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## REPORT OF THE DIRECTORS PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

First Pacific Company Limited (the Company) is an investment and management company. Its principal activities are Consumer, Telecommunications and Property.

An analysis of the Group's turnover and contribution to operating profit for the year by principal activities and markets is set out in Note 1 to the Financial Statements.

## INCORPORATION

The Company was incorporated on 25 May 1988 in Bermuda with limited liability.

## SHARE CAPITAL AND RESERVES

Details of changes in the share capital of the Company and the reserves of the Company and the Group (the Company and its subsidiary companies) are set out in Notes 15 to 18 to the Financial Statements.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

In December 2000, 221.8 million new shares were issued by the Company at a price of HK\$2.15 per share, being the 10-day average share price on or before the completion date, to finance the acquisition of an additional 8.0 per cent interest in Indofood.

Except as described or referred to above, there has been no purchase, sale or redemption of any of the Company's listed securities during the year by the Company or any of its subsidiary companies.

In December 2000, the Group redeemed early and canceled the remaining US\$8.5 million face value of its 2003 floating rate notes at par.

In December 2000, the Group acquired 421.2 million shares of FPB Bank Holding Company Limited at a price of HK\$3.50 (US\$0.45) per share from MIMET FOTIC Investment Limited. These shares, together with the Group's original 514.8 million shareholding, were sold to The Bank of East Asia Limited at the same price, also in December 2000.

Except as described or referred to above, there has been no issue, redemption or conversion of any convertible securities or options in issue by the Company's subsidiary companies.

## RESULTS AND APPROPRIATIONS

The consolidated results of the Company, and particulars of appropriations therefrom which have been made or recommended, are shown in the Consolidated Profit and Loss Statement on page 62 and in Note 6 to the Financial Statements.

## CHARITABLE CONTRIBUTIONS

The Group made charitable contributions totaling US\$0.5 million in 2000 (1999: US\$1.5 million). A description of the range of the Group's contribution to the communities in which it operates, including charitable activities, can be found on pages 16 to 17 of this Annual Report.

## PROPERTY AND EQUIPMENT

Details of changes in the Group's property and equipment are provided in Note 8 to the Financial Statements.

## BANK LOANS, OVERDRAFTS, LOAN CAPITAL AND OTHER BORROWINGS

Particulars of the bank loans, overdrafts, loan capital and other borrowings of the Company and the Group are provided in Notes 20 and 24 to the Financial Statements.

## DIRECTORS

The names of the Directors who held office at 31 December 2000 are set out in the table below. Directors who retire may offer themselves for re-election. Details of the remuneration of Directors are provided in Note 31(A) to the Financial Statements.

As at the date of this report, the Company has 13 Directors, of whom seven are Non-executive Directors. These Non-executive Directors serve for a term of one year, and each is subject to re-election at the Company's annual general meeting. None of the Directors has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

## PRE-EMPTIVE RIGHTS

No pre-emptive rights exist in Bermuda in respect of the Company's share capital.

## INTERESTS OF THE EXECUTIVE CHAIRMAN AND OTHER DIRECTORS

Information in respect of the interests of the Executive Chairman and other Directors in the share capital of the Company as at 31 December 2000, disclosed pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance (SDI Ordinance), is detailed below.

		Ordinary shares	Ordinary share options
Sutanto Djuhar	30.0 per cent interest		
Tedy Djuhar	10.0 per cent interest		
Ibrahim Risjad	10.0 per cent interest		
Anthoni Salim	10.0 per cent interest all via First Pacific Investments Limited <sup>(i)</sup>	910,229,364(C)	—
Anthoni Salim	33.3 per cent interest via First Pacific Investments (BVI) Limited <sup>(ii) (iii)</sup>	582,076,361(C)	—
Anthoni Salim	41.8 per cent interest via PT Holdiko Perkasa <sup>(iv)</sup>	25,919,000(C)	—
Manuel V. Pangilinan		11,136,759(P)	12,498,000(P)
Michael J.A. Healy		147,990(P)	2,968,000(P)
Ronald A. Brown		2,452,640(P)	3,864,000(P)
David G. Eastlake		108,241(P)	2,060,000(P)
Ricardo S. Pascua		3,000,009(P)	—
Edward A. Tortorici		12,624,129(P)	6,476,000(P)
James C. Ng		—	—
David W.C. Tang, OBE		—	—
Prof. Edward K. Y. Chen, CBE, JP		—	—

(C) = Corporate interest, (P) = Personal interest

(i) Soedono Salim, the former Chairman, and Sudwikatmono, a former Non-executive Director, own 30.0 per cent and 10.0 per cent interests, respectively, in the capital of First Pacific Investments Limited.

(ii) Soedono Salim, the former Chairman, owns a 33.3 per cent interest in First Pacific Investments (BVI) Limited.

(iii) First Pacific Investments (BVI) Limited also owns a US\$50,000,000 convertible note of the Company. Details of the convertible note are set out in Note 20(B).

(iv) Soedono Salim, the former Chairman, owns a 16.3 per cent interest in PT Holdiko Perkasa.

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The interests of the Executive Chairman and other Directors in the capital of the Company's associated corporations (within the meaning of the SDI Ordinance) at 31 December 2000 were as follows.

- Manuel V. Pangilinan owned 14,948,064 common shares(P) in Metro Pacific Corporation ("MPC") and 20,300 common shares(P) in Philippine Long Distance Telephone Company ("PLDT"). In addition, he is entitled to 97,571 stock options(P) in PLDT.
- Michael J.A. Healy owned 625,000 ordinary shares(P) in PT Indofood Sukses Makmur Tbk ("Indofood").
- Ronald A. Brown owned 20,000 ordinary shares(P) in PT Darya-Varia Laboratoria and 582,500 ordinary shares(P) in Indofood.
- Ricardo S. Pascua owned 16,881,026 common shares(P) in MPC, 6,424 common shares(P) in PLDT and 370,000 common shares(P) in Fort Bonifacio Development Corporation ("FBDC"). In addition, he was entitled to 45,067,368 stock options(P) in MPC and 15,582,000 stock options(P) in FBDC.
- Edward A. Tortorici owned 3,051,348 common shares(P) in MPC, 96,880 common shares(P) in PLDT and 2,450,000 ordinary shares(P) in Indofood.
- Sutanto Djuhar owned 15,520,335 ordinary shares(C) in Indofood.
- Tedy Djuhar owned 15,520,335 ordinary shares(C) in Indofood.
- Ibrahim Risjad owned 6,406,180 ordinary shares(P) in Indofood.
- Anthoni Salim owned 758,845 ordinary shares(C) in Indofood.

(C) = Corporate interest, (P) = Personal interest

### INTERESTS OF SUBSTANTIAL SHAREHOLDERS

The register of substantial shareholders maintained under section 16(1) of the Securities (Disclosure of Interests) Ordinance shows that as at 31 December 2000, the company had been notified of the following substantial shareholders' interests, being 10.0 per cent or more of the company's issued share capital.

A) First Pacific Investments Limited (FPIL-Liberia), which is incorporated in the Republic of Liberia and is majority owned by four Non-executive Directors of the Company. Their beneficial indirect interests in the Company, through FPIL-Liberia, as at 31 December 2000, were: Sutanto Djuhar 8.70 per cent, Tedy Djuhar 2.90 per cent, Ibrahim Risjad 2.90 per cent, and Anthoni Salim 2.90 per cent.

B) First Pacific Investments (BVI) Limited (FPIL-BVI), which is incorporated in the British Virgin Islands is 33.3 per cent owned by one Non-executive Director of the Company. His beneficial indirect interest in the Company, through FPIL-BVI, as at 31 December 2000, was: Anthoni Salim 6.18 per cent.

C) The Capital Group Companies, Inc held 475,685,288 First Pacific shares, representing 15.15 per cent of the Company's issued share capital.

As at 31 December 2000, FPIL-Liberia beneficially owned 910,229,364 ordinary shares in its name. These shares have been included in the interests of four Non-executive Directors' corporate interests via FPIL-Liberia as referred to on page 55 of this Report. The remaining 582,076,361 ordinary shares are beneficially owned by FPIL-BVI and have been included in the corporate interests of one Non-executive Director, Anthoni Salim.

#### CONTRACTS OF SIGNIFICANCE

No contracts of significance in relation to the Company's business to which the Company or its subsidiary companies were parties, and in which a Director of the Company had a material interest whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Except for the share option schemes of the Company and its subsidiary companies, at no time during the year were the Company, its holding company, its subsidiary companies or its fellow subsidiary companies parties to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

#### CONNECTED TRANSACTIONS

Significant related party transactions, which also constitute connected transactions under the Listing Rules, requiring to be disclosed in accordance with Chapter 14 of the Listing Rules, are disclosed in Note 33(A) to (G) to the Financial Statements.

#### DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

The Company has maintained throughout the year insurance coverage for all Directors and Officers of the Company and its related companies, save in those instances where individual companies have maintained their own coverage.

#### EMPLOYMENT POLICIES

The Company has a policy of non-discrimination in respect of the age, religion, gender, disability or marital status of employees and prospective employees. This ensures that individuals are treated equally, given their skills and abilities, in terms of career development and opportunities for advancement.

#### AUDITORS

The Financial Statements have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

By order of the Board

Ronald A. Brown  
EXECUTIVE DIRECTOR AND COMPANY SECRETARY

5 March 2001

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REPORT OF THE AUDITORS TO THE SHAREHOLDERS OF FIRST PACIFIC COMPANY LIMITED  
(INCORPORATED IN BERMUDA WITH LIMITED LIABILITY)

We have audited the Financial Statements on pages 59 to 93 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

#### RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Company's Directors are responsible for the preparation of Financial Statements which give a true and fair view. In preparing Financial Statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those Financial Statements and to report our opinion to you.

#### BASIS OF OPINION

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Financial Statements. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the Financial Statements, and of whether the accounting policies are appropriate to the Company's and the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the Financial Statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the Financial Statements. We believe that our audit provides a reasonable basis for our opinion.

#### OPINION

In our opinion, the Financial Statements give a true and fair view of the state of affairs of the Company and the Group as at 31 December 2000 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers  
CERTIFIED PUBLIC ACCOUNTANTS, HONG KONG

5 March 2001

# Financial Statements

PRINCIPAL ACCOUNTING POLICIES	The Group comprises First Pacific Company Limited and its subsidiary companies.
A) BASIS OF PREPARATION	<p>The Financial Statements have been prepared in accordance with generally accepted accounting principles in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants, the disclosure requirements of the Hong Kong Companies Ordinance and The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited. The accounts are prepared under the historical cost convention.</p>
B) BASIS OF CONSOLIDATION	<p>The consolidated Financial Statements include the accounts of the Company and its subsidiary companies made up to 31 December. All significant intercompany transactions and balances within the Group are eliminated on consolidation.</p> <p>The results of subsidiary companies acquired or disposed of during the year are included in the consolidated profit and loss statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. The gain or loss on the disposal of a subsidiary company represents the difference between the proceeds of the sale and the Group's share of its net assets together with any goodwill which was not previously charged or recognized in the consolidated profit and loss statement.</p> <p>Outside interests represent the interests of outside shareholders in the operating results and net assets of subsidiary companies.</p> <p>In the Company's balance sheet, the investments in subsidiary companies are stated at cost less provision, if necessary, for any permanent diminution in value. The results of subsidiary companies are accounted for by the Company on the basis of dividends received and receivable.</p>
C) INVENTORIES	<p>Inventories are stated at the lower of cost or net realizable value. Cost is calculated using the first-in first-out basis or the weighted-average basis. The cost of goods purchased for resale includes costs incurred in bringing the goods to their present location. Net realizable value is determined on the basis of current anticipated sales prices less estimates of costs to completion and selling expenses.</p>
D) PROPERTY AND EQUIPMENT	<p>Land and buildings are stated at cost or valuation less accumulated depreciation. Freehold land is stated at cost or valuation and is not depreciated. Other property and equipment is stated at cost less accumulated depreciation calculated on the straight-line basis at annual rates estimated to write off their book values over their expected useful lives. Details of depreciation rates are given in Note 8(A).</p> <p>Major costs incurred in restoring fixed assets to their normal working condition are charged to the consolidated profit and loss statement. Improvements are capitalized and depreciated over their expected useful lives to the Group.</p> <p>The gain or loss on disposal of property and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognized in the consolidated profit and loss statement. Any property revaluation reserve balance remaining attributable to the relevant asset is transferred to the revenue reserve. With reference to Statement of Standard Accounting Practice No. 17 paragraph 72, land and buildings have not been revalued to fair value as at the balance sheet date.</p>

