STATUTORY REPORTS AND FINANCIAL STATEMENTS

CONTENTS

STATUTORY REPORTS

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 segment information for the year by principal activities and principal 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.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS The Companies Ordinance requires the Directors to prepare Financial Statements for each financial year which give a true and fair view of its Company's state of affairs as at the end of the financial year and of its profit or loss for the year then ended. In preparing the Financial Statements, the Directors are required to:

A) select suitable accounting policies and apply them on a consistent basis, making judgements and estimates that are prudent, fair and reasonable;
B) state the reasons for any significant departure from accounting standards; and
C) prepare the Financial Statements on the going concern basis, unless it is not appropriate to presume that the Company will continue in business for the foreseeable future.

The Directors are responsible for keeping proper accounting records, for safeguarding the assets of the Company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

SHARE CAPITAL AND RESERVES Details of the Company's share capital and changes in the reserves of the Company and the Group (the Company and its subsidiary companies) are set out in Notes 18 and 19 to the Financial Statements.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES No purchase, sale or redemption of any of the Company's listed securities has been made by the Company or any of its subsidiary companies during the year.

In April 2001, Metro Pacific redeemed US$72.1 million of convertible bonds for a consideration of US$92.9 million.

In October 2001, the Group repurchased and canceled US$20.1 million face value of the two per cent 2002 convertible bonds for a consideration of US$25.5 million.

During October to December 2001, Indofood repurchased approximately 125 million shares from the market at an average price of approximately Rupiah 619 per share.

In December 2001, the Group disposed of 132,602,457 common shares (83.5 per cent) of Berli Jucker for a consideration of US$125.0 million and 501,183,516 common shares (89.5 per cent) of Darya-Varia for a consideration of US$35.0 million.

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 Group are shown in the Consolidated Profit and Loss Statement on page 52.

The Directors do not recommend the payment of a dividend.

CHARITABLE CONTRIBUTIONS The Group made charitable contributions totaling US$2.6 million in 2001 (2000: US$2.8 million).

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 16 and 21 to the Financial Statements.

DIRECTORS The names of the Directors who held office at 31 December 2001 are set out in the table below. Details of Directors' contracts are provided in the Statement of Corporate Governance and details of their remuneration are provided in Note 29(A) to the Financial Statements.

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 2001, 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(i)	790,229,364(C)	–
Anthoni Salim	33.3 per cent interest		
	via First Pacific Investments		
	(BVI) Limited(ii)(iii)	582,076,361(C)	–
Manuel V. Pangilinan		6,026,759(P)	12,498,000(P)
Michael J.A. Healy		877,991(P)	2,968,000(P)
Ronald A. Brown		3,452,640(P)	3,864,000(P)
Edward A. Tortorici		13,132,129(P)	6,476,000(P)
Edward K. Y. Chen, CBE, JP		–	–
David W.C. Tang, OBE		–	–

(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 holds a US$50.0 million Convertible Note of the Company. Details of the Convertible Note are set out in Note 21(B) to the Financial Statements.

INTERESTS OF THE EXECUTIVE CHAIRMAN AND OTHER DIRECTORS IN THE COMPANY'S ASSOCIATED CORPORATIONS 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) as at 31 December 2001 were as follows.

- Manuel V. Pangilinan owned 14,948,064 common shares(P) in Metro Pacific Corporation ("MPC") and 29,800 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 P.T. Indofood Sukses Makmur Tbk ("Indofood").
- Ronald A. Brown owned 582,500 ordinary shares(P) in Indofood.
- 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 and a US$50,000,000 Convertible Note(C) in First Pacific.

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

INTERESTS OF SUBSTANTIAL SHAREHOLDERS The register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance shows that as at 31 December 2001, the Company had been notified of the following 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 2001, were: Sutanto Djuhar 7.55 per cent, Tedy Djuhar 2.52 per cent, Ibrahim Risjad 2.52 per cent, and Anthoni Salim 2.52 per cent.

B) First Pacific Investments (BVI) Limited (FPIL-BVI), which is incorporated in the British Virgin Islands and is 33.3 per cent owned by one Non-executive Director of the Company, Mr. Anthoni Salim. His beneficial indirect interest in the Company, through FPIL-BVI, as at 31 December 2001, was 6.18 per cent.

C) The Capital Group Companies, Inc. held 527,848,679 ordinary shares, representing 16.8 per cent of the Company's issued share capital.

As at 31 December 2001, FPIL-Liberia beneficially owned 790,229,364 ordinary shares. These shares have been included in the interests of four Non-executive Directors' corporate interests via FPIL-Liberia as referred to on page 43 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.

HKSCC Nominees Limited, Credit Suisse First Boston (Singapore Branch) and Horsford Nominees Limited, as at 31 December 2001, were the registered owners of 1,034,755,725 ordinary shares, 80,000,000 ordinary shares and 75,700,000 ordinary shares, representing 32.96 per cent, 2.55 per cent and 2.41 per cent respectively, of the total issued share capital in the Company, as pledged by FPIL-Liberia and FPIL-BVI to secure certain credit facilities. In addition, as at 31 December 2001, FPIL-Liberia and FPIL-BVI have pledged 159,400,000 ordinary shares and 21,860,000 ordinary shares, registered in their own names, respectively, to secure certain credit facilities.

