1. BASIS OF PREPARATION

The Condensed Interim Financial Statements have been prepared in accordance with Hong Kong Statement of Standard Accounting Practice ("SSAP") No. 25 "Interim Financial Reporting" and the disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The Condensed Interim Financial Statements are prepared on a basis consistent with the accounting policies adopted in the Group's 2000 audited Financial Statements, except as described below.

The Condensed Interim Financial Statements are unaudited but have been reviewed by the Audit Committee and the Group's external auditors. The figures for the six months ended 30 June 2000 and as at 31 December 2000 have been restated from those included in the published 2000 Financial Statements. Details of the restatement are set out below and in Notes 15 and 20.

Significant changes to Hong Kong Generally Accepted Accounting Principles (HK GAAP) have been implemented during 2001 and Group accounting policies have been revised, as appropriate, to comply with the new requirements. The principal changes to HK GAAP may be summarized as follows:

- SSAP 32 "Consolidated Financial Statements and Accounting for Investments in Subsidiaries" requires companies to consolidate those investees that it has the power to control even in the absence of majority shareholding or voting power. SSAP 32 defines control as "the power to govern the financial and operating policies of another enterprise so as to obtain benefit from its activities". Accordingly, Indofood, which was previously accounted for as an associated company, is now treated as a subsidiary under SSAP 32. This change has no effect either on the profit attributable to ordinary shareholders or shareholders' equity of the Group.

- SSAP 9 (Revised) "Events After the Balance Sheet Date" has been amended such that dividends proposed after the balance sheet date no longer meet the definition of a liability at the balance sheet date. Accordingly, no liability is recognized at the balance sheet date in respect of proposed dividends.

- SSAP 30 "Business Combinations" eliminates the option of writing off goodwill on acquisition direct to reserves and mandates capitalization and amortization of goodwill over its useful life. In prior years, the Group's policy was to write off goodwill on acquisition against reserves. As a result of the adoption of SSAP 30, all goodwill arising on or after 1 January 2001 is capitalized and amortized over its estimated useful life. The Group's policy is to amortize capitalized goodwill to the profit and loss statement over a period not exceeding 20 years. As permitted by SSAP 30, the Group has elected not to restate US$1,913.9 million of goodwill written off against reserves in prior years.

- SSAP 28 "Provisions, Contingent Liabilities and Contingent Assets", SSAP 29 "Intangible Assets" and SSAP 31 "Impairment of Assets" are also effective for accounting periods ending on or after 1 January 2001. The adoption of SSAP 28, SSAP 29 and SSAP 31 has not had a material impact on the Group Financial Statements.

Prior year adjustments have been made to reflect changes in accounting required by the adoption of SSAP 32 and SSAP 9 (Revised). Details of the changes are set out in Note 15.

2. SEGMENTAL INFORMATION

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

	Six months ended 30 June			
	Turnover		Operating profit	
	2001	2000	**2001**	2000
	US$m	*US$m*	***US$m***	*US$m*
Principal activities				
– Consumer	**816.7**	911.5	**70.1**	89.8
– Telecommunications	**–**	80.5	**(3.7)**	(17.4)
– Property	**87.8**	163.7	**6.9**	34.0
– Disposed businesses*	**–**	95.7	**–**	14.6
Subtotal	**904.5**	1,251.4	**73.3**	121.0
Head Office			**10.2**	(8.2)
Gain on disposal and dilution of shareholdings less provision for investments			**–**	91.4
TOTAL			**83.5**	204.2

Principal markets				
– Indonesia	**694.4**	765.9	**60.9**	80.2
– Philippines	**87.8**	244.2	**6.9**	16.6
– Thailand	**122.3**	145.6	**9.2**	9.6
– Others	**–**	95.7	**(3.7)**	14.6
Subtotal	**904.5**	1,251.4	**73.3**	121.0
Head Office			**10.2**	(8.2)
Gain on disposal and dilution of shareholdings less provision for investments			**–**	91.4
TOTAL			**83.5**	204.2