## Financial Statements *continued*

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- E) DEVELOPMENT PROPERTIES** Development properties are investments in land and buildings under construction, and are carried at cost less provisions for any permanent diminution in value. Cost includes the original cost of the land and buildings, borrowing costs incurred in respect of development, construction expenditure and other direct costs. Profit is recognized on sales of properties as a percentage of the total estimated profit to completion, with the percentage used being the proportion of costs incurred to the estimated total costs.
- F) ASSOCIATED COMPANIES** An associated company is a company, not being a subsidiary company, in which the Group has a substantial long-term interest in the equity voting rights and over which the Group is in a position to exercise significant influence in its management, including participation in the financial and operating policy decisions.
- Investments in associated companies are stated in the consolidated balance sheet at the Group's share of net assets, and in the Company's balance sheet at cost less provisions for any permanent diminution in value. Income from associated companies is stated in the consolidated profit and loss statement as the Group's share of profits less losses of associated companies, and in the Company's profit and loss statement to the extent of dividends received and receivable.
- G) INVESTMENTS** Investments are stated at cost less any provision for diminution in value. Income is accounted for only to the extent of dividends received and receivable.
- The carrying values of individual investments are reviewed at each balance sheet date to assess whether the fair values have declined below the carrying amounts. When a decline, other than a temporary decline has occurred, the carrying amount of such an investment is reduced to its fair value. The amount of the reduction is recognized as an expense in the consolidated profit and loss statement.
- H) DEFERRED TAXATION** Deferred taxation is provided using the liability method in respect of material timing differences between profit as computed for taxation purposes and profit as stated in the Financial Statements, except where it is considered that no liability will arise in the foreseeable future.
- I) ACCOUNTING FOR ACQUISITIONS AND DISPOSALS**
- I) RESULTS** The results of businesses acquired or sold are accounted for from or to the effective date of acquisition or disposal.
- II) FAIR VALUE ADJUSTMENTS AND ACQUISITION PROVISIONS** On the acquisition of a business or an interest in an associated company, the acquisition cost is allocated to the fair value of the separable net assets acquired.
- III) GOODWILL** represents the excess of costs of acquisition over the fair value of the Group's share of the separable net assets of businesses and interests in associated companies acquired and, in the year of acquisition, is included in a goodwill reserve which is deducted from shareholders' equity. The carrying amount of the goodwill reserve is reviewed on a regular basis. As appropriate, any deemed permanent impairment is recorded in the consolidated profit and loss statement for the year. Any impaired goodwill will not be reinstated. On disposal, any remaining attributable goodwill previously deducted from shareholders' equity on acquisition is reinstated and included in determining the gain or loss in the consolidated profit and loss statement.
- J) FOREIGN CURRENCIES** The profit and loss statements of overseas subsidiary and associated companies are translated into U.S. dollars using average rates of exchange for the period. Balance sheets are translated at closing rates. Where hedging arrangements are in place, the transactions to which they are related are translated at the rate determined by those arrangements.



Exchange differences, arising on the retranslation at closing rates of the opening net assets and the profits for the year retained by overseas subsidiary and associated companies, and on foreign currency borrowings used to finance long-term foreign equity investments, are taken to reserves.

Foreign currency transactions are translated into U.S. dollars at rates approximating those prevalent at the relevant transaction dates. Monetary assets and liabilities are translated at the rates of exchange prevailing at the balance sheet date.

Exchange differences are included in the carrying amount of an asset and are recognized in the consolidated profit and loss statement when the asset is disposed of, or over the expected useful life of the asset under the following conditions:

i) where exchange differences fall within the definition of borrowing costs (see (N) below); or

ii) where it is not practically feasible to hedge a foreign currency and this affects liabilities arising directly on the recent acquisition of the related asset invoiced in the foreign currency.

All other exchange differences are dealt with in the consolidated profit and loss statement.

#### K) TURNOVER

Turnover represents the amounts received and receivable from the sale of goods and the rendering of services to third parties, falling within the ordinary activities of the Group's businesses. Turnover from sales is recognized when ownership of goods sold has transferred to the buyer. Turnover from services is recognized when it can be measured reliably by reference to stage of completion for the rendering of services.

#### L) OPERATING LEASES

Leases, where substantially all of the risks and rewards of ownership of assets remain with the leasing company, are accounted for as operating leases. Rentals payable and receivable under operating leases are recorded in the consolidated profit and loss statement on a straight line basis over the lease term.

#### M) RETIREMENT BENEFITS

The Group operates defined contribution and defined benefit retirement schemes. The costs of defined contribution schemes are charged to the consolidated profit and loss statement as and when contributions fall due. The costs of defined benefit schemes are charged against profit on a systematic basis with any surpluses and deficits allocated so as to spread them over the expected remaining service lives of the employees affected.

#### N) BORROWING COSTS

Borrowing costs are interest and other costs incurred in connection with the borrowing of funds. Other costs include exchange differences on foreign currency borrowings and redemption premiums on convertible instruments. Exchange differences arising from foreign currency borrowings are included to the extent that they are regarded as an adjustment to interest costs, and/or where borrowings in local currency are not available and it is not practically feasible to hedge the foreign currency borrowings. Redemption premiums on convertible instruments are provided for over the life of the instruments when it is probable that the premium will become payable.

Borrowing costs are expensed in the consolidated profit and loss statement in the period in which they are incurred, except to the extent that they are capitalized as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to prepare for its intended use or sale.

#### O) RELATED PARTIES

Related parties are individuals and companies where the individual or company has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions, or where two parties are subject to common control or common significant influence.

## Financial Statements *continued*

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CONSOLIDATED PROFIT AND LOSS STATEMENT	For the year ended 31 December	Note	2000	1999
			US\$m	US\$m
<b>TURNOVER</b>		1	<b>808.9</b>	1,231.5
Cost of sales			<b>(507.3)</b>	(690.6)
<b>GROSS PROFIT</b>			<b>301.6</b>	540.9
Gain on disposal and dilution of shareholdings less provision for investments			<b>145.5</b>	98.5
Other operating income			<b>8.6</b>	27.0
Distribution costs			<b>(27.9)</b>	(32.4)
Administrative expenses			<b>(160.1)</b>	(214.6)
Other operating expenses			<b>(58.7)</b>	(167.4)
<b>OPERATING PROFIT</b>		2	<b>209.0</b>	252.0
Share of profits less losses of associated companies			<b>(84.4)</b>	67.5
Net borrowing costs		3	<b>(58.0)</b>	(83.0)
<b>PROFIT BEFORE TAXATION</b>			<b>66.6</b>	236.5
Taxation		4	<b>(9.9)</b>	(48.9)
<b>PROFIT AFTER TAXATION</b>			<b>56.7</b>	187.6
Outside interests			<b>(5.5)</b>	(49.4)
<b>PROFIT ATTRIBUTABLE TO ORDINARY SHAREHOLDERS</b>		5	<b>51.2</b>	138.2
Ordinary share dividends paid and proposed		6	<b>(7.7)</b>	(15.0)
<b>RETAINED PROFIT FOR THE YEAR</b>		17	<b>43.5</b>	123.2
<b>EARNINGS PER SHARE (U.S. Cents)</b>		7		
Basic			<b>1.75</b>	5.34
Diluted			<b>1.75</b>	5.32

The principal accounting policies on pages 59 to 61 and the Notes on pages 66 to 93 form an integral part of the Financial Statements.

CONSOLIDATED STATEMENT OF RECOGNIZED GAINS AND LOSSES	For the year ended 31 December	Note	2000	1999
			US\$m	US\$m
Exchange differences on the translation of the financial statements of foreign entities		17	<b>(180.3)</b>	(0.9)
Realization of property revaluation			<b>24.7</b>	–
<b>NET LOSSES NOT RECOGNIZED IN THE PROFIT AND LOSS STATEMENT</b>			<b>(155.6)</b>	(0.9)
Profit attributable to ordinary shareholders			<b>51.2</b>	138.2
<b>TOTAL RECOGNIZED (LOSSES)/GAINS FOR THE YEAR</b>			<b>(104.4)</b>	137.3
Goodwill arising on acquisitions during the year		18	<b>(312.7)</b>	(851.0)
			<b>(417.1)</b>	(713.7)

The principal accounting policies on pages 59 to 61 and the Notes on pages 66 to 93 form an integral part of the Financial Statements.

**CONSOLIDATED  
BALANCE SHEET**

As at 31 December	Note	2000 US\$m	1999 US\$m
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property and equipment	8	1,464.1	2,605.9
Associated companies	10	109.1	133.6
Long-term investments	11	5.2	17.6
Long-term receivables	12	115.3	147.7
		<b>1,693.7</b>	<b>2,904.8</b>
<b>ASSETS, OTHER THAN PROPERTY AND EQUIPMENT, ATTRIBUTABLE TO BANKING OPERATIONS</b>			
		–	2,873.2
<b>CURRENT ASSETS</b>			
Cash and bank balances		229.5	280.4
Short-term investments		–	75.0
Accounts receivable and prepayments	13	344.4	576.9
Inventories	14	54.8	86.7
		<b>628.7</b>	<b>1,019.0</b>
<b>TOTAL ASSETS</b>		<b>2,322.4</b>	<b>6,797.0</b>
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY CAPITAL AND RESERVES</b>			
Share capital	15	31.4	29.1
Share premium	16	908.7	849.8
Revenue and other reserves	17	1,339.3	1,456.7
Shareholders' equity before goodwill reserve		<b>2,279.4</b>	<b>2,335.6</b>
Goodwill reserve	18	(1,913.9)	(1,744.1)
Shareholders' equity		<b>365.5</b>	<b>591.5</b>
Outside interests	19	758.8	1,350.5
<b>NON-CURRENT LIABILITIES</b>			
Loan capital and long-term borrowings	20	434.2	832.1
Deferred liabilities and provisions	21	215.6	360.8
Deferred taxation	22	7.7	12.6
		<b>657.5</b>	<b>1,205.5</b>
<b>LIABILITIES ATTRIBUTABLE TO BANKING OPERATIONS</b>			
		–	2,624.7
<b>CURRENT LIABILITIES</b>			
Accounts payable and accruals	23	215.0	373.9
Short-term borrowings	24	317.2	631.7
Provision for taxation	25	4.4	11.7
Dividends	6	4.0	7.5
		<b>540.6</b>	<b>1,024.8</b>
<b>TOTAL LIABILITIES</b>		<b>1,198.1</b>	<b>4,855.0</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>2,322.4</b>	<b>6,797.0</b>

The principal accounting policies on pages 59 to 61 and the Notes on pages 66 to 93 form an integral part of the Financial Statements.