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 arrangement 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 31(A) 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 Direstor and Company Secretary

4 March 2002

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 47 to 82 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 circumstances of Company and the Group, 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 of the Group as at 31 December 2001 and of the Group's loss and cash flows 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

4 March 2002

PRINCIPAL ACCOUNTING POLICIES

The Group comprises First Pacific Company Limited and its subsidiary companies.

A) BASIS OF PREPARATION

The Financial Statements have been prepared in accordance with generally accepted accounting principles in Hong Kong (HK GAAP) 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, except that, as disclosed in the accounting policies below, short-term investments are stated at fair value.

Significant changes to 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:

- Statement of Standard Accounting Practice (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 a 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 eliminating 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 eliminate 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 as at 31 December 2000, which was eliminated against reserves in prior years.
- SSAP 31 "Impairment of Assets" requires a review of the carrying amounts of assets at each balance sheet date in order to assess whether the recoverable amounts have declined below the carrying amounts. These assets are tested for impairment by taking into account any events or changes in circumstances which indicate that their recorded carrying amount may not be recoverable. When such a decline has occurred, the carrying amount is reduced to the recoverable amount. The Group has performed an assessment of the estimated value of its assets as at 31 December 2001 and made impairment provisions of US$1.7 billion for its investments in Metro Pacific (Bonifacio Land), PLDT and Indofood. Such impairment provisions are dealt with as an expense in the profit and loss statement.
- SSAP 26 "Segment Reporting", SSAP 28 "Provisions, Contingent Liabilities and Contingent Assets" and SSAP 29 "Intangible Assets" are also effective for accounting periods beginning on or after 1 January 2001. The adoption of these accounting standards has not had a material impact on the Group Financial Statements.
- SSAP 15 (Revised) "Cash Flow Statements" has been revised to classify cash flows under operating, investing or financing activities. Although adoption is required for periods beginning on or after 1 January 2002, the Group has opted to adopt the revised standard in its 2001 Financial Statements.

Prior year adjustments have been made to reflect changes in accounting required by the adoption of SSAP 32, SSAP 9 (Revised) and SSAP 15 (Revised). The figures for the year ended 31 December 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 in Notes 24 and 33.

B) BASIS OF CONSOLIDATION

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.

A subsidiary is an enterprise controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities.

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.

Outside interests represent the interests of outside shareholders in the operating results and net assets of subsidiary companies.

In the Company's balance sheet, investments in subsidiary companies are stated at cost less provision for impairment losses, if necessary. The results of subsidiary companies are accounted for by the Company on the basis of dividends received and receivable.

C) INVENTORIES

Inventories are stated at the lower of cost and 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.

D) PROPERTY AND EQUIPMENT

Freehold land is stated at cost and is not depreciated. Other property and equipment is stated at cost less accumulated impairment losses and 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).

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.

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.

E) DEVELOPMENT PROPERTIES

Development properties are investments in land and buildings under construction, and are carried at cost less provision for impairment losses. 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 whose management the Group is in a position to exercise significant influence, 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 of the associated companies together with goodwill (net of accumulated impairment losses) on acquisition, and in the Company's balance sheet at cost less provision for impairment losses. 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.

Equity accounting is discontinued when the carrying amount of the investment in an associated company reaches zero, unless the Group has incurred obligations or guaranteed obligations in respect of the associated company.

G) SHORT-TERM INVESTMENTS

Short-term investments are securities held for dealing purposes and are stated at fair value. Fair value represents the quoted market price for securities that are actively traded in a liquid market. At each balance sheet date, the unrealized gains and losses arising from changes in fair values of short-term investments are recognized in the profit and loss statement.

The gains or losses on disposal of short-term investments, representing the difference between the net sales proceeds and the carrying amount of the investments, are recognized in the profit and loss statement as they arise.

H) DEFERRED TAXATION

Deferred taxation is provided under 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) PROVISIONS AND CONTINGENT LIABILITIES

A provision is recognized when the Group has a present legal or constructive obligation arising as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

J) IMPAIRMENT OF ASSETS

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired:

i) property and equipment;
ii) investments in subsidiary and associated companies; and
iii) capitalized goodwill and goodwill eliminated against reserves.

If any such indication exists, the recoverable amount of the asset is estimated and, where relevant, an impairment loss is recognized to reduce the asset to its recoverable amount. Such impairment loss is recognized in the profit and loss statement except where the asset is carried at valuation and the impairment loss does not exceed the surplus for that same asset in which case it is treated as a revaluation decrease.

K) 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 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. Goodwill arising on acquisitions from 1 January 2001 is capitalized and written off to the consolidated profit and loss statement on a straight-line basis over its estimated useful economic life, not exceeding 20 years. The carrying amount of the capitalized goodwill is reviewed on a regular basis. As appropriate, any impairment is recognized in the consolidated profit and loss statement for the year. Goodwill arising on acquisitions prior to 2001 was eliminated against reserves in accordance with the accounting standard then in force. As permitted by the current accounting standard, the goodwill previously eliminated against to reserves has not been reinstated on the balance sheet. On disposal, the attributable amount of goodwill, being either the net book value of the amount capitalized or the amount previously written off to reserves, is included in determining the gain or loss on disposal.

L) 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 relate 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 (Q) 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.

M) 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.

N) SEGMENTAL INFORMATION

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. They are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process.

Segment capital expenditure is the total cost incurred during the year to acquire segment assets that are expected to be used for more than one period.

Head Office and other items mainly comprise Head Office assets, borrowings and overheads.

O) 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.

P) 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.

Q) 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.

R) 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.