* *Represents SPORTathlon, First Pacific Bank and Savills plc.*

3. OPERATING PROFIT

	Six months ended 30 June	
	2001	2000
	US$m	*US$m*
OPERATING PROFIT IS STATED AFTER CREDITING/(CHARGING)		
Net rental income from investment properties	**0.2**	1.3
Dividends from unlisted investments	**0.1**	0.1
Gain on sale of property and equipment	**0.1**	0.5
Employee remuneration	**(74.5)**	(113.2)
Net exchange loss on monetary items	**(31.3)**	(90.2)
Depreciation	**(31.0)**	(57.2)
Doubtful debt provisions	**(0.7)**	(15.5)

4. NET BORROWING COSTS

	Six months ended 30 June	
	2001	2000*
	US$m	*US$m*
Loan capital		
– wholly repayable within five years	**6.1**	6.1
– not wholly repayable within five years	**1.4**	0.5
Subtotal	**7.5**	6.6
Bank loans, overdrafts and other loans		
– wholly repayable within five years	**50.5**	74.6
– not wholly repayable within five years	**1.0**	1.4
Subtotal	**51.5**	76.0
TOTAL INTEREST EXPENSE	**59.0**	82.6
Other borrowing costs		
– Exchange differences	**–**	13.3
– Redemption premium on convertible instruments	**11.3**	12.9
TOTAL BORROWING COSTS	**70.3**	108.8
Less borrowing costs capitalized in		
– property investments	**(6.0)**	(18.1)
– plant and equipment	**–**	(5.2)
Less interest income	**(14.4)**	(25.4)
NET BORROWING COSTS	**49.9**	60.1

* *Excluding interest expense and interest income for the Group's Banking operations (included in Turnover).*

5. TAXATION

Hong Kong profits tax has been provided at the rate of 16.0 per cent (2000: 16.0 per cent) on the estimated assessable profits 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 and associated companies operate.

	Six months ended 30 June	
	2001	2000
	US$m	*US$m*
SUBSIDIARY COMPANIES		
Current taxation		
– Overseas	**16.7**	22.8
– Hong Kong	**–**	2.6
Deferred taxation – Overseas	**4.1**	(1.1)
Subtotal	**20.8**	24.3
ASSOCIATED COMPANIES		
Current taxation – Overseas	**5.5**	7.8
Deferred taxation – Overseas	**0.3**	(8.7)
Subtotal	**5.8**	(0.9)
TOTAL	**26.6**	23.4

Excluding the effects of disposals in 2000, which were not subject to tax, the effective tax rate for 2001 was 41.6 per cent (2000: 34.2 per cent). The increased effective tax rate reflects the impact of losses at certain operating companies for which no tax benefit is recognized.

6. (LOSS)/PROFIT ATTRIBUTABLE TO ORDINARY SHAREHOLDERS

(Loss)/profit attributable to ordinary shareholders includes exchange losses as set out below.

	Six months ended 30 June	
	2001	2000
	US$m	*US$m*
Subsidiary companies	**(31.3)**	(103.5)
Less capitalized within net borrowing costs	**–**	13.3
Included in other operating expenses	**(31.3)**	(90.2)
Associated companies	**(28.5)**	(65.2)
Subtotal	**(59.8)**	(155.4)
Exchange differences attributable to taxation and outside interests	**27.3**	92.1
TOTAL	**(32.5)**	(63.3)

An analysis of exchange losses 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 depreciation of the peso and the rupiah during 2000 and 2001.