Manuel V. Pangilinan  
EXECUTIVE CHAIRMAN

Michael J.A. Healy  
CHIEF OPERATING OFFICER AND FINANCE DIRECTOR

5 March 2001

# Financial Statements *continued*

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COMPANY BALANCE SHEET	As at 31 December		2000	1999
		Note	US\$m	US\$m
<b>ASSETS</b>				
<b>NON-CURRENT ASSETS</b>				
Subsidiary companies		9	1,445.4	1,491.9
Associated companies		10(C)	27.9	26.3
			<b>1,473.3</b>	<b>1,518.2</b>
<b>CURRENT ASSETS</b>				
Cash and bank balances			138.6	15.7
Accounts receivable and prepayments		13	2.4	4.2
			<b>141.0</b>	<b>19.9</b>
<b>TOTAL ASSETS</b>			<b>1,614.3</b>	<b>1,538.1</b>
<b>EQUITY AND LIABILITIES</b>				
<b>EQUITY CAPITAL AND RESERVES</b>				
Share capital		15	31.4	29.1
Share premium		16	908.7	849.8
Revenue reserve		17	619.0	600.9
<b>Shareholders' equity</b>			<b>1,559.1</b>	<b>1,479.8</b>
<b>NON-CURRENT LIABILITY</b>				
Loan capital and long-term borrowings		20(B)	50.0	50.0
<b>CURRENT LIABILITIES</b>				
Accounts payable and accruals		23	1.2	0.8
Dividends		6	4.0	7.5
			<b>5.2</b>	<b>8.3</b>
<b>TOTAL LIABILITIES</b>			<b>55.2</b>	<b>58.3</b>
<b>TOTAL EQUITY AND LIABILITIES</b>			<b>1,614.3</b>	<b>1,538.1</b>

The principal accounting policies on pages 59 to 61 and the Notes on pages 66 to 93 form an integral part of the Financial Statements.

Manuel V. Pangilinan  
EXECUTIVE CHAIRMAN

Michael J.A. Healy  
CHIEF OPERATING OFFICER AND FINANCE DIRECTOR

5 March 2001

CONSOLIDATED CASH FLOW STATEMENT	For the year ended 31 December	Note	2000	1999
			US\$m	US\$m
<b>NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES</b>		26 <sup>(A)</sup>	<b>(12.1)</b>	192.7
Interest				
– received			16.2	17.8
– paid			(65.1)	(105.9)
Dividends				
– received from Banking operations			4.0	–
– received from associated companies and long-term investments			6.4	7.1
– paid to shareholders			(8.9)	(12.5)
– paid to outside interests in subsidiary companies			(10.7)	(1.3)
<b>NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>			<b>(58.1)</b>	(94.8)
Hong Kong profits tax paid			(0.2)	(0.2)
Overseas taxation paid			(29.7)	(9.9)
<b>TOTAL TAX PAID</b>		25	<b>(29.9)</b>	(10.1)
<b>NET CASH (OUTFLOW)/INFLOW BEFORE INVESTING ACTIVITIES</b>			<b>(100.1)</b>	87.8
Additions of property and equipment			(127.1)	(219.3)
Acquisitions of				
– subsidiary companies			–	(5.3)
– associated companies			–	(383.8)
Increased investments in				
– subsidiary companies			–	(30.2)
– associated companies		27	(30.2)	(79.2)
– long-term investments and others			–	(3.0)
Sale of property and equipment			26.4	10.0
Disposals of				
– subsidiary companies		28 <sup>(A)</sup>	211.2	164.2
– investments		28 <sup>(B)</sup>	81.8	74.3
Reduced interest in				
– subsidiary companies			–	159.9
– associated companies		28 <sup>(C)</sup>	24.5	0.2
Loans repaid by/(to) associated companies			87.9	(4.8)
<b>NET CASH INFLOW/(OUTFLOW) FROM INVESTING ACTIVITIES</b>			<b>274.5</b>	(317.0)
<b>NET CASH INFLOW/(OUTFLOW) BEFORE FINANCING ACTIVITIES</b>			<b>174.4</b>	(229.2)
Proceeds from new borrowings			371.6	696.1
Borrowings repaid			(571.0)	(773.5)
Shares issued through placement			–	199.9
Shares issued through the exercise of share options			–	2.5
Shares issued to outside interests by subsidiary companies			0.2	150.4
<b>NET CASH (OUTFLOW)/INFLOW FROM FINANCING ACTIVITIES</b>		26 <sup>(B)</sup>	<b>(199.2)</b>	275.4
<b>(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>			<b>(24.8)</b>	46.2
Cash and cash equivalents at 1 January			267.5	224.4
Exchange translation			(22.1)	(3.1)
<b>CASH AND CASH EQUIVALENTS AT 31 DECEMBER</b>			<b>220.6</b>	267.5
<b>REPRESENTING</b>				
Cash and bank balances		26 <sup>(D)</sup>	229.5	280.4
Overdrafts		26 <sup>(E)</sup>	(1.0)	(2.8)
Other short-term borrowings with an original maturity of less than 90 days		26 <sup>(E)</sup>	(7.9)	(10.1)
<b>CASH AND CASH EQUIVALENTS AT 31 DECEMBER</b>			<b>220.6</b>	267.5

The principal accounting policies on pages 59 to 61 and the Notes on pages 66 to 93 form an integral part of the Financial Statements.

# Notes to the Financial Statements

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1. TURNOVER AND SEGMENTAL INFORMATION	2000 US\$m	1999 US\$m
<b>TURNOVER</b>		
Sale of goods	<b>534.1</b>	664.1
Rendering of services	<b>274.8</b>	567.4
<b>TOTAL</b>	<b>808.9</b>	1,231.5
INCLUDED IN RENDERING OF SERVICES IS TURNOVER RELATING TO BANKING OPERATIONS OF US\$114.3 MILLION (1999 US\$89.2 MILLION) WHICH IS STATED AFTER CREDITING		
Interest income	<b>216.7</b>	209.2
Finance lease and hire-purchase income	<b>21.9</b>	20.5
<b>AND CHARGING</b>		
Interest expense	<b>145.3</b>	154.9

## SEGMENTAL INFORMATION

An analysis of the Group's turnover and operating profit by principal activities and markets is as follows.

	Turnover		Operating profit	
	2000 US\$m	1999 US\$m	2000 US\$m	1999 US\$m
Principal activities				
Consumer	<b>331.8</b>	339.9	<b>25.2</b>	36.5
Telecommunications	<b>80.5</b>	307.2	<b>(18.2)</b>	46.1
Property	<b>282.3</b>	495.2	<b>3.7</b>	66.5
Banking	<b>114.3</b>	89.2	<b>35.1</b>	9.2
Head Office and others	–	–	<b>163.2</b>	93.7
<b>TOTAL</b>	<b>808.9</b>	1,231.5	<b>209.0</b>	252.0

	Turnover		Operating profit	
	2000 US\$m	1999 US\$m	2000 US\$m	1999 US\$m
Principal markets				
Philippines	<b>320.5</b>	624.7	<b>(14.6)</b>	109.4
Indonesia	<b>50.5</b>	45.7	<b>1.8</b>	7.3
Thailand	<b>281.3</b>	294.2	<b>23.4</b>	29.2
Hong Kong	<b>156.6</b>	266.9	<b>35.2</b>	12.4
Head Office and others	–	–	<b>163.2</b>	93.7
<b>TOTAL</b>	<b>808.9</b>	1,231.5	<b>209.0</b>	252.0

## 2. OPERATING PROFIT

	2000 US\$m	1999 US\$m
<b>OPERATING PROFIT IS STATED AFTER CREDITING</b>		
Net rental income from investment properties	<b>1.8</b>	1.9
Operating lease income less outgoings	<b>1.3</b>	1.1
Dividends from unlisted investments	<b>0.1</b>	0.4
Gain on sale of property and equipment	<b>0.4</b>	–
<b>AND CHARGING</b>		
Employee remuneration	<b>124.8</b>	190.3
Depreciation	<b>49.1</b>	117.7
Doubtful debt provisions	<b>19.8</b>	52.8
Net exchange loss on monetary items	<b>18.8</b>	3.7
Operating lease rentals		
– Land and buildings	<b>7.1</b>	17.7
– Hire of plant and equipment	<b>1.0</b>	5.3
– Other	<b>0.1</b>	0.7
Auditors' remuneration	<b>1.3</b>	2.0
Loss on sale of property and equipment	–	1.0

3. NET BORROWING COSTS Net borrowing costs exclude interest expense and interest income for the Group's Banking operations (included in Turnover).

	2000	1999
	US\$m	US\$m
Loan capital		
– wholly repayable within five years	36.5	12.6
– not wholly repayable within five years	1.0	0.2
<b>Subtotal</b>	<b>37.5</b>	<b>12.8</b>
Bank loans, overdrafts and other loans		
– wholly repayable within five years	51.0	71.7
– not wholly repayable within five years	2.2	23.0
<b>Subtotal</b>	<b>53.2</b>	<b>94.7</b>
<b>TOTAL INTEREST EXPENSE</b>	<b>90.7</b>	<b>107.5</b>
Other borrowing costs		
– Exchange differences	17.8	2.0
– Redemption premium on convertible instruments	23.0	23.2
<b>TOTAL BORROWING COSTS</b>	<b>131.5</b>	<b>132.7</b>
Less borrowing costs capitalized in		
– property investments	(49.1)	(18.1)
– plant and equipment	(4.2)	(6.9)
Less interest income	(20.2)	(24.7)
<b>NET BORROWING COSTS</b>	<b>58.0</b>	<b>83.0</b>

4. TAXATION

Hong Kong profits tax has been provided at the rate of 16.0 per cent (1999: 16.0 per cent) on the estimated assessable profits for the year. Taxation on assessable profits generated outside Hong Kong has been provided at the rates of taxation prevailing in the countries in which the Company's subsidiary and associated companies operate.

	2000	1999
	US\$m	US\$m
<b>SUBSIDIARY COMPANIES</b>		
Current taxation		
– Hong Kong profits tax	3.8	1.0
– Overseas taxation	12.2	11.8
Deferred taxation		
– Hong Kong profits tax	–	0.1
– Overseas taxation	5.8	2.2
<b>Subtotal</b>	<b>21.8</b>	<b>15.1</b>
<b>ASSOCIATED COMPANIES</b>		
Current taxation		
– Hong Kong profits tax	0.9	0.3
– Overseas taxation	14.6	15.2
Deferred taxation		
– Overseas taxation	(27.4)	18.3
<b>Subtotal</b>	<b>(11.9)</b>	<b>33.8</b>
<b>TOTAL</b>	<b>9.9</b>	<b>48.9</b>

Included above is taxation for Banking operations of US\$3.5 million (1999: US\$0.5 million).

## Notes to the Financial Statements *continued*

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5. PROFIT ATTRIBUTABLE TO ORDINARY SHAREHOLDERS Profit attributable to ordinary shareholders includes substantial exchange (losses)/gains as set out below.

### ANALYSIS OF EXCHANGE (LOSSES)/GAINS

	2000 US\$m	1999 US\$m
Subsidiary companies	(36.6)	(5.7)
Less capitalized within net borrowing costs	17.8	2.0
Included in other operating expenses	(18.8)	(3.7)
Associated companies	(185.7)	1.4
Subtotal	(204.5)	(2.3)
Exchange differences attributable to taxation and outside interests	61.0	6.5
<b>TOTAL</b>	<b>(143.5)</b>	<b>4.2</b>

An analysis of exchange (losses)/gains by principal operating company is set out below. Exchange losses arose primarily on the translation of unhedged U.S. dollar denominated borrowings of PLDT and Indofood as a result of the significant depreciation of the peso and the rupiah during 2000.

	2000 US\$m	1999 US\$m
PLDT	(103.7)	(8.3)
Indofood	(23.5)	14.6
Others	(16.3)	(2.1)
<b>TOTAL</b>	<b>(143.5)</b>	<b>4.2</b>

The profit attributable to ordinary shareholders includes US\$23.5 million (1999: US\$19.5 million) in respect of the Company. After the deduction of dividends totaling US\$7.7 million, the Company's retained profit for the year amounted to US\$15.8 million (Note 17).