CONSOLIDATED PROFIT AND LOSS STATEMENT

For the year ended 31 December	Note	2001 US$m	2000 (Restated)(i) US$m
TURNOVER	1	**1,851.7**	2,299.2
Cost of sales		**(1,362.3)**	(1,561.8)
GROSS PROFIT		**489.4**	737.4
(Loss)/gain on disposal and dilution of shareholdings and provision for investments	5	**(2,238.3)**	142.3
Other operating income		**17.1**	12.9
Distribution costs		**(142.0)**	(115.0)
Administrative expenses		**(150.3)**	(240.9)
Other operating expenses		**(17.7)**	(142.7)
OPERATING (LOSS)/PROFIT	1, 2	**(2,041.8)**	394.0
Share of profits less losses of associated companies		**11.8**	(132.4)
Net borrowing costs	3	**(103.6)**	(107.7)
(LOSS)/PROFIT BEFORE TAXATION		**(2,133.6)**	153.9
Taxation	4	**(61.4)**	(35.6)
(LOSS)/PROFIT AFTER TAXATION		**(2,195.0)**	118.3
Outside interests		**398.0**	(67.1)
(LOSS)/PROFIT ATTRIBUTABLE TO ORDINARY SHAREHOLDERS	5	**(1,797.0)**	51.2
ORDINARY SHARE DIVIDENDS	6	**–**	7.7
BASIC AND DILUTED (LOSS)/EARNINGS PER SHARE (U.S. CENTS)	7	**(57.23)**	1.75

(i) Refer to Note 24.

The principal accounting policies on pages 47 to 51 and the Notes on pages 56 to 82 form an integral part of the Financial Statements.

CONSOLIDATED STATEMENT OF RECOGNIZED GAINS AND LOSSES

For the year ended 31 December	Note	2001 US$m	2000 US$m
Exchange differences on the translation of the financial statements of foreign entities	19	**(14.9)**	(180.3)
Realization of property revaluation		**1.3**	24.7
NET LOSSES NOT RECOGNIZED IN THE PROFIT AND LOSS STATEMENT		**(13.6)**	(155.6)
(Loss)/profit attributable to ordinary shareholders		**(1,797.0)**	51.2
TOTAL RECOGNIZED LOSSES FOR THE YEAR		**(1,810.6)**	(104.4)
Goodwill arising on acquisitions and written off against reserves	19	**–**	(312.7)
		(1,810.6)	(417.1)

The principal accounting policies on pages 47 to 51 and the Notes on pages 56 to 82 form an integral part of the Financial Statements.

CONSOLIDATED BALANCE SHEET

As at 31 December	Note	2001 US$m	2000 (Restated)(i) US$m
NON-CURRENT ASSETS			
Property and equipment	8	**840.2**	2,001.6
Associated companies	10	**(23.6)**	19.1
Long-term receivables	11	**176.3**	207.8
Long-term investments		**–**	5.2
Pledged deposits	25(D)	**–**	50.7
		992.9	2,284.4
CURRENT ASSETS			
Cash and bank balances		**310.1**	369.5
Pledged deposits	25(D)	**41.0**	8.0
Short-term investments	12	**11.5**	16.4
Accounts receivable and prepayments	13	**328.7**	518.5
Inventories	14	**361.5**	259.0
		1,052.8	1,171.4
CURRENT LIABILITIES			
Accounts payable and accruals	15	**514.0**	401.3
Short-term borrowings	16	**750.2**	526.1
Provision for taxation	17	**23.1**	27.6
		1,287.3	955.0
NET CURRENT (LIABILITIES)/ASSETS		**(234.5)**	216.4
TOTAL ASSETS LESS CURRENT LIABILITIES		**758.4**	2,500.8
EQUITY CAPITAL AND RESERVES			
Share capital	18	**31.4**	31.4
Reserves	19	**(222.6)**	338.1
Shareholders' (deficit)/equity		**(191.2)**	369.5
OUTSIDE INTERESTS	20	**392.2**	935.6
NON-CURRENT LIABILITIES			
Loan capital and long-term borrowings	21	**391.4**	918.5
Deferred liabilities and provisions	22	**130.0**	247.4
Deferred taxation	23	**36.0**	29.8
		557.4	1,195.7
		758.4	2,500.8

(i) Refer to Note 24.

The principal accounting policies on pages 47 to 51 and the Notes on pages 56 to 82 form an integral part of the Financial Statements.

MANUEL V. PANGILINAN
Executive Chairman

MICHAEL J.A. HEALY
Chief Operating Officer and Finance Director

4 March 2002

COMPANY BALANCE SHEET

As at 31 December	Note	2001 US$m	2000 (Restated)(i) US$m
NON-CURRENT ASSETS			
Subsidiary companies	9	**950.7**	1,445.4
Associated companies	10(B)	**31.0**	27.9
		981.7	1,473.3
CURRENT ASSETS			
Cash and bank balances		**38.5**	138.6
Accounts receivable and prepayments		**0.6**	2.4
		39.1	141.0
CURRENT LIABILITIES			
Accounts payable and accruals		**0.8**	1.2
NET CURRENT ASSETS		**38.3**	139.8
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,020.0**	1,613.1
EQUITY CAPITAL AND RESERVES			
Share capital	18	**31.4**	31.4
Reserves	19	**938.6**	1,531.7
Shareholders' equity		**970.0**	1,563.1
NON-CURRENT LIABILITIES			
Loan capital and long-term borrowings	21(B)	**50.0**	50.0
		1,020.0	1,613.1

(i) Refer to Note 24.