	Six months ended 30 June	
	2001 **US$m**	2000 US$m
PLDT	**(18.9)**	(32.7)
Indofood	**(8.4)**	(21.7)
Others	**(5.2)**	(8.9)
TOTAL	**(32.5)**	(63.3)

7. (LOSS)/EARNINGS PER SHARE

	Six months ended 30 June	
	2001	2000
(Loss)/earnings per share are based on		
– (loss)/profit attributable to ordinary shareholders of (US$m)	**(12.1)**	50.4
– and an average number of shares of (millions)	**3,139.8**	2,911.0
Resulting in (loss)/earnings per share of (U.S. cents)	**(0.39)**	1.73

As the impact of convertible instruments is anti-dilutive, both the basic and diluted loss per share figures are the same in 2001. In 2000, the diluted earnings per share was US1.72 cents.

8. ORDINARY SHARE DIVIDENDS

The directors do not propose the payment of an interim dividend in 2001 (2000: US0.13 cent per ordinary share, totaling US$3.7 million).

9. PROPERTY AND EQUIPMENT

The movements in property and equipment are set out below.

	2001 ***US$m***
At 1 January	**2,001.6**
Exchange translation	**(150.9)**
Additions	**67.8**
Disposals	**(65.5)**
Depreciation	**(31.0)**
Reclassifications	**(211.9)**
AT 30 JUNE	**1,610.1**

10. ASSOCIATED COMPANIES

Associated companies is comprised of the following:

	At 30 June 2001 *US$m*	At 31 December 2000 *US$m*
Escotel	**(129.4)**	(125.2)
Metro Pacific associates	**60.2**	69.8
PLDT	**44.6**	55.6
Savills	**–**	12.9
Others	**7.4**	6.0
TOTAL	**(17.2)**	19.1

11. ACCOUNTS RECEIVABLE AND PREPAYMENTS

Included in accounts receivable and prepayments are trade receivables of US$238.5 million (31 December 2000: US$228.6 million) and their aging analysis is as follows:

	At 30 June 2001 *US$m*	At 31 December 2000 *US$m*
Less than 30 days	**180.8**	156.1
30-60 days	**24.9**	16.8
60-90 days	**6.1**	4.7
Over 90 days	**26.7**	51.0
TOTAL	**238.5**	228.6

For consumer businesses, there are 60 days of credit for sub-distributors/wholesaler 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 ten years.

12. RESERVES

	Share premium US$m	Revenue reserve US$m	Goodwill reserve US$m	Property revaluation reserve US$m	Exchange reserve US$m	2001 Total US$m
At 1 January	908.7	1,670.5	(1,913.9)	1.3	(332.5)	**334.1**
Reclassification (Note 20)	–	(1,913.9)	1,913.9	–	–	**–**
Prior year adjustments (Note 15)	–	4.0	–	–	–	**4.0**
As restated	908.7	(239.4)	–	1.3	(332.5)	**338.1**
Exchange translation	–	–	–	–	(52.8)	**(52.8)**
Goodwill reinstated on disposal of associated companies	–	16.6	–	–	–	**16.6**
Loss attributable to ordinary shareholders	–	(12.1)	–	–	–	**(12.1)**
Dividend paid	–	(4.0)	–	–	–	**(4.0)**
AT 30 JUNE	**908.7**	**(238.9)**	**–**	**1.3**	**(385.3)**	**285.8**

13. DEFERRED LIABILITIES AND PROVISIONS

	Deferred income US$m	Long-term payables US$m	Redemption premium on convertible instruments US$m	Reorganization and rationalization US$m	Others US$m	2001 Total US$m
At 1 January	41.4	24.9	87.8	47.6	80.8	**282.5**
Exchange translation	(0.4)	(1.4)	(1.0)	–	(6.1)	**(8.9)**
Additions	–	13.6	11.3	4.1	22.4	**51.4**
Payment and utilization	(5.5)	(4.1)	(18.1)	(23.7)	(44.3)	**(95.7)**
Subtotal	35.5	33.0	80.0	28.0	52.8	**229.3**
Less current portion included in accounts payable and accruals	(1.4)	(16.3)	(77.3)	–	–	**(95.0)**
AT 30 JUNE	**34.1**	**16.7**	**2.7**	**28.0**	**52.8**	**134.3**