6. ORDINARY SHARE DIVIDENDS

	U.S. cent per share		US\$m	
	2000	1999	2000	1999
Interim dividend paid	0.13	0.26	3.7	7.5
Final dividend proposed	0.13	0.26	4.0	7.5
<b>TOTAL</b>	<b>0.26</b>	<b>0.52</b>	<b>7.7</b>	<b>15.0</b>

The interim dividend was settled in scrip with a shareholder's option to receive settlement in cash. The final dividend will be paid wholly in cash consistent with the Company's revised policy. The 1999 final dividend and the 2000 interim dividend, US\$1.5 million and US\$0.8 million, respectively, were settled in scrip.

7. EARNINGS PER SHARE

	2000	1999
	Basic	Basic
Earnings per share are based on		
– profit attributable to ordinary shareholders of (US\$m)	51.2	138.2
– and an average number of shares in issue of (million)	2,923.9	2,586.9
resulting in earnings per share of (U.S. cents)	1.75	5.34

As the impact of convertible instruments is anti-dilutive, both the basic and diluted earnings per share figures are the same for 2000. In 1999, the diluted earnings per share was U.S. 5.32 cents.



**8. PROPERTY AND  
EQUIPMENT**

	Investment properties US\$m	Develop- ment properties US\$m	Land and buildings US\$m	Telecommu- nications equipment US\$m	Machinery, equipment and vessels US\$m	Consoli- dated Total US\$m
<b>COST OR VALUATION</b>						
At 1 January 2000	32.8	1,436.6	319.2	733.3	493.4	<b>3,015.3</b>
Exchange translation	(0.1)	(279.2)	(34.7)	(15.7)	(63.0)	<b>(392.7)</b>
Disposal of subsidiary companies <sup>(i)</sup>	(32.3)	–	(115.8)	(794.6)	(140.7)	<b>(1,083.4)</b>
Additions	–	85.1	0.4	80.2	34.3	<b>200.0</b>
Disposals	(0.4)	(23.4)	(3.4)	(3.2)	(29.5)	<b>(59.9)</b>
Reclassifications	–	(42.1)	–	–	–	<b>(42.1)</b>
<b>AT 31 DECEMBER 2000</b>	<b>–</b>	<b>1,177.0</b>	<b>165.7</b>	<b>–</b>	<b>294.5</b>	<b>1,637.2</b>
<b>REPRESENTING</b>						
Cost	–	1,177.0	57.1	–	294.5	<b>1,528.6</b>
Directors' valuation 1995	–	–	21.6	–	–	<b>21.6</b>
Independent valuation 1995	–	–	87.0	–	–	<b>87.0</b>
<b>TOTAL</b>	<b>–</b>	<b>1,177.0</b>	<b>165.7</b>	<b>–</b>	<b>294.5</b>	<b>1,637.2</b>
<b>ACCUMULATED DEPRECIATION</b>						
At 1 January 2000	–	–	35.8	132.4	241.2	<b>409.4</b>
Exchange translation	–	–	(4.8)	(1.7)	(32.2)	<b>(38.7)</b>
Disposal of subsidiary companies <sup>(i)</sup>	–	–	(9.4)	(141.3)	(70.3)	<b>(221.0)</b>
Charge for the year	–	–	5.1	12.7	31.3	<b>49.1</b>
Disposals	–	–	(0.3)	(2.1)	(23.3)	<b>(25.7)</b>
<b>AT 31 DECEMBER 2000</b>	<b>–</b>	<b>–</b>	<b>26.4</b>	<b>–</b>	<b>146.7</b>	<b>173.1</b>
<b>NET BOOK AMOUNT</b>						
<b>AT 31 DECEMBER 2000</b>	<b>–</b>	<b>1,177.0</b>	<b>139.3</b>	<b>–</b>	<b>147.8</b>	<b>1,464.1</b>
<b>AT 31 DECEMBER 1999</b>	<b>32.8</b>	<b>1,436.6</b>	<b>283.4</b>	<b>600.9</b>	<b>252.2</b>	<b>2,605.9</b>

(i) Disposal of subsidiary companies includes the deconsolidation of Smart and First Pacific Davies Limited following their disposal to PLDT and Savills, respectively.

**A) Principal annual rates of depreciation:**

Investment and development properties and freehold land	Nil
Freehold buildings	2% to 5%
Leasehold land and buildings	Lesser of period of lease, or 2%
Telecommunications equipment	5% to 10%
Machinery, equipment and vessels	2% to 33.3%

## Notes to the Financial Statements *continued*

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### B) Principal development properties as at 31 December 2000:

Location in the Philippines	Approximate gross development area (sq.m.) <sup>(i)</sup>	Group's economic interest %	Type	Status	Estimated completion date
Batulao, Batangas	9,940,000	34.7	R	Planning	–
Costa De Madera, San Juan, Batangas	3,600,000	37.1	Ro	Planning	–
Lakewood, Cabanatuan	2,167,277	27.4	R	Under construction	2003
Fort Bonifacio, Metro Manila	1,377,870	29.4	C,R	Under construction	2020
Calasiao, Pampanga	1,860,000	38.7	R	Planning	–
Punta Fuego, Batangas	489,640	26.6	R,Ro	Under construction	2002
Talisay, Cebu	312,649	24.2	R	Under construction	2003
Urdaneta, Pangasinan	329,183	27.4	R	Under construction	2001
San Fernando, Pampanga	2,342,432	23.4	R	Planning	–
Pacific Plaza Towers, Metro Manila	4,851	80.6	R	Under construction	2001
Stonecrest, San Pedro, Laguna	343,060	24.2	R	Under construction	2001

R = Residential, Ro = Resort, C = Commercial

(i) Total area for development and sale as subdivisions, including lots sold under installment terms where full payment has not been made, and land designated for parks and open spaces.

### C) Net book amount of land and buildings:

	2000 US\$m	1999 US\$m
Freehold – outside Hong Kong	137.8	192.0
Long-term leasehold (over 50 years) – Hong Kong	1.5	91.4
<b>TOTAL</b>	<b>139.3</b>	<b>283.4</b>

D) As at 31 December 2000, capitalized interest and exchange differences included in the net book value of development properties amounted to US\$131.7 million (1999: US\$96.1 million) and US\$80.0 million (1999: US\$90.9 million), respectively.

### 9. SUBSIDIARY COMPANIES

	Company	
	2000 US\$m	1999 US\$m
Unlisted shares at cost	991.7	986.8
Loans to subsidiary companies	898.7	979.6
Balances with subsidiary companies	(440.1)	(469.6)
Less provisions for permanent diminution	(4.9)	(4.9)
<b>TOTAL</b>	<b>1,445.4</b>	<b>1,491.9</b>

The Company's listed subsidiaries are held through intermediate holding companies.

Loans to subsidiary companies are unsecured, interest bearing at a range of zero per cent to 9.5 per cent per annum and have no fixed terms of repayment.

Balances with subsidiary companies are unsecured, interest bearing at a range of zero per cent to 8.9 per cent per annum and have no fixed terms of repayment.

Details of subsidiary companies, which in the opinion of the Directors materially affect the results or net assets of the Group, are set out in tabular form on the inside back cover.

10. ASSOCIATED  
COMPANIES

	Consolidated	
	2000 US\$m	1999 US\$m
Shares at cost		
– Listed	<b>2,016.1</b>	1,513.4
– Unlisted	<b>90.0</b>	100.8
Share of post acquisition reserves	<b>(160.8)</b>	32.2
Share of goodwill on acquisitions of associated companies	<b>(1,864.6)</b>	(1,545.5)
Loans to associated companies	<b>28.4</b>	32.7
<b>TOTAL</b>	<b>109.1</b>	133.6

A) In March 2000, the Group's 50.3 per cent economic interest in Smart was sold in return for new shares issued by PLDT. As a result of the merger, the Group's economic interest in PLDT increased to 23.1 per cent from 17.5 per cent.

In September 2000, First Pacific acquired Metro Pacific's 8.0 per cent economic interest in PLDT for consideration totaling US\$263.8 million. Consequently, the Group's economic interest in PLDT increased further to 24.6 per cent.

B) In December 2000, the Group acquired an additional 8.0 per cent economic interest in Indofood for US\$61.1 million by issuing 221.8 million new shares, valued at HK\$2.15 per share. As a result, the Group's economic interest in Indofood increased to 48.0 per cent from 40.0 per cent.

C) The Company's interest in associated companies includes unlisted investments of US\$27.9 million (1999: US\$26.3 million) located outside Hong Kong.

D) As at 31 December 2000, unlisted investments comprised US\$0.4 million (1999: US\$0.4 million) located within Hong Kong, and US\$89.6 million (1999: US\$100.4 million) located outside Hong Kong. Listed investments of US\$2,016.1 million (1999: US\$1,513.4 million) were situated outside Hong Kong.

E) As at 31 December 2000, the market valuation of listed investments was US\$1,112.0 million (1999: US\$1,505.5 million) and dividends received and receivable were US\$5.8 million (1999: US\$6.7 million).

F) Loans to associated companies are unsecured, interest bearing at a range of zero per cent to 14.5 per cent per annum and have no fixed terms of repayment.

G) Details of associated companies, which in the opinion of the Directors, materially affect the results or net assets of the Group, are set out in tabular form on the inside back cover.

## Notes to the Financial Statements *continued*

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Additional information in respect of the Group's principal associated companies, as prepared under HK GAAP, is set out below.

	Consumer	Telecommunications	Property	Banking	
	Indofood	PLDT	Escotel	First e-Bank	
	US\$m	US\$m	US\$m	US\$m	
<b>OPERATING RESULTS</b>					
Turnover	1,490.3	1,334.5	35.7	283.7	22.7
Profit/(Loss) before taxation	135.4	(519.9)	(30.5)	35.0	(24.9)
Profit/(Loss) after taxation	92.5	(383.9)	(30.5)	25.1	(24.9)
<b>Net profit/(loss)</b>	<b>77.3</b>	<b>(337.0)</b>	<b>(30.5)</b>	<b>24.3</b>	<b>(24.9)</b>
<b>NET ASSETS/(LIABILITIES)</b>					
Current assets	593.4	847.4	12.7	147.6	146.5
Long-term assets	626.7	4,140.6	144.8	58.5	77.1
<b>TOTAL ASSETS</b>	<b>1,220.1</b>	<b>4,988.0</b>	<b>157.5</b>	<b>206.1</b>	<b>223.6</b>
Current liabilities	(414.5)	(1,195.9)	(133.3)	(103.7)	(212.5)
Long-term liabilities and provisions	(534.0)	(3,761.2)	(307.5)	(36.5)	–
<b>TOTAL LIABILITIES</b>	<b>(948.5)</b>	<b>(4,957.1)</b>	<b>(440.8)</b>	<b>(140.2)</b>	<b>(212.5)</b>
Outside interests	(63.2)	192.8	–	(1.3)	–
<b>AT 31 DECEMBER</b>	<b>208.4</b>	<b>223.7</b>	<b>(283.3)</b>	<b>64.6</b>	<b>11.1</b>
<b>CAPITAL EXPENDITURE COMMITMENTS</b>					
Authorized but not contracted for	8.8	384.5	–	–	–
Contracted but not provided for	16.2	314.4	26.6	–	–
<b>AT 31 DECEMBER</b>	<b>25.0</b>	<b>698.9</b>	<b>26.6</b>	<b>–</b>	<b>–</b>
<b>CONTINGENT LIABILITIES</b>	<b>19.3</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>

Total net liabilities of Escotel arose principally as a consequence of the Group's accounting policy of attributing to goodwill the excess of costs of acquisition of telecommunications businesses over the fair value of separable net assets, and attributing no value to acquired telecommunications licenses.