The principal accounting policies on pages 47 to 51 and the Notes on pages 56 to 82 form an integral part of the Financial Statements.

MANUEL V. PANGILINAN
Executive Chairman

MICHAEL J.A. HEALY
Chief Operating Officer and Finance Director

4 March 2002

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December	Note	2001 US$m	2000 (Restated)(i) US$m
NET CASH INFLOW FROM OPERATING ACTIVITIES	25(A)	**86.6**	55.1
Additions of property and equipment		**(132.4)**	(177.0)
Increased investments in			
– subsidiary companies		**–**	(23.0)
– associated companies		**–**	(7.2)
– short-term investments and others		**(13.5)**	(15.6)
Sale of property and equipment		**18.8**	28.5
Disposals of			
– subsidiary companies	26(A)	**129.4**	211.2
– associated companies	26(B)	**48.2**	–
– short-term investments		**19.0**	81.8
Reduced interest in associated companies		**–**	24.5
Loans (to)/repaid by associated companies		**(4.3)**	87.9
Interest received		**30.1**	37.6
Dividends			
– received from associated companies and long-term investments		**2.7**	6.4
– received from Banking operations		**–**	4.0
NET CASH INFLOW FROM INVESTING ACTIVITIES		**98.0**	259.1
NET CASH INFLOW BEFORE FINANCING ACTIVITIES		**184.6**	314.2
Proceeds of new borrowings	25(B)	**340.4**	626.4
Borrowings repaid	25(B)	**(549.3)**	(957.1)
Payments in connection with the shares repurchased by subsidiary companies		**(7.5)**	–
Shares issued to outside interests by subsidiary companies	25(B)	**–**	0.2
Dividends			
– paid to outside interests in subsidiary companies	25(B)	**(8.6)**	(13.3)
– paid to shareholders		**(4.0)**	(8.9)
NET CASH OUTFLOW FROM FINANCING ACTIVITIES		**(229.0)**	(352.7)
DECREASE IN CASH AND CASH EQUIVALENTS		**(44.4)**	(38.5)
Cash and cash equivalents at 1 January		**360.6**	491.7
Exchange translation		**(6.1)**	(92.6)
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		**310.1**	360.6
REPRESENTING			
Cash and bank balances		**310.1**	369.5
Overdrafts	25(C)	**–**	(1.0)
Other short-term borrowings with an original maturity of less than 90 days	25(C)	**–**	(7.9)
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		**310.1**	360.6

(i) Refer to Note 24.

The principal accounting policies on pages 47 to 51 and the Notes on pages 56 to 82 form an integral part of the Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

1. TURNOVER AND SEGMENTAL INFORMATION

	2001 US$m	2000 US$m
TURNOVER		
Sale of goods and properties	**1,803.0**	2,024.4
Rendering of services	**48.7**	274.8
TOTAL	**1,851.7**	2,299.2

SEGMENTAL INFORMATION Segment information is presented in respect of the Group's business and geographical segments. Business segment information is chosen as the primary reporting format because this is more relevant to the Group in making operating and financial decisions.

BY PRINCIPAL ACTIVITIES – 2001

	Consumer US$m	Telecom-munications US$m	Property US$m	Disposed businesses* US$m	Head Office US$m	Total US$m
PROFIT AND LOSS						
Turnover	1,414.9	1.5	134.4	300.9	–	**1,851.7**
Segment results	195.2	(9.1)	(1.1)	25.0	(13.5)	**196.5**
Loss on disposal and dilution of shareholdings and provision for investments						**(2,238.3)**
Operating loss						**(2,041.8)**
Share of profits less losses of associated companies	(0.6)	9.5	(0.6)	3.5	–	**11.8**
Net borrowing costs						**(103.6)**
Loss before taxation						**(2,133.6)**
Taxation						**(61.4)**
Loss after taxation						**(2,195.0)**
Outside interests						**398.0**
Loss attributable to ordinary shareholders						**(1,797.0)**
ASSETS AND LIABILITIES						
Segment assets	1,208.2	7.6	637.6	–	215.9	**2,069.3**
Associated companies	2.4	(75.7)	49.7	–	–	**(23.6)**
Total assets	1,210.6	(68.1)	687.3	–	215.9	**2,045.7**
Total liabilities	877.5	3.1	498.2	–	465.9	**1,844.7**
OTHER INFORMATION						
Capital expenditure	76.1	2.7	61.8	7.6	–	**148.2**
Depreciation	34.4	0.5	8.7	16.8	0.1	**60.5**
Impairment charge	299.6	565.8	1,188.5	–	100.0	**2,153.9**

BY PRINCIPAL MARKETS – 2001

	Indonesia US$m	Philippines US$m	Others US$m	Disposed businesses* US$m	Head Office US$m	Total US$m
Turnover	1,414.9	134.4	1.5	300.9	–	**1,851.7**
Segment results	195.2	(1.1)	(9.1)	25.0	(13.5)	**196.5**
Total assets	1,210.6	743.2	(124.0)	–	215.9	**2,045.7**
Capital expenditure	76.1	61.8	2.7	7.6	–	**148.2**

* Represents Berli Jucker, Darya-Varia and Savills plc.