14. ACCOUNTS PAYABLE AND ACCRUALS

Included in accounts payable and accruals are trade payables of US$214.6 million (31 December 2000: US$176.8 million) and their aging analysis is as follows:

	At 30 June 2001 *US$m*	At 31 December 2000 *US$m*
Less than 30 days	**165.3**	136.1
30-60 days	**24.1**	20.7
60-90 days	**8.1**	11.4
Over 90 days	**17.1**	8.6
TOTAL	**214.6**	176.8

15. PRIOR YEAR ADJUSTMENTS

In 2001, the Group changed its accounting policies in respect of the definition of subsidiaries and accounting for dividends proposed after the period end. These changes were required as a result of the introduction of SSAP 32 and SSAP 9 (Revised) respectively which became effective from 1 January 2001. Details of the requirements of these new accounting standards are summarized in Note 1.

In order to reflect the requirements of new accounting standards, these changes have been applied retrospectively and their impact on figures reported for prior periods is summarized as follows.

	As previously reported For the six months ended 30 June 2000 *US$m*	Restatement SSAP 32 *US$m*	Restatement SSAP 9 (Revised) *US$m*	As restated For the six months ended 30 June 2000 *US$m*
PROFIT AND LOSS STATEMENT				
Turnover	512.0	739.4	–	1,251.4
Operating profit	125.3	78.9	–	204.2
Profit after taxation	54.9	27.6	–	82.5
Profit attributable to ordinary shareholders	50.4	–	–	50.4
CASH FLOW STATEMENT				
Net cash inflow/(outflow) from				
– operating activities	35.2	172.3	–	207.5
– investing activities	(48.3)	(13.2)	–	(61.5)
– financing activities	(91.0)	(38.6)	–	(129.6)

	As previously reported At 31 December 2000 US$m	Restatement SSAP 32 US$m	Restatement SSAP 9 (Revised) US$m	As restated At 31 December 2000 US$m
BALANCE SHEET				
Total assets	2,322.4	1,133.4	–	3,455.8
Total liabilities	1,198.1	956.6	(4.0)	2,150.7
Shareholder's equity	365.5	–	4.0	369.5
Outside interests	758.8	176.8	–	935.6

16. NOTES TO THE CONDENSED CONSOLIDATED CASH FLOW STATEMENT

(a) Analysis of changes in financing

	Share capital and share premium US$m	Outside interests US$m	Bank and other borrowings US$m	**2001 Total financing US$m**
At 1 January	940.1	935.6	1,435.7	**3,311.4**
Exchange translation	–	(65.1)	(58.3)	**(123.4)**
Net cash outflow	–	–	(92.3)	**(92.3)**
Attributable profit less dividends	–	6.4	–	**6.4**
Other movements	–	(55.9)	(1.7)	**(57.6)**
AT 30 JUNE	**940.1**	**821.0**	**1,283.4**	**3,044.5**

(b) Analysis of bank and other borrowings

	At 30 June **2001** US$m	At 30 June 2000 US$m
Loan capital and long-term borrowings	**457.4**	910.7
Short-term borrowings	**831.7**	828.5
Amounts reclassified as cash and cash equivalents		
– Overdrafts	**(0.4)**	(2.4)
– Other short-term borrowings with an original maturity of less than 90 days	**(5.3)**	(27.8)
TOTAL	**1,283.4**	1,709.0

(c) Pledged deposits

The Group has pledged bank deposits of US$24.3 million (31 December 2000: US$8.0 million) as security for the Group's banking facilities.

In addition, at 30 June 2001 Indofood has pledged bank deposits totaling Rupiah 456.5 billion (US$40.1 million) (31 December 2000: Rupiah 489.1 billion or US$50.7 million) as security in connection with loans advanced to PT Salim Ivomas Pratama ("SIMP"). During 2001, the Indonesian Bank Restructuring Agency sold SIMP to Kumpulan Guthrie Berhad ("Guthrie") and Guthrie has agreed to replace Indofood's bank deposits with an alternative security. In July 2001 Indofood deposits totaling Rupiah 64.5 billion were released and Guthrie has committed that the remaining deposits will be released, in stages, before the end of 2001.