Escotel has a financial accounting year ending on 31 March which is not coterminous with the Group. Savills changed its year-end from 30 April to 31 December during the year.

### 11. LONG-TERM INVESTMENTS

	Consolidated	
	2000	1999
	US\$m	US\$m
Unlisted investments at cost	<b>11.9</b>	30.5
Less provisions	<b>(6.7)</b>	(12.9)
<b>TOTAL</b>	<b>5.2</b>	17.6

The Group's long-term investments are unlisted and held outside Hong Kong.

Dividends received and receivable totaled US\$0.1 million (1999: US\$0.4 million) and related to unlisted investments outside Hong Kong.

As at 31 December 2000, the underlying values of the Group's unlisted long-term investments are, in the opinion of the Directors, not less than their book values.

12. LONG-TERM  
RECEIVABLES

	Consolidated	
	2000	1999
	US\$m	US\$m
Long-term receivables	<b>188.2</b>	215.1
Less current portion included in accounts receivable and prepayments	<b>(72.9)</b>	(67.4)
<b>TOTAL</b>	<b>115.3</b>	147.7

Long-term receivables relate primarily to sales of property on interest bearing (between 10.0 per cent and 21.0 per cent) installment terms (between two and 10 years) and are secured by the relevant property.

13. ACCOUNTS RECEIVABLE  
AND PREPAYMENTS

	Consolidated		Company	
	2000	1999	2000	1999
	US\$m	US\$m	US\$m	US\$m
Trade receivables	<b>141.2</b>	314.6	–	–
Other receivables and prepayments	<b>210.4</b>	271.3	<b>2.4</b>	4.2
Less provisions	<b>(7.2)</b>	(9.0)	–	–
<b>TOTAL</b>	<b>344.4</b>	576.9	<b>2.4</b>	4.2

For consumer businesses, there are 60 days of credit for sub-distributors/wholesalers and between 15–60 days of credit for other customers.

For property businesses, contract receivables are collectible by installments for periods ranging from two to 10 years.

At 31 December 2000, the aging analysis of the trade receivables is as follows:

	Consolidated	
	2000	1999
	US\$m	US\$m
Less than 30 days	<b>30.5</b>	62.6
30–60 days	<b>44.5</b>	91.4
60–90 days	<b>12.7</b>	23.1
Over 90 days	<b>53.5</b>	137.5
<b>TOTAL</b>	<b>141.2</b>	314.6

## 14. INVENTORIES

	Consolidated	
	2000	1999
	US\$m	US\$m
Finished goods	<b>34.6</b>	54.9
Raw materials	<b>19.4</b>	30.7
Work in progress	<b>2.6</b>	4.0
Less provisions	<b>(1.8)</b>	(2.9)
<b>TOTAL</b>	<b>54.8</b>	86.7

## Notes to the Financial Statements *continued*

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### 15. SHARE CAPITAL

	Consolidated and Company	
	2000 US\$m	1999 US\$m
Authorized		
3,499,000,000 (1999: 3,499,000,000) ordinary shares of U.S. 1 cent each	<b>35.0</b>	35.0
Issued and fully paid		
At 1 January	<b>29.1</b>	23.8
Shares issued for the acquisition of Indofood	<b>2.2</b>	2.6
Shares issued through placement	–	2.5
Shares issued through the exercise of share options	–	0.2
Shares issued in lieu of dividends	<b>0.1</b>	–
<b>At 31 DECEMBER</b>		
3,139,772,765 (1999: 2,910,816,732) ordinary shares of U.S. 1 cent each	<b>31.4</b>	29.1

In December 2000, 221.8 million ordinary shares of US\$0.01 each were issued at a value of HK\$2.15 per share as consideration for the acquisition of an additional 8.0 per cent interest in Indofood.

Details of Directors' and employees' share options are set out in Note 31.

### 16. SHARE PREMIUM

	Consolidated and Company	
	2000 US\$m	1999 US\$m
At 1 January	<b>849.8</b>	458.9
Shares issued for the acquisition of Indofood	<b>58.9</b>	191.2
Shares issued through placement	–	197.4
Shares issued through the exercise of share options	–	2.3
<b>At 31 DECEMBER</b>	<b>908.7</b>	849.8

17. REVENUE AND  
OTHER RESERVES

	Property			Consolidated	
	Revenue	revaluation	Exchange	Total	Company
	reserve	reserve	reserve	2000	2000
	US\$m	US\$m	US\$m	US\$m	US\$m
At 1 January 2000	1,600.0	26.0	(169.3)	1,456.7	600.9
Exchange translation	–	–	(180.3)	(180.3)	–
Disposals of subsidiary companies	24.4	(24.4)	17.1	17.1	–
Transfer upon disposal of property	0.3	(0.3)	–	–	–
Shares issued in lieu of dividends	2.3	–	–	2.3	2.3
Retained profit/(accumulated loss) for the year					
– Company	15.8	–	–	15.8	15.8
– Subsidiary companies	89.5	–	–	89.5	–
– Associated companies	(61.8)	–	–	(61.8)	–
<b>At 31 DECEMBER 2000</b>	<b>1,670.5</b>	<b>1.3</b>	<b>(332.5)</b>	<b>1,339.3</b>	<b>619.0</b>
Including accumulated reserves of associated companies	(130.5)	–	(42.5)	(173.0)	–

	Property			Consolidated	
	Revenue	revaluation	Exchange	Total	Company
	reserve	reserve	reserve	1999	1999
	US\$m	US\$m	US\$m	US\$m	US\$m
At 1 January 1999	1,475.6	26.0	(196.2)	1,305.4	595.2
Exchange translation	–	–	(0.9)	(0.9)	–
Reduced interest in subsidiary companies	–	–	27.8	27.8	–
Shares issued in lieu of dividends	1.2	–	–	1.2	1.2
Retained profit for the year					
– Company	4.5	–	–	4.5	4.5
– Subsidiary companies	92.4	–	–	92.4	–
– Associated companies	26.3	–	–	26.3	–
<b>At 31 DECEMBER 1999</b>	<b>1,600.0</b>	<b>26.0</b>	<b>(169.3)</b>	<b>1,456.7</b>	<b>600.9</b>
Including accumulated reserves of associated companies	2.4	–	17.6	20.0	–

Property revaluation reserve includes nil (1999: US\$4.0 million) in respect of investment properties.

The revenue reserve of the Company is distributable.

## Notes to the Financial Statements *continued*

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An analysis of the exchange reserve by principal operating company is set out below.

	2000	1999
	US\$m	US\$m
Metro Pacific	(253.0)	(181.5)
PLDT	(35.5)	(0.5)
Berli Jucker	(24.8)	(5.6)
Indofood	(23.6)	15.1
Darya-Varia	(19.7)	(16.2)
Metrosel	(13.4)	(13.4)
Escotel	37.7	27.9
Others	(0.2)	4.9
<b>TOTAL</b>	<b>(332.5)</b>	<b>(169.3)</b>

### 18. GOODWILL RESERVE

	Consolidated	
	2000	1999
	US\$m	US\$m
At 1 January	1,744.1	976.0
Goodwill arising during the year on		
– increased investments in associated companies (Note 27)	274.2	–
– acquisitions of associated companies	38.5	809.1
– acquisitions of subsidiary companies	–	9.1
– increased investments in subsidiary companies	–	32.8
Goodwill reinstated on		
– disposals of subsidiary companies (Note 28(A))	(130.4)	(59.8)
– reduced interest in associated companies (Note 28(C))	(12.5)	–
– reduced interest in subsidiary companies	–	(16.9)
– dilution of interest in a subsidiary company	–	(6.2)
<b>At 31 DECEMBER</b>	<b>1,913.9</b>	<b>1,744.1</b>

An analysis of the goodwill reserve by principal operating company is set out below.

	2000	1999
	US\$m	US\$m
PLDT	1,021.5	792.3
Indofood	652.7	569.5
Escotel	163.4	163.4
Berli Jucker	30.9	30.6
Metro Pacific	26.5	81.6
FPDSavills	10.8	81.8
Darya-Varia	8.1	8.1
First Pacific Bank	–	16.8
<b>TOTAL</b>	<b>1,913.9</b>	<b>1,744.1</b>



## 19. OUTSIDE INTERESTS

	Consolidated	
	2000 US\$m	1999 US\$m
At 1 January	1,350.5	1,385.2
Exchange translation	(162.6)	(32.5)
Acquisitions of subsidiary companies	–	(0.5)
Disposals of subsidiary companies	(404.4)	(2.1)
Shares issued and change in attributable interests	(10.6)	(47.5)
Share of profit for the year	5.5	49.4
Attributable dividends	(19.6)	(0.6)
Others	–	(0.9)
<b>At 31 DECEMBER</b>	<b>758.8</b>	<b>1,350.5</b>

An analysis of the outside interests by principal operating company is set out below.

	2000 US\$m	1999 US\$m
Metro Pacific	728.6	1,077.9
Berli Jucker	30.0	44.0
First Pacific Bank	–	219.8
Others	0.2	8.8
<b>TOTAL</b>	<b>758.8</b>	<b>1,350.5</b>

20. LOAN CAPITAL  
AND LONG-TERM  
BORROWINGS

	Note	Interest rate	Redemption date	Consolidated	
				2000 US\$m	1999 US\$m
<b>UNSECURED LOANS</b>					
Loan capital					
– Convertible bonds	(A)	2.0%	2002	267.9	267.9
– Convertible note	(B)	2.0%	2006	50.0	50.0
– Convertible bonds	(C)	2.5%	2001	72.1	78.9
– Convertible long-term commercial paper	(D)	10.0%	2001	38.4	49.4
– Convertible notes	(E)	9.5%	2002	30.0	37.6
– Convertible preferred shares	(F)	10.0%	2002	14.4	17.9
– Floating rate notes	(G)			–	8.5
Bank loans				15.5	62.1
Other loans				9.5	7.9
<b>Subtotal</b>				<b>497.8</b>	<b>580.2</b>
<b>SECURED LOANS</b>					
Loan capital					
– Long-term commercial paper	(H)	13.0%	2001–2002	11.0	24.8
Bank loans				34.5	240.5
Other loans				21.8	39.9
<b>Subtotal</b>				<b>67.3</b>	<b>305.2</b>
<b>Total loan capital and long-term borrowings</b>				<b>565.1</b>	<b>885.4</b>
Less current portion included in short-term borrowings (Note 24)				(130.9)	(53.3)
<b>TOTAL</b>				<b>434.2</b>	<b>832.1</b>

## Notes to the Financial Statements *continued*

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The maturity profile of the Group's loan capital and long-term borrowings is as follows:

	Loan capital		Bank loans		Other loans		Consolidated	
	2000	1999	2000	1999	2000	1999	Total	Total
	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m
Not exceeding one year	<b>117.5</b>	11.2	<b>4.6</b>	39.5	<b>8.8</b>	2.6	<b>130.9</b>	53.3
More than one year but not exceeding two years	<b>316.3</b>	136.9	<b>8.1</b>	49.5	<b>1.5</b>	5.1	<b>325.9</b>	191.5
More than two years but not exceeding five years	–	336.9	<b>27.6</b>	109.3	<b>21.0</b>	40.1	<b>48.6</b>	486.3
More than five years	<b>50.0</b>	50.0	<b>9.7</b>	104.3	–	–	<b>59.7</b>	154.3
<b>TOTAL</b>	<b>483.8</b>	535.0	<b>50.0</b>	302.6	<b>31.3</b>	47.8	<b>565.1</b>	885.4
Representing amounts repayable								
– wholly within five years	<b>433.8</b>	485.0	<b>40.3</b>	198.3	<b>31.3</b>	47.8	<b>505.4</b>	731.1
– not wholly within five years	<b>50.0</b>	50.0	<b>9.7</b>	104.3	–	–	<b>59.7</b>	154.3
<b>TOTAL</b>	<b>483.8</b>	535.0	<b>50.0</b>	302.6	<b>31.3</b>	47.8	<b>565.1</b>	885.4

Details of loan capital are set out below. Bank and other loans are repayable in various annual installments at a weighted average annual rate of interest of 9.1 per cent (1999: 10.2 per cent).