BY PRINCIPAL ACTIVITIES – 2000

	Consumer US$m	Telecom-munications US$m	Property US$m	Disposed businesses* US$m	Head Office US$m	Total US$m
PROFIT AND LOSS						
Turnover	1,490.3	80.5	240.0	488.4	–	2,299.2
Segment results	188.2	(17.4)	30.9	56.0	(6.0)	251.7
Gain on disposal and dilution of shareholdings less provision for investments						142.3
Operating profit						394.0
Share of profits less losses of associated companies	–	(133.7)	(7.0)	8.3	–	(132.4)
Net borrowing costs						(107.7)
Profit before taxation						153.9
Taxation						(35.6)
Profit after taxation						118.3
Outside interests						(67.1)
Profit attributable to ordinary shareholders						51.2
ASSETS AND LIABILITIES						
Segment assets	1,223.5	2.7	1,693.0	323.7	193.8	3,436.7
Associated companies	3.3	(69.6)	69.9	15.5	–	19.1
Total assets	1,226.8	(66.9)	1,762.9	339.2	193.8	3,455.8
Total liabilities	956.6	–	549.4	154.6	490.1	2,150.7
OTHER INFORMATION						
Capital expenditure	55.1	87.2	91.3	21.4	0.1	255.1
Depreciation	38.9	14.2	10.9	23.8	0.2	88.0

BY PRINCIPAL MARKETS – 2000

	Indonesia US$m	Philippines US$m	Others US$m	Disposed businesses* US$m	Head Office US$m	Total US$m
Turnover	1,490.3	320.5	–	488.4	–	2,299.2
Segment results	188.2	13.5	–	56.0	(6.0)	251.7
Total assets	1,226.8	1,821.2	(125.2)	339.2	193.8	3,455.8
Capital expenditure	55.1	178.5	–	21.4	0.1	255.1

* Represents Berli Jucker, Darya-Varia, Savills plc, SPORTathlon and First Pacific Bank.

2. OPERATING (LOSS)/PROFIT

	2001 US$m	2000 US$m
OPERATING (LOSS)/PROFIT IS STATED AFTER CREDITING		
Net rental income from investment properties	**0.2**	1.8
Operating lease income less outgoings	**0.6**	1.3
Dividend from unlisted investment	**0.1**	0.1
Unrealized gains on short-term investments	**0.5**	0.7
Gain on sale of property and equipment	–	1.3
AND CHARGING		
Employee remuneration	**159.4**	231.3
Depreciation	**60.5**	88.0
Doubtful debt provisions	**7.6**	21.3
Net exchange loss on monetary items	**15.2**	102.8
Operating lease rentals		
– Land and buildings	**1.1**	7.1
– Hire of plant and equipment	**7.4**	6.9
– Other	**0.3**	0.1
Auditors' remuneration		
– Audit services	**1.1**	1.4
– Other services	**0.5**	0.4
Loss on sale of property and equipment	**2.1**	–

3. NET BORROWING COSTS

	2001 US$m	2000* US$m
Loan capital		
– wholly repayable within five years	**10.1**	36.5
– not wholly repayable within five years	**1.0**	1.0
Subtotal	**11.1**	37.5
Bank loans, overdrafts and other loans		
– wholly repayable within five years	**97.1**	124.9
– not wholly repayable within five years	**11.1**	2.2
Subtotal	**108.2**	127.1
TOTAL INTEREST EXPENSE	**119.3**	164.6
Other borrowing costs		
– Exchange differences	–	17.8
– Redemption premium on convertible instruments	**20.4**	23.0
TOTAL BORROWING COSTS	**139.7**	205.4
Less borrowing costs capitalized in		
– property investments	**(9.8)**	(49.1)
– plant and equipment	**–**	(4.2)
Less interest income	**(26.3)**	(44.4)
NET BORROWING COSTS	**103.6**	107.7

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

The capitalization rate applied to funds borrowed generally and used for the development of property is 18.1 per cent per annum (2000: 37.2 per cent per annum).

4. 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 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.

	2001 US$m	2000 US$m
SUBSIDIARY COMPANIES		
Current taxation		
– Overseas	**35.5**	42.0
– Hong Kong	**–**	3.8
Deferred taxation – Overseas	**14.0**	18.8
Subtotal	**49.5**	64.6
ASSOCIATED COMPANIES		
Current taxation		
– Overseas taxation	**4.9**	11.5
– Hong Kong	**–**	0.9
Deferred taxation – Overseas	**7.0**	(41.4)
Subtotal	**11.9**	(29.0)
TOTAL	**61.4**	35.6

Excluding the effects of disposals and impairment provisions, which were not subject to tax, the effective tax rate for 2001 was 38.0 per cent (2000: 38.2 per cent).

5. (LOSS)/PROFIT ATTRIBUTABLE TO ORDINARY SHAREHOLDERS

(Loss)/profit attributable to ordinary shareholders includes impairment provisions of US$1,710.5 million (2000: Nil) and exchange losses of US$22.4 million (2000: US$143.5 million) as set out below.

ANALYSIS OF IMPAIRMENT PROVISIONS

	2001 US$m	2000 US$m
(Loss)/gain on disposal and dilution of shareholdings and provision for investments	**(2,238.3)**	142.3
Less: loss/(gain) on disposal and dilution of shareholdings and others	**102.2**	(142.3)
Included in operating loss	**(2,136.1)**	–
Included in associated companies' results	**(17.8)**	–
Subtotal	**(2,153.9)**	–
Impairment provisions attributable to outside interests	**443.4**	–
TOTAL	**(1,710.5)**	–

An annual review of the carrying costs of PLDT, Indofood and Metro Pacific is performed in order to assess whether their book values continue to be appropriate. Due to the country risks associated with the Philippines and Indonesia and the depreciation of their currencies since the dates of acquisition, the estimated values of these investments are currently significantly below their book values. Therefore, impairment provisions totaling US$1.7 billion were recognized in the 2001 Financial Statements to reduce the book values of these investments to levels more consistent with current market values.