17. DISPOSALS AND DIVESTMENTS

Disposals of associated companies

Included in sale of businesses, property and equipment and others was US$41.6 million cash inflows generated from the sale of the Group's entire interest in Savills.

18. CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

(a) Capital expenditure

	At 30 June 2001 ***US$m***	At 31 December 2000 *US$m*
Commitments in respect of subsidiary companies:		
Authorized but not contracted for	**33.5**	13.5
Contracted but not provided for	**19.3**	35.4
TOTAL	**52.8**	48.9

The commitments of the subsidiary companies mainly relate to Indofood and Metro Pacific in respect of the purchase of machinery and equipment and property development obligations, respectively.

	At 30 June 2001 ***US$m***	At 31 December 2000 *US$m*
Group's share of commitments in respect of associated companies:		
Authorized but not contracted for	**74.6**	94.6
Contracted but not provided for	**22.0**	90.4
TOTAL	**96.6**	185.0

The commitments of the associated companies principally represent PLDT's commitments to acquire telecommunications equipment.

(b) Contingent liabilities

Contingent liabilities in respect of subsidiary companies are set out below.

	At 30 June 2001	At 31 December 2000
	US$m	*US$m*
Guarantees for credit facilities given to		
– associated companies	**95.5**	100.4
– others	**7.3**	19.3
TOTAL	**102.8**	119.7

At 30 June 2001, there were no contingent liabilities in respect of the Group's associated companies.

19. RELATED PARTY TRANSACTIONS

(a) On 26 March 2001, the Company announced that it had agreed to extend temporary funding of US$90 million to Metro Pacific. The funding was extended to enable Metro Pacific to meet its convertible bonds redemption obligations, due in April 2001. On 11 April 2001, the Company's independent shareholders approved the transaction at a special general meeting and Metro Pacific drew down the full amount of the facility on the same date. As at 30 June 2001, the full amount of the facility was outstanding. This short-term facility bears interest at a rate of 15.0 per cent per annum and has a maturity date of 31 October 2001, extendable to 31 December 2001 at the option of the Company.

(b) 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. Anthoni Salim is a director and substantial shareholder of the Company.

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

Nature of balances	At 30 June 2001 US$m	At 31 December 2000 US$m
BALANCE SHEET ITEMS		
Accounts receivable – trade		
– from associated companies	**4.1**	3.8
– from affiliated companies	**2.9**	2.8
Accounts receivable – non-trade		
– from associated companies	**0.6**	–
– from affiliated companies	**30.6**	35.0
Accounts payable – trade		
– to associated companies	**1.1**	1.3
– to affiliated companies	**12.1**	21.6

	Six months ended 30 June	
Nature of transactions	2001 US$m	2000 US$m
PROFIT AND LOSS ITEMS		
Sales of finished goods		
– to associated companies	**21.2**	27.0
– to affiliated companies	**2.9**	9.4
Purchase of raw materials		
– from associated companies	**5.6**	14.9
– from affiliated companies	**73.6**	91.1

Approximately four per cent of Indofood's sales and 16 per cent of its purchases were made to/from these related companies.

20. COMPARATIVE FIGURES

Amounts have been reclassified and comparatives have been restated, as appropriate, in accounting for the consolidation of Indofood and dividends proposed after the year/period end (Note 15). In addition, as required by SSAP 30, the goodwill reserve is no longer presented as a separate item on the balance sheet but is included within the revenue reserve. Such reclassifications and restatements have the effect of increasing the shareholders' equity as at 31 December 2000 from US$365.5 million to US$369.5 million but have no effect on the previously reported profit attributable to ordinary shareholders.