A) CONVERTIBLE BONDS Issued by First Pacific Capital (1997) Limited totaling US\$350.0 million on 27 March 1997, these bonds bear interest at two per cent and are guaranteed by the Company. A total of US\$82.1 million of the bonds have already been redeemed. The bonds are convertible into shares of the Company at HK\$12.25 per share, at a fixed exchange rate of HK\$7.7477: US\$1, up to 13 March 2002. In the event of non-conversion, these bonds will be redeemed at 134.1 per cent of the par value. At 31 December 2000, a premium provision of US\$67.8 million had been established for the purpose of redemption.

B) CONVERTIBLE NOTE Issued by the Company on 17 September 1999, this note bears interest at a rate of two per cent, payable semi-annually in arrears, and is repayable at par on 12 September 2006. The note can be converted into shares of the Company at HK\$8.40 per share, at a fixed exchange rate of HK\$7.765:US\$1, at any time by the holder. The issuer has the option to convert the note at any time after 17 September 2002.

C) CONVERTIBLE BONDS Guaranteed by Metro Pacific, the bonds are convertible into shares of Metro Pacific (at Pesos 5.08 per share, at a fixed exchange rate of Pesos 26.195: US\$1) between June 1996 and March 2003. Any remaining bonds will be redeemed at par in April 2003. The issuer has the option to redeem at par at any time after October 1998 provided that certain conditions are fulfilled, and the bondholder at 128.9 per cent of the par value in April 2001. At 31 December 2000, a premium provision of US\$18.1 million had been established for the purpose of redemption.

D) CONVERTIBLE LONG-TERM COMMERCIAL PAPER Issued by Bonifacio Land totaling Pesos 3.1 billion (US\$61.1 million) on 28 May 1996, of which, Pesos 1.1 billion (US\$22.7 million) was acquired by Metro Pacific on 23 August 1999. The holders have the option to convert into Bonifacio Land shares at a ratio of one paper unit (Pesos 480) to one share. In the event of nonconversion, the principal, together with interest calculated at 10.0 per cent compounded annually, will be payable in full in May 2001.

E) CONVERTIBLE NOTES Issued by Metro Pacific totaling Pesos 1.5 billion (US\$30.0 million) during September and October 1999, the notes are convertible into shares of Metro Pacific between September 1999 and October 2002 at a conversion price of Pesos 2.25 per share. In the event of nonconversion, these notes will be redeemed, with a premium of 8.7 per cent of the par value, in October 2002. At 31 December 2000, a premium provision of US\$1.0 million had been established for the purpose of redemption.

F) CONVERTIBLE PREFERRED SHARES Issued by Metro Pacific on 23 July 1999, these preferred shares are peso denominated, carry a dividend rate of 10 per cent and can be converted, within three years from the date of issue into shares of Metro Pacific at a conversion price of Pesos 2.25 per share. In the event of nonconversion, these preferred shares will be redeemed after three years with a premium that will equate to a cumulative yield over the full term of 15 per cent. At 31 December 2000, a premium provision of US\$0.9 million had been established for the purpose of redemption.

G) FLOATING RATE NOTES The remaining notes of US\$8.5 million were redeemed early in December 2000.

H) LONG-TERM COMMERCIAL PAPER Issued by Metro Pacific totaling Pesos 550 million (US\$11.0 million), these papers are secured over shares in certain subsidiary companies of Metro Pacific.

## 21. DEFERRED LIABILITIES AND PROVISIONS

	Consolidated	
	2000	1999
	US\$m	US\$m
Redemption premium on convertible instruments	87.8	64.8
Reorganization and rationalization	47.6	83.8
Deferred income	41.4	62.5
Long-term payables	24.9	116.4
Others	49.0	104.0
<b>Subtotal</b>	<b>250.7</b>	<b>431.5</b>
Less current portion included in accounts payable and accruals	(35.1)	(70.7)
<b>TOTAL</b>	<b>215.6</b>	<b>360.8</b>

## 22. DEFERRED TAXATION

	Consolidated	
	2000	1999
	US\$m	US\$m
At 1 January	12.6	15.7
Exchange translation	(2.3)	(0.5)
Acquisition of subsidiary companies	–	(0.7)
Disposal of subsidiary companies	(5.8)	(0.1)
Additions	3.7	–
Payment and utilization	(0.5)	(1.8)
<b>At 31 DECEMBER</b>	<b>7.7</b>	<b>12.6</b>

Provision is made for taxation expected to be payable in respect of planned distributions of retained profits of overseas subsidiary and associated companies. Except for the matters described below, deferred taxation has been fully provided for.

Taxation losses available at 31 December 2000, to reduce future income tax arising in the entities to which they relate, amount to US\$49.8 million (1999: US\$119.9 million) in respect of non-Hong Kong tax losses, and US\$88.7 million (1999: US\$105.1 million) in respect of Hong Kong tax losses. No deferred tax assets have been recognized in respect of these losses.

## Notes to the Financial Statements *continued*

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### 23. ACCOUNTS PAYABLE AND ACCRUALS

	Consolidated		Company	
	2000	1999	2000	1999
	US\$m	US\$m	US\$m	US\$m
Trade payables	<b>61.5</b>	145.2	–	–
Other payables and accruals	<b>153.5</b>	228.7	<b>1.2</b>	0.8
<b>TOTAL</b>	<b>215.0</b>	373.9	<b>1.2</b>	0.8

At 31 December 2000, the aging analysis of the trade payables is as follows:

	Consolidated	
	2000	1999
	US\$m	US\$m
Less than 30 days	<b>22.7</b>	51.1
30–60 days	<b>19.2</b>	39.9
60–90 days	<b>11.0</b>	19.8
Over 90 days	<b>8.6</b>	34.4
<b>TOTAL</b>	<b>61.5</b>	145.2

### 24. SHORT-TERM BORROWINGS

	Consolidated	
	2000	1999
	US\$m	US\$m
Bank loans and overdrafts		
– Secured	<b>126.3</b>	376.7
– Unsecured	<b>60.0</b>	167.2
<b>Total bank loans and overdrafts</b>	<b>186.3</b>	543.9
Unsecured other loans and advances	–	34.5
Current portion of loan capital and long-term borrowings (Note 20)	<b>130.9</b>	53.3
<b>TOTAL</b>	<b>317.2</b>	631.7

Included is US\$8.9 million (1999: US\$12.9 million) of debt with an original maturity of less than 90 days.

Certain bank loans and overdrafts are secured by the Group's property and equipment with a net book amount of US\$47.6 million (1999: US\$218.9 million) and interest in subsidiary and associated companies.

25. PROVISION FOR  
TAXATION

	Consolidated	
	2000 US\$m	1999 US\$m
At 1 January	11.7	7.8
Exchange translation	(1.4)	0.1
Acquisition of subsidiary companies	–	1.6
Disposal of subsidiary companies	(1.7)	(1.2)
Provision for taxation on estimated assessable profits for the year	12.5	12.3
Transfer from deferred taxation	0.5	1.2
Reclassifications	12.7	–
<b>TOTAL</b>	<b>34.3</b>	<b>21.8</b>
Tax paid	(29.9)	(10.1)
<b>AT 31 DECEMBER</b>	<b>4.4</b>	<b>11.7</b>

26. CONSOLIDATED CASH  
FLOW STATEMENT

## A) RECONCILIATION OF OPERATING PROFIT TO NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES

	2000	1999
	US\$m	US\$m
Operating profit	209.0	252.0
Gain on disposal and dilution of shareholdings less provision for investments	(145.5)	(98.5)
Exchange losses	18.8	3.7
Dividend income	(0.1)	(0.4)
Depreciation	49.1	117.7
Payments in respect of deferred liabilities and provisions	(53.6)	(56.4)
(Gain)/loss on sale of property and equipment	(0.4)	1.0
Increase in inventories	(16.0)	(7.0)
Decrease in long-term receivables	3.5	51.9
Increase in accounts receivable and prepayments	(21.9)	(42.7)
Decrease in accounts payable and accruals	(22.9)	(8.3)
Others	2.0	(11.7)
Less operating profit attributable to Banking operations	(34.1)	(8.6)
<b>NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES</b>	<b>(12.1)</b>	<b>192.7</b>

Changes in working capital are stated after excluding movements due to acquisitions and disposals of subsidiary companies.

## Notes to the Financial Statements *continued*

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### B) ANALYSIS OF CHANGES IN FINANCING

	Share capital and share premium US\$m	Outside interests US\$m	Bank and other borrowings US\$m	Total financing US\$m
At 1 January 2000	878.9	1,350.5	1,450.9	<b>3,680.3</b>
Attributable to Banking operations	–	(219.8)	–	<b>(219.8)</b>
<b>Sources of financing activities</b>	<b>878.9</b>	<b>1,130.7</b>	<b>1,450.9</b>	<b>3,460.5</b>
Exchange translation	–	(162.6)	(93.4)	<b>(256.0)</b>
Net cash inflow/(outflow)	–	0.2	(199.4)	<b>(199.2)</b>
Increased shareholding in an associated company	61.1	–	–	<b>61.1</b>
Balances in disposed subsidiary companies	–	(173.7)	(422.6)	<b>(596.3)</b>
Attributable profit less dividends	–	(25.9)	–	<b>(25.9)</b>
Other movements	0.1	(9.9)	7.0	<b>(2.8)</b>
<b>At 31 DECEMBER 2000</b>	<b>940.1</b>	<b>758.8</b>	<b>742.5</b>	<b>2,441.4</b>

	Share capital and share premium US\$m	Outside interests US\$m	Bank and other borrowings US\$m	Total financing US\$m
At 1 January 1999	482.7	1,385.2	1,520.7	3,388.6
Attributable to Banking operations	–	(215.9)	–	(215.9)
<b>Sources of financing activities</b>	<b>482.7</b>	<b>1,169.3</b>	<b>1,520.7</b>	<b>3,172.7</b>
Exchange translation	–	(32.5)	(24.4)	(56.9)
Net cash inflow/(outflow)	202.4	150.4	(77.4)	275.4
Acquisition of an associated company	193.8	–	50.0	243.8
Balances in acquired subsidiary companies	–	(0.5)	0.3	(0.2)
Balances in disposed subsidiary companies	–	(2.1)	(36.0)	(38.1)
Attributable profit less dividends	–	49.4	–	49.4
Goodwill arising during the year	–	(0.9)	–	(0.9)
Other movements	–	(202.4)	17.7	(184.7)
<b>At 31 DECEMBER 1999</b>	<b>878.9</b>	<b>1,130.7</b>	<b>1,450.9</b>	<b>3,460.5</b>

### C) MAJOR NON-CASH TRANSACTIONS

The consideration for the purchase of an additional 8.0 per cent interest in Indofood comprised 221.8 million new ordinary shares valued at US\$61.1 million.

On 18 September 2000, First Pacific acquired Metro Pacific's 8.0 per cent interest in PLDT. Of the total consideration of US\$263.8 million, approximately US\$121.1 million has been accounted for by settlement of an intercompany loan from First Pacific to Metro Pacific.

## D) RESTRICTED CASH

The Group has pledged bank deposits of US\$8.0 million (1999: US\$30.4 million) as security for the Group's banking facilities.