The estimated values of PLDT and Indofood have been calculated by reference to discounted cash flow models. The discount rates used ranged from 13.5 per cent to 17.5 per cent for PLDT and 16.5 per cent to 18.5 per cent for Indofood. The estimated value of Metro Pacific represents the US$98.2 million loan plus accrued interest extended to Metro Pacific by Larouge, a wholly-owned subsidiary of First Pacific.

An analysis of the impact of impairment provisions on consolidated balance sheet categories is set out below.

	2001 US$m	2000 US$m
Impairment charge for		
– property and equipment	**(689.6)**	–
– goodwill reserve	**(874.0)**	–
– exchange reserve	**(264.0)**	–
– inventories	**(92.3)**	–
– other tangible assets	**(216.2)**	–
TOTAL	**(2,136.1)**	–

ANALYSIS OF EXCHANGE LOSSES

	2001 US$m	2000 US$m
Subsidiary companies	**(15.2)**	(120.6)
Less capitalized within net borrowing costs	**–**	17.8
Included in other operating expenses	**(15.2)**	(102.8)
Associated companies	**(19.8)**	(152.1)
Subtotal	**(35.0)**	(254.9)
Exchange differences attributable to taxation and outside interests	**12.6**	111.4
TOTAL	**(22.4)**	(143.5)

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.

	2001 US$m	2000 US$m
PLDT	**(12.3)**	(103.7)
Indofood	**(2.8)**	(23.5)
Others	**(7.3)**	(16.3)
TOTAL	**(22.4)**	(143.5)

Included within the (loss)/profit attributable to ordinary shareholders is a loss of US$589.1 million (2000: profit of US$23.5 million) attributable to the Company.

6. ORDINARY SHARE DIVIDENDS

	U.S. cent per share		US$m	
	2001	2000	**2001**	2000
Interim dividend paid	**–**	0.13	**–**	3.7
Final dividend proposed	**–**	0.13	**–**	4.0
TOTAL	**–**	0.26	**–**	7.7

A) The previously recorded final dividends proposed and declared after the balance sheet date, but accrued in the Financial Statements, for the years ended 31 December 1999 and 2000 were US$7.5 million and US$4.0 million, respectively. Under the Group's new accounting policy, these have been written back against opening reserves as at 1 January 2000 and 2001 in Note 19 and are now charged in the period in which they were proposed.

B) The 2000 final dividend of US$4.0 million was paid wholly in cash.

C) At a meeting held on 4 March 2002, the Directors proposed that no final dividend be paid for 2001.

7. (LOSS)/EARNINGS PER SHARE

	2001	2000
(Loss)/earnings per share is based on		
– (loss)/profit attributable to ordinary shareholders of (US$m)	**(1,797.0)**	51.2
– and an average number of shares in issue of (million)	**3,139.8**	2,923.9
Resulting in (loss)/earnings per share of (U.S. cents)	**(57.23)**	1.75

As the impact of convertible instruments is anti-dilutive, the basic and diluted (loss)/earnings per share figures are the same for 2001 and 2000.

8. PROPERTY AND EQUIPMENT

	Development properties US$m	Land and buildings US$m	Machinery, equipment and vessels US$m	**Consolidated Total US$m**
COST				
At 1 January 2001	1,177.0	364.2	791.1	**2,332.3**
Exchange translation	(37.4)	(18.8)	(43.8)	**(100.0)**
Disposal of subsidiary companies	–	(111.3)	(183.1)	**(294.4)**
Additions	35.9	32.9	79.4	**148.2**
Disposals	(6.9)	(5.3)	(13.2)	**(25.4)**
Reclassifications(i)	(253.7)	–	(9.7)	**(263.4)**
AT 31 DECEMBER 2001	**914.9**	**261.7**	**620.7**	**1,797.3**
ACCUMULATED DEPRECIATION				
At 1 January 2001	–	57.2	273.5	**330.7**
Exchange translation	–	(2.6)	(18.1)	**(20.7)**
Disposal of subsidiary companies	–	(24.0)	(118.9)	**(142.9)**
Charge for the year	–	9.2	51.3	**60.5**
Impairment provisions	679.2	–	10.4	**689.6**
Disposals	–	(0.5)	(4.0)	**(4.5)**
Reclassification(ii)	–	–	44.4	**44.4**
AT 31 DECEMBER 2001	**679.2**	**39.3**	**238.6**	**957.1**
NET BOOK AMOUNT AT 31 DECEMBER 2001	**235.7**	**222.4**	**382.1**	**840.2**
NET BOOK AMOUNT AT 31 DECEMBER 2000	1,177.0	307.0	517.6	2,001.6

(i) Development properties of US$253.7 million have been reclassified as inventories.
(ii) Reclassified from deferred liabilities and provisions.

