 2012. Under this program, the Company intends to allocate approximately US$42.3 million (HK$329.9 million), representing approximately 10% of the Company's recurring profit in respect of the financial year ended 31 December 2011, to repurchase shares in the Company by way of "on-market" repurchases up to 31 May 2013.

During the period ended 30 June 2012, the Company repurchased 37,020,000 (2011: 40,894,000) ordinary shares on the SEHK at an aggregate consideration of HK$309.9 million (US$40.1 million) (2011: HK$278.5 million (US$35.9 million)). These shares have been subsequently cancelled. Details of the repurchases are summarized as follows:

		Purchase price paid per share		Aggregate consideration paid	
Month of repurchases	Number of ordinary shares repurchased	Highest HK$	Lowest HK$	HK$ millions	US$ millions
January 2012	3,424,000	9.08	7.74	29.6	3.8
February 2012	10,336,000	9.10	8.41	88.8	11.5
March 2012	3,688,000	9.00	8.55	32.1	4.2
April 2012	4,216,000	9.15	8.50	37.4	4.8
May 2012	12,544,000	8.68	7.51	100.3	13.0
June 2012	2,812,000	8.07	7.48	21.7	2.8
Total	**37,020,000**			**309.9**	**40.1**

The repurchases were effected by the Directors with a view to benefiting the shareholders as a whole by enhancing the Company's net assets and earnings per share.

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

CORPORATE GOVERNANCE

Corporate Governance Practices

First Pacific is committed to building and maintaining high standards of corporate governance. During the six months ended 30 June 2012, the Company has carried out a review of its corporate governance practices involving one of its independent non-executive directors (INED) to ensure compliance with the Listing Rule amendments. The Company has also established a new Corporate Governance Committee comprising of a majority of INEDs and chaired by an INED. The Corporate Governance Committee will have the responsibility for supervision of the Company's corporate governance functions.

The Company has revised its own Code on Corporate Governance Practices (the First Pacific Code), which incorporates the principles and requirements set out in the Code on Corporate Governance Practices (formerly set out in Appendix 14 to the Main Board Listing Rules), and the CG Code (the new edition of the Code on Corporate Governance Practices, which is applicable to financial reports covering a period after 1 April 2012).

Throughout the six months ended 30 June 2012, First Pacific has applied these principles and complied with all Code Provisions and, where appropriate, adopted the Recommended Best Practices, with the following exceptions:-

1. The announcement and publication of quarterly financial results within 45 days after the end of the relevant quarter.

2. The disclosure of details of remuneration payable to members of senior management on an individual and named basis in the annual reports and accounts.

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. The disclosure of details of remuneration payable to members of senior management on an individual and named basis would not provide, in our view, any pertinent information to the readers in assessing the performance of the Company.

Currently, the First Pacific Board is comprised of 11 members, of whom 4 are INEDs. In this respect, First Pacific is in compliance with the revised Listing Rule requirement of appointing INEDs representing at least one-third of the Board.

The Directors understand the need to continue to develop and refresh their knowledge and skills for making contributions to the Company. During the first six months ended 30 June 2012, certain Directors attended external seminars on topics relevant to their duties as Directors. The Company will also provide training during the year to update the Directors on current corporate governance practices and effective risk management and internal controls.

The Company's corporate governance information is set out in the Corporate Governance section of the Company's website.

Continuing Connected Transactions
During the period, the Independent Non-executive Directors agreed with the Directors in relation to the following continuing connected transactions and approved the disclosure of those transactions in the form of a published announcement:

- 20 January 2012 announcement: entering into of (1) framework agreement between Maynilad Water Services, Inc. and D.M. Consunji, Inc.; and (2) renewal contract between Maynilad Water Services, Inc. and DMCI Project Developers Inc.

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

In addition, during the period ended 30 June 2012, the Audit Committee reviewed and advised that:

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

The Board has commissioned a third party report on the Company's risk management practices, which will assist the Company in effectively conducting its risk management and internal control measures.

REVIEW STATEMENTS BY THE AUDIT COMMITTEE AND EXTERNAL AUDITORS
The Audit Committee and external auditors have reviewed the 2012 interim results, including the accounting policies and practices adopted by the Group.

INTERIM DIVIDEND
The Board has declared an interim cash dividend of HK8.00 cents (U.S. 1.03 cents) per ordinary share. It is expected that the interim dividend will be paid in the currencies in accordance with the registered address of the shareholders (i.e. HK dollars for Hong Kong, Macau and PRC shareholders, Sterling pounds for UK shareholders and U.S. dollars for shareholders of all other countries). Dividend warrants will be dispatched to shareholders on or about 24 September 2012.

CLOSURE OF REGISTER OF MEMBERS
The Register of Members will be closed from Thursday, 13 September 2012 to Friday, 14 September 2012, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong Branch Registrar, Computershare Hong Kong Investor Services Limited, at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4.30 p.m. on Wednesday, 12 September 2012.

INTERIM REPORT
The 2012 Interim Report will be mailed to shareholders and will be available on the websites of SEHK (www.hkex.com.hk) and the Company (www.firstpacific.com) by the end of September 2012.

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

Hong Kong, 29 August 2012

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

Anthoni Salim, *Chairman*
Manuel V. Pangilinan, *Managing Director and CEO*
Edward A. Tortorici
Robert C. Nicholson
Graham L. Pickles*
Prof. Edward K.Y. Chen*, *GBS, CBE, JP*
Tedy Djuhar
Benny S. Santoso
Napoleon L. Nazareno
Jun Tang*
Dr. Christine K.W. Loh*, *JP, OBE, Chevalier de l'Ordre National du Merite*

* *Independent Non-executive Directors*