## E) ANALYSIS OF BANK AND OTHER BORROWINGS

	2000 US\$m	1999 US\$m
Loan capital and long-term borrowings	<b>434.2</b>	832.1
Short-term borrowings	<b>317.2</b>	631.7
Amounts reclassified as cash and cash equivalents		
– Overdrafts	<b>(1.0)</b>	(2.8)
– Other short-term borrowings with an original maturity of less than 90 days	<b>(7.9)</b>	(10.1)
<b>TOTAL</b>	<b>742.5</b>	1,450.9

## 27. ACQUISITIONS AND INVESTMENTS

## INCREASED INVESTMENTS IN ASSOCIATED COMPANIES

	Indofood US\$m	PLDT US\$m	Savills and others US\$m	2000 US\$m
<b>CONSIDERATION</b>				
Cash and cash equivalents	23.0	–	7.2	<b>30.2</b>
Equity share issue	61.1	–	–	<b>61.1</b>
Fair value of subsidiary companies disposed of	–	257.3	23.8	<b>281.1</b>
Decrease in consideration payable	(22.4)	–	–	<b>(22.4)</b>
<b>TOTAL CONSIDERATION</b>	<b>61.7</b>	<b>257.3</b>	<b>31.0</b>	<b>350.0</b>
Net assets acquired at fair value	17.0	47.0	11.8	<b>75.8</b>
<b>GOODWILL (Note 18)</b>	<b>44.7</b>	<b>210.3</b>	<b>19.2</b>	<b>274.2</b>

On 24 March 2000, PLDT issued 35.1 million new common shares at a value of approximately US\$931.2 million in exchange for all of the issued share capital of Smart, including the Group's 50.3 per cent interest. As a result of the transaction, the Group's economic interest in PLDT increased to 23.1 per cent from 17.5 per cent.

On 7 April 2000, First Pacific combined First Pacific Davies Limited with Savills in return for 7.8 million new shares in Savills and HK\$225.0 million (US\$28.9 million) in cash. The Group's interest in Savills increased to just under 30.0 per cent from 19.8 per cent. Following the subsequent disposal of a 10.0 per cent interest, the Group's interest in Savills became 19.9 per cent.

On 15 December 2000, First Pacific acquired from the Liem Investors 146,440,690 Indofood shares, representing approximately an 8.0 per cent interest in Indofood. First Pacific issued 221,818,023 new shares valued at HK\$2.15 per share (US\$61.1 million) to the Liem Investors as consideration for the acquisition.

## Notes to the Financial Statements *continued*

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### 28. DISPOSALS AND DIVESTMENTS

#### A) DISPOSALS OF SUBSIDIARY COMPANIES

	Smart US\$m	First Pacific Davies Limited US\$m	First Pacific Bank US\$m	Others US\$m	Total 2000 US\$m	Total FPD Guardforce others 1999 US\$m
<b>NET ASSETS</b>						
Property and equipment	702.7	8.8	118.1	32.8	<b>862.4</b>	64.2
Associated companies	(74.0)	5.7	–	(1.3)	<b>(69.6)</b>	1.4
Long-term investments	17.7	–	–	–	<b>17.7</b>	–
Long-term receivables	4.9	–	–	0.4	<b>5.3</b>	0.1
Assets, other than property and equipment, attributable to						
Banking operations	–	–	2,854.2	–	<b>2,854.2</b>	–
Cash and cash equivalents	38.9	24.3	–	3.0	<b>66.2</b>	3.4
Accounts receivable and prepayments	117.5	32.9	–	14.7	<b>165.1</b>	38.3
Inventories	27.9	0.3	–	9.0	<b>37.2</b>	14.9
Outside interests	(159.4)	(0.8)	(230.6)	(13.6)	<b>(404.4)</b>	(2.1)
Loan capital and long-term borrowings	(182.0)	–	–	(25.7)	<b>(207.7)</b>	(10.8)
Deferred liabilities and provisions	(68.6)	(3.7)	–	(14.1)	<b>(86.4)</b>	(1.4)
Deferred taxation	(13.7)	0.4	–	7.5	<b>(5.8)</b>	(0.1)
Liabilities attributable to						
Banking operations	–	–	(2,579.9)	–	<b>(2,579.9)</b>	–
Accounts payable and accruals	(26.2)	(36.2)	10.3	(14.0)	<b>(66.1)</b>	(27.4)
Amount due to Group companies	(87.6)	–	–	–	<b>(87.6)</b>	–
Short-term borrowings	(203.7)	(10.5)	–	(0.7)	<b>(214.9)</b>	(25.2)
Provision for taxation	(0.8)	(1.5)	–	0.6	<b>(1.7)</b>	(1.2)
<b>TOTAL NET ASSETS DISPOSED OF</b>	<b>93.6</b>	<b>19.7</b>	<b>172.1</b>	<b>(1.4)</b>	<b>284.0</b>	<b>54.1</b>
Goodwill reinstated from reserves (Note 18)	29.6	77.6	16.8	6.4	<b>130.4</b>	59.8
Exchange reserve reinstated	17.1	–	–	–	<b>17.1</b>	–
Gain/(loss) on disposal	117.0	(41.1)	43.4	7.7	<b>127.0</b>	53.7
<b>CONSIDERATION</b>						
Cash and cash equivalents	–	33.3	232.3	11.8	<b>277.4</b>	167.6
Additional interest in associated companies	257.3	22.9	–	0.9	<b>281.1</b>	–
<b>TOTAL CONSIDERATION</b>	<b>257.3</b>	<b>56.2</b>	<b>232.3</b>	<b>12.7</b>	<b>558.5</b>	<b>167.6</b>
<b>NET (OUTFLOW)/INFLOW OF CASH AND CASH EQUIVALENTS PER CONSOLIDATED CASH FLOW STATEMENT</b>						
	<b>(38.9)</b>	<b>9.0</b>	<b>232.3</b>	<b>8.8</b>	<b>211.2</b>	<b>164.2</b>

Details of the disposals of Smart and First Pacific Davies Limited are set out in Note 27.

B) DISPOSALS OF INVESTMENTS mainly represents the sale of the Group's entire interest in China telecom ventures. At 31 December 2000, there was an outstanding receivable balance of US\$7.8 million in respect of the disposal of these investments.

C) REDUCED INTEREST IN ASSOCIATED COMPANIES mainly represents the disposal of a 10.0 per cent interest in Savills (US\$22.6 million) and certain associated companies of Berli Jucker (US\$1.9 million).



29. COMMITMENTS AND  
CONTINGENT  
LIABILITIES

A) CAPITAL EXPENDITURE Commitments in respect of subsidiary companies not provided for in the Financial Statements are set out below.

	Consolidated	
	2000	1999
	US\$m	US\$m
Authorized but not contracted for	4.7	139.5
Contracted but not provided for	19.2	157.1
<b>TOTAL</b>	<b>23.9</b>	<b>296.6</b>

Commitments are in respect of:

	Consolidated	
	2000	1999
	US\$m	US\$m
Consumer	2.7	3.8
Telecommunications	–	215.9
Property	21.2	75.9
Banking	–	1.0
<b>TOTAL</b>	<b>23.9</b>	<b>296.6</b>

At 31 December 2000, there were no Company commitments in respect of capital expenditure (1999: Nil).

B) LEASING COMMITMENTS Annual commitments under operating lease agreements are set out below.

	Consolidated	
	2000	1999
	US\$m	US\$m
<b>LAND AND BUILDINGS, EXPIRING</b>		
– within one year	0.6	3.9
– between two and five years inclusive	0.1	5.5
– in over five years	0.8	2.9
<b>Total land and buildings</b>	<b>1.5</b>	<b>12.3</b>
<b>PLANT AND OTHER, EXPIRING</b>		
– within one year	–	0.6
– between two and five years inclusive	–	2.0
– in over five years	–	0.1
<b>Total plant and other</b>	<b>–</b>	<b>2.7</b>
<b>TOTAL</b>	<b>1.5</b>	<b>15.0</b>

C) CONTINGENT LIABILITIES

	Consolidated		Company	
	2000	1999	2000	1999
	US\$m	US\$m	US\$m	US\$m
Guarantees for credit facilities given to				
– wholly owned subsidiaries	–	–	–	193.5
– non-wholly owned subsidiaries	–	–	1.0	104.4
– associated companies	100.4	91.6	100.4	91.6
<b>TOTAL</b>	<b>100.4</b>	<b>91.6</b>	<b>101.4</b>	<b>389.5</b>

## Notes to the Financial Statements *continued*

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### 30. EMPLOYEE INFORMATION A) REMUNERATION

	2000	1999
	US\$m	US\$m
Basic salaries	<b>86.7</b>	143.0
Bonuses	<b>20.4</b>	21.7
Benefits in kind	<b>12.0</b>	16.8
Pension contribution	<b>5.7</b>	8.8
<b>TOTAL</b>	<b>124.8</b>	190.3
<b>AVERAGE NUMBER OF EMPLOYEES</b>	<b>12,344</b>	25,385

The above includes remuneration paid to Directors. Detailed disclosures in respect of Directors remuneration are set out in Note 31.

B) RETIREMENT BENEFITS There are no schemes that are individually significant to the Group.

C) LOANS TO OFFICERS Particulars of loans made by the Group to Officers and disclosed pursuant to Section 161B of the Hong Kong Companies Ordinance are as follows.

	Balance outstanding		Maximum balance during the year
	31 December	1 January	
	US\$m	US\$m	US\$m
Aggregate amount outstanding – 2000	<b>0.8</b>	<b>16.2</b>	<b>16.2</b>
– 1999	16.2	15.4	19.4

The loans outstanding at 31 December 2000 are unsecured, interest free and have no fixed terms of repayment.

**31. DIRECTORS AND SENIOR EXECUTIVES**

The Company aims to attract, motivate, reward and retain high-caliber executives in a manner consistent with the creation of long-term value for shareholders. The remuneration package for senior executives, including Executive Directors, consists of the following:

**SALARY AND BENEFITS**

Salary reflects an executive's experience, responsibility and market value. Increases are based on effective management of the Company and on increased responsibility. Benefits principally comprise housing allowance, educational support and health care, and are consistent with those provided by comparable companies.

**BONUS AND LONG-TERM INCENTIVES**

Bonuses are based on targets linked to profit and individual accomplishments against objectives, and do not necessarily correlate with annual profit movements. Long-term incentives comprise share options and/or monetary payments that link reward to added shareholder value. The value of the long-term incentive offered to each executive is related to job grade and contribution to the management of the business. Long-term monetary incentive awards are disclosed once vested and paid, and are apportioned over the performance cycle.

**FEES**

Fees are paid to only two independent Non-executive Directors in accordance with the Company's Memorandum of Association and Bye-laws.

**PENSION CONTRIBUTIONS**

The Company operates a defined contribution scheme, in respect of which contributions are determined on the basis of salary and length of service.

**REMUNERATION, SHARE OPTIONS AND DIRECTORS' INTERESTS**

Remuneration of Executive Directors and senior executives is determined annually by the Executive Chairman and certain Non-executive Directors who are advised by compensation and benefit consultants. The Executive Chairman's salary is reviewed by Non-executive Directors representing the major shareholders.

Executive Directors' and senior executives' remuneration disclosed in Notes (A) and (C) exclude the benefits arising from the exercise of share options.

## Notes to the Financial Statements *continued*

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### A) DIRECTORS' REMUNERATION

Executive Directors	Total	
	2000 US\$m	1999 US\$m
Non-performance based		
– Salary and benefits	4.0	5.4
– Fees	–	0.1
– Pension contributions	0.3	0.4
– Compensation for contract severance <sup>(i)</sup>	1.8	–
Performance based		
– Bonus and long-term monetary incentive awards <sup>(ii)</sup>	5.9	1.2
<b>TOTAL<sup>(iii) (iv)</sup></b>	<b>12.0</b>	<b>7.1</b>

(i) Represents an amount paid to a Director, under a “change of control” provision of his service contract, upon the disposal of a subsidiary company.