A) Principal annual rates of depreciation:

Development properties and freehold land	Nil
Freehold buildings	2.5% to 20.0%
Leasehold land and buildings	Lesser of period of lease, or 2.5%
Machinery, equipment and vessels	2.5% to 50.0%

B) Principal development properties held by Metro Pacific Corporation, Landco Pacific group and Fort Bonifacio Development Corporation as at 31 December 2001:

Location in the Philippines	Approximate gross development area (sq.m.)(i)	Group's economic interest %	Type	Status	Estimated completion date
Batulao, Batangas	9,940,000	52.4	R	Planning	–
Costa De Madera, San Juan, Batangas	3,720,000	37.1	Ro	Planning	–
San Fernando, Pampanga	2,349,120	23.4	R	Under construction	2006
Lakewood, Cabanatuan	2,160,059	7.3	R	Under construction	2002
Calasiao, Pangasinan	1,860,000	39.5	R	Planning	–
Fort Bonifacio	1,278,913	30.9	C, R	Under construction	2020
Lemery, Batangas	1,022,902	49.2	F	Under construction	2004
Punta Fuego 1, Batangas	459,900	27.4	R, Ro	Under construction	2002
Punta Fuego 2, Batangas	399,593	17.7	R, Ro	Under construction	2004
Stonecrest, San Pedro, Laguna	334,783	25.0	R	Under construction	2004
Urdaneta, Pangasinan	318,382	7.3	R	Under construction	2002
Talisay, Cebu	291,856	24.2	R	Under construction	2002
Waterwood, Bulacan	150,999	33.0	R	Under construction	2002
Legaspi City, Albay	51,860	24.2	C	Completed	–
Lucena CBD	43,598	69.3	C	Under construction	2003
Pacific Plaza Towers	4,851	80.6	R	Under construction	2002

R = Residential, Ro = Resort, C = Commercial, F = Farm

(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:

	2001 US$m	2000 US$m
Freehold – outside Hong Kong	**222.4**	305.5
Long-term leasehold (over 50 years) – Hong Kong	**–**	1.5
TOTAL	**222.4**	307.0

D) As at 31 December 2001, there was no capitalized interest (2000: US$131.7 million) and exchange differences (2000: US$80.0 million) included in the net book value of development properties.

9. SUBSIDIARY COMPANIES

	Company	
	2001 US$m	2000 US$m
Unlisted shares at cost	**927.1**	991.7
Loans to subsidiary companies	**544.2**	898.7
Balances with subsidiary companies	**(454.4)**	(440.1)
Less provisions for impairment loss	**(66.2)**	(4.9)
TOTAL	**950.7**	1,445.4

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 4.8 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	
	2001 US$m	2000 US$m
Shares at cost or valuation		
– Listed	**559.0**	1,309.4
– Unlisted	**79.3**	93.3
Share of post acquisition reserves	**(76.5)**	(200.1)
Goodwill on acquisitions of associated companies	**(630.5)**	(1,211.9)
Loans to associated companies	**45.1**	28.4
TOTAL	**(23.6)**	19.1

A) In March 2001, the Group sold its entire interest of 19.6 per cent in Savills plc.

B) The Company's interest in associated companies includes unlisted investments of US$31.0 million (2000: US$27.9 million) located outside Hong Kong.

C) As at 31 December 2001, unlisted investments comprised US$79.3 million (2000: US$92.9 million) located outside Hong Kong and nil (2000: US$0.4 million) located within Hong Kong. Listed investments of US$559.0 million (2000: US$1,309.4 million) were situated outside Hong Kong.

D) As at 31 December 2001, the market valuation of listed investments was US$341.6 million (2000: US$759.0 million) and dividends received and receivable were US$1.8 million (2000: US$5.8 million).

E) 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.

F) 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.

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

	PLDT		Escotel	
	2001 US$m	2000 US$m	**2001 US$m**	2000 US$m
OPERATING RESULTS				
Turnover	**1,707.9**	1,334.5	**53.5**	35.7
Profit/(loss) before taxation	**357.3**	(519.9)	**(17.9)**	(30.5)
Profit/(loss) after taxation	**311.8**	(383.9)	**(17.9)**	(30.5)
Net profit/(loss)	**59.0**	(337.0)	**(17.9)**	(30.5)
NET ASSETS/(LIABILITIES)				
Current assets	**596.7**	847.4	**21.4**	12.7
Long-term assets	**4,066.8**	4,140.6	**142.8**	144.8
TOTAL ASSETS	**4,663.5**	4,988.0	**164.2**	157.5
Current liabilities	**(875.6)**	(1,195.9)	**(78.8)**	(133.3)
Long-term liabilities and provisions	**(3,471.0)**	(3,761.2)	**(394.7)**	(307.5)
TOTAL LIABILITIES	**(4,346.6)**	(4,957.1)	**(473.5)**	(440.8)
Outside interests	**(97.5)**	192.8	**–**	–
AT 31 DECEMBER	**219.4**	223.7	**(309.3)**	(283.3)

Escotel has a financial accounting period ending on 31 March, which is not coterminous with the Group. 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.

In accordance with the requirements of the Philippine Depository Insurance Corporation, Metro Pacific converted Pesos 1.8 billion (US$34.7 million) of convertible preferred shares issued by First e-Bank into common shares in October 2001. As a result of this conversion, Metro Pacific's interest in First e-Bank increased from 31.8 per cent to 83.2 per cent. Since control of Metro Pacific is intended to be temporary, First e-Bank continues to be accounted for as an associated company.