(ii) Includes an amount of approximately US\$1.8 million paid to the Executive Chairman in respect of deferred incentive awards relating to prior years' performance.

(iii) Not included above or below are:

– an amount of approximately US\$1.0 million which is reimburseable by an associated company in respect of the services of the Executive Chairman; and

– an ex-gratia payment of approximately US\$0.7 million, representing the proceeds from a “Key Man” insurance policy, made to the estate of a former Director.

(iv) Not included above or below is an amount of approximately US\$1.1 million paid by the Company to the former Managing Director in respect of deferred incentive awards relating to the period in which he served as a Director.

The table below shows the number of Directors whose remuneration was within the bands stated.

	2000 Number	1999 Number
US\$NIL–US\$125,000	6	9
US\$381,001–US\$445,000	1	–
US\$445,001–US\$509,000	–	1
US\$509,001–US\$573,000	–	1
US\$573,001–US\$637,000	–	1
US\$637,001–US\$701,000	1	1
US\$829,001–US\$893,000	–	1
US\$1,085,001–US\$1,149,000	1	2
US\$1,213,001–US\$1,277,000	1	–
US\$1,405,001–US\$1,469,000	1	–
US\$1,661,001–US\$1,725,000	–	1
US\$1,725,001–US\$1,789,000	1	–
US\$2,109,001–US\$2,173,000	1	–
US\$3,069,001–US\$3,133,000	1	–

The Company's independent Non-executive Directors received a total of US\$30,000 (1999: US\$40,000) in fees for meetings attended in 2000, and emoluments of US\$76,923 (1999: US\$77,420) for consultancy services provided to the Company in 2000.

B) DIRECTORS' SHARE OPTIONS The Company had at 31 December 2000 outstanding ordinary share options granted to the Executive Chairman and Executive Directors. All outstanding options are exercisable within 10 years of their various dates of issue. Under the current share option scheme, the Board of Directors can grant to full-time executives of the Company options to subscribe in aggregate for shares representing up to 10 per cent of the issued share capital of the Company from time to time.

The aggregate number of options awarded, individual entitlements and option exercise prices were determined by a Special Compensation Committee of the Board of Directors pursuant to Chapter 17 of the Listing Rules of The Stock Exchange of Hong Kong Limited.

The table below gives particulars of the options granted to the Directors.

Directors	Date of issue	Number of share options	Fully vested by	Option exercise price HK\$	Market price at date of grant HK\$
Manuel V. Pangilinan	19 December 1996	12,498,000	January 2000	9.47	9.60
Michael J.A. Healy	19 December 1996	964,000	January 2000	9.47	9.60
	25 June 1999	2,004,000	June 2003	5.38	6.80
Ronald A. Brown	19 December 1996	1,360,000	January 2000	9.47	9.60
	25 June 1999	2,504,000	June 2003	5.38	6.80
David G. Eastlake	1 February 1997	562,000	February 2001	10.61	10.50
	25 June 1999	1,498,000	June 2003	5.38	6.80
Edward A. Tortorici	16 July 1997	920,000	July 1998	9.22	9.15
	25 June 1999	5,556,000	January 2004	6.72	6.80

## Notes to the Financial Statements *continued*

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C) SENIOR EXECUTIVES' REMUNERATION AND SHARE OPTIONS As similar remuneration schemes operate for the senior executives of the Group, their remuneration may exceed that of the Company's Directors. No (1999: two) senior executives were among the Group's five highest earning employees.

	2000 US\$m	1999 US\$m
Non-performance based		
– Salary and benefits	–	1.2
– Pension contributions	–	0.1
Performance based		
– Bonus and long-term monetary incentive awards	–	1.3
<b>TOTAL</b>	<b>–</b>	<b>2.6</b>

The table below shows the remuneration of the two senior executives who were among the Group's five highest earning employees in 1999.

Remuneration bands	2000 Number	1999 Number
US\$1,277,001–US\$1,341,000	–	1
US\$1,341,001–US\$1,405,000	–	1

At 31 December 2000, 12,226,000 options granted to senior executives of the Company were outstanding, details of which are set out below.

Number of share options	7,496,000	4,198,000	532,000
Option exercise price (HK\$)	5.38	9.47	9.66

During 2000, no options were exercised by senior executives, 1,648,000 options were granted and 1,764,000 options were canceled.

**32. MAJOR CUSTOMERS  
AND SUPPLIERS**

Due to the considerable diversification of the Group's businesses, no customers or suppliers represent more than 30.0 per cent of the Group's turnover or purchases.

**33. RELATED PARTY  
TRANSACTIONS**

Significant related party transactions entered by the Group during the year ended 31 December 2000, which also constitute connected transactions under the Listing Rules, are disclosed in Notes (A) to (G). Other related party transactions, which do not constitute connected transactions under the Listing Rules, are disclosed in Notes (H) to (J).

A) On 28 February 2000, the Company announced that an agreement for sale and purchase was entered into between FPB Bank Holding Company Limited ("FPB"), a 41.3 per cent owned subsidiary of the Company and Mr. James C. Ng, a director of both the Company and FPB, pursuant to which FPB agreed to sell a property located at Tai Tam, Hong Kong, for a total cash consideration of US\$3.1 million (HK\$24.5 million), based upon two independent third party valuations.

B) On 24 March 2000, the Company and Metro Pacific separately announced that each had sold their respective interests in Smart in exchange for new PLDT shares after obtaining all government and regulatory approvals. As a result, the Group's economic interest in PLDT increased to 23.1 per cent.

C) On 29 June 2000, the Company announced the sale of its 53.0 per cent interest in the JSS Pinnacle Group Limited ("JSSPinnacle") and of certain businesses and assets of First Pacific Davies (UK) Limited ("FPDUK") and UK Pacific Holdings Limited ("UKPAC") for £2.5 million (US\$3.8 million) to a management led consortium headed by Godfrey Blott, a former director of First Pacific Davies Limited. JSSPinnacle, FPDUK and UKPAC were subsidiaries of the Company engaged in providing property management services for residential and commercial properties located in the London area.

D) On 12 July 2000, the Company announced that it had agreed to purchase Metro Pacific's entire interest in PLDT, representing approximately 8.0 per cent of PLDT's issued capital, for Pesos 12.1 billion (US\$263.8 million). Under the terms of the agreement, First Pacific acquired Metro Pacific's direct and indirect interests, totaling 13,438,220 PLDT shares, at Pesos 900 (US\$20) per share. On 10 August 2000, the Company's independent shareholders approved the transaction at a special general meeting. After obtaining all government and regulatory approvals, the transaction was formally completed on 18 September 2000. As a result, the Group's economic interest in PLDT increased to 24.6 per cent.

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E) On 7 September 2000, the Company announced that it had agreed to acquire, from the Liem Investors, an additional 8.0 per cent interest in Indofood. Total consideration for the transaction amounted to US\$61.1 million, settled by the issue of 221.8 million new First Pacific shares, valued at HK\$2.15 per share. After obtaining approval from the Company's independent shareholders on 16 October 2000, the transaction was formally completed on 15 December 2000. As a result, the Group's economic interest in Indofood increased to 48.0 per cent.

F) On 20 November 2000, the Company announced that it had agreed to sell its entire 41.25 per cent interest in FPB Bank Holding Company Limited ("FPB") to The Bank of East Asia Limited ("BEA") for cash consideration equivalent to a price of HK\$3.50 (US\$0.45) per share. In order to facilitate the transaction, the Company agreed to purchase MIMET FOTIC Investment Limited's ("MFIL") entire 33.75 per cent attributable interest in FPB at the same price. Since both the Company and MFIL were substantial shareholders of FPB, this transaction required approval from the Company's shareholders which was obtained on 13 December 2000. The acquisition of MFIL's 33.75 per cent interest in FPB was formally completed on 19 December 2000 and the combined interest in FPB of 75.0 per cent, was offered to BEA on 21 December 2000. The transaction was completed on 28 December 2000.

G) On 20 December 2000, the Company and FPB Bank Holding Company Limited ("FPB") entered into an agreement for the transfer of the FPB's 3.6 per cent interest in China Investment Incorporations (BVI) Limited, whose primary asset is the China Club in Hong Kong to the Company for a consideration of approximately US\$0.3 million.

H) On 8 December 2000, the Company entered into a sale and purchase agreement with FPB to acquire all of its interest, being 5,000,000 Class B shares, in the capital of Bank Consortium Holding Limited at a consideration of HK\$1 plus future disposal price.

I) As at 31 December 2000, PT Salim Ivomas Pratama ("SIMP"), a subsidiary of Indofood, and certain of SIMP's indirect subsidiaries had pledged deposits totaling Rupiah 489.1 billion (US\$50.7 million) in favor of Bank Danamon International ("BDI"), which is supervised by the Indonesian Bank Restructuring Agency ("IBRA"). At the time of the transaction, IBRA was a shareholder in First Pacific. The deposits were pledged as security in connection with loans advanced by BDI to certain companies, which are indirectly owned by PT Holdiko Perkasa (a Salim company that is under supervision by IBRA). PT Holdiko Perkasa is in discussions with BDI to replace SIMP's deposits with an alternative security acceptable to BDI.



J) In the ordinary course of business, Indofood has engaged in trade and financial transactions with certain of its associated and affiliated companies, the majority of which are related to the Salim family either through direct and/or common share ownership. Mr. Soedono Salim is a former director and Mr. Anthoni Salim is a current director while both are also substantial shareholders of the Company.

Indofood believes that these transactions are conducted under normal terms/prices and conditions similar to those with non-related parties. The more significant of such transactions with these related parties are summarized below.

As at 31 December	2000	1999
Nature of transactions	US\$m	US\$m
<b>BALANCE SHEET ITEMS</b>		
Cash and cash equivalents with affiliated companies	–	281.2
Accounts receivable – trade		
– from associated companies	3.8	4.8
– from affiliated companies	2.8	1.4
Accounts receivable – non-trade		
– from associated companies	–	0.5
– from affiliated companies	35.0	24.2
Accounts payable – trade		
– to associated companies	1.3	1.0
– to affiliated companies	21.6	30.5
Accounts payable – non-trade		
– to affiliated companies	0.1	0.6
Short-term bank loans and overdrafts from affiliated companies	–	164.2
Long-term bank loans from affiliated companies	–	0.2
	<b>Year ended</b>	<b>Quarter ended</b>
	<b>31 December</b>	<b>31 December</b>
	<b>2000</b>	<b>1999</b>
Nature of transactions	<b>US\$m</b>	<b>US\$m</b>
<b>PROFIT AND LOSS ITEMS</b>		
Sales of finished goods		
– to affiliated companies	18.2	20.2
– to associated companies	37.7	15.2
Purchase of raw materials		
– from affiliated companies	84.1	55.7
– from associated companies	9.6	–
Interest income		
– Loans to affiliated companies	0.2	0.4
– Deposits placed at affiliated companies	–	4.7
Interest expense		
– Loans from affiliated companies	–	3.1
– Finance lease obligations due to affiliated companies	0.2	0.2
Royalty income from affiliated companies	0.3	0.1
Management and technical services fee expenses to affiliated companies	0.7	0.2
Management and technical services fee income		
– from affiliated companies	1.4	0.5
– from associated companies	0.3	–
Insurance premiums paid to affiliated companies	0.1	0.3
Rental expense to affiliated companies	0.7	0.4
Principal only swap transaction with affiliated companies	–	0.6

Approximately four per cent of Indofood's sales and nine per cent of its purchases were made to/from these related companies.