11. LONG-TERM RECEIVABLES

	Consolidated	
	2001 US$m	2000 US$m
Currency swap asset	**108.7**	73.3
Installment sales receivable	**93.3**	106.8
Input value added tax recoverable	**73.4**	80.2
Others	**96.7**	52.4
Subtotal	**372.1**	312.7
Impairment provision	**(77.1)**	–
Less current portion included in accounts receivable and prepayments	**(118.7)**	(104.9)
TOTAL	**176.3**	207.8

Currency swap asset reflects Indofood's hedging program.

Installment sales receivable primarily relate to Metro Pacific's sales of property on interest bearing (from 10.0 per cent to 21.0 per cent) installment terms (from two to 10 years) and are secured by the relevant property.

Input value added tax recoverable represents input tax imputed on land acquired by Fort Bonifacio Development Corporation.

Others mainly represents Indofood's cash advances and amounts arises from its technical and management services provided to affiliated companies under normal commercial terms.

12. SHORT-TERM INVESTMENTS

	Consolidated	
	2001 US$m	2000 US$m
Unlisted debt securities – Outside Hong Kong	**11.5**	16.4

13. ACCOUNTS RECEIVABLE AND PREPAYMENTS

Included in accounts receivable and prepayments are trade receivables of US$169.0 million (2000: US$228.6 million) with an ageing profile as follows:

	Consolidated	
	2001 US$m	2000 US$m
Less than 30 days	**144.2**	156.1
30–60 days	**7.7**	16.8
60–90 days	**4.2**	4.7
Over 90 days	**12.9**	51.0
TOTAL	**169.0**	228.6

For Indofood, there are 60 days of credit for sub-distributors/wholesalers and between 15–60 days of credit for other customers. For Metro Pacific, contract receivables are collectible by installments for periods ranging from two to 10 years.

14. INVENTORIES

	Consolidated	
	2001 US$m	2000 US$m
Properties held for sale	**244.9**	–
Finished goods	**72.3**	100.9
Raw materials	**133.2**	153.3
Work in progress	**5.2**	7.4
Less provisions	**(94.1)**	(2.6)
TOTAL	**361.5**	259.0

At 31 December 2001, the carrying amount of inventories carried at net realizable value amounted to US$287.1 million (2000: US$180.3 million).

15. ACCOUNTS PAYABLE AND ACCRUALS

Included in accounts payable and accruals are trade payables of US$182.3 million (2000: US$176.8 million) with an ageing profile as follows:

	Consolidated	
	2001 US$m	2000 US$m
Less than 30 days	**100.7**	136.1
30–60 days	**28.7**	20.7
60–90 days	**14.6**	11.4
Over 90 days	**38.3**	8.6
TOTAL	**182.3**	176.8

16. SHORT-TERM BORROWINGS

	Consolidated	
	2001 US$m	2000 US$m
Bank loans and overdrafts		
– Secured	**71.0**	190.2
– Unsecured	**84.5**	77.2
Total bank loans and overdrafts	**155.5**	267.4
Current portion of loan capital and long-term borrowings (Note 21)	**594.7**	258.7
TOTAL	**750.2**	526.1

None (2000: US$8.9 million) of the debt has an original maturity of less than 90 days. Certain bank loans and overdrafts included within consolidated borrowings are secured by certain of the Group's property and equipment, interests in subsidiary companies, trade receivables and inventories.

Included above are amounts due by the Metro Pacific group as follows:

	2001 US$m
Bank loans and overdrafts	
– Secured	**35.2**
– Unsecured	**60.3**
Total bank loans and overdrafts	**95.5**
Current portion of loan capital and long-term borrowings (Note 21)	**66.3**
TOTAL	**161.8**

As set out in Note 21, a successful implementation of the debt reduction plan announced by Metro Pacific on 1 March 2002 will reduce the overall indebtedness of the Metro Pacific group and/or extend the maturity profile of certain debts to match anticipated future revenue streams, including the above amounts.

17. PROVISION FOR TAXATION

	Consolidated	
	2001 US$m	2000 US$m
At 1 January	**27.6**	38.2
Exchange translation	**(1.1)**	(12.7)
Disposal of subsidiary companies	**(3.3)**	(1.7)
Provision for taxation on estimated assessable profits for the year	**35.5**	42.3
Transfer (to)/from deferred taxation (Note 23)	**(0.2)**	0.5
Reclassifications	**(4.4)**	12.7
TOTAL	**54.1**	79.3
Tax paid	**(31.0)**	(51.7)
AT 31 DECEMBER	**23.1**	27.6

18. SHARE CAPITAL

	Consolidated and Company	
	2001 US$m	2000 US$m
Authorized		
3,499,000,000 (2000: 3,499,000,000) ordinary shares of U.S. 1 cent each	**35.0**	35.0
Issued and fully paid		
At 1 January	**31.4**	29.1
Shares issued for the acquisition of Indofood	**–**	2.2
Shares issued in lieu of dividends	**–**	0.1
At 31 December		
3,139,772,765 (2000: 3,139,772,765) ordinary shares of U.S. 1 cent each	**31.4**	31.4

Details of Directors' and employees' share options are set out in Note 29(C).

19. RESERVES

	Share premium US$m	Revenue reserve US$m	Goodwill reserve US$m	Property revaluation reserve US$m	Exchange reserve US$m	**Consolidated Total 2001 US$m**	**Company Total 2001 US$m**
At 1 January 2001, as previously reported	908.7	1,670.5	(1,913.9)	1.3	(332.5)	**334.1**	**1,527.7**
Reclassification – Note 33	–	(1,913.9)	1,913.9	–	–	**–**	**–**
Prior year adjustments – Note 24	–	4.0	–	–	–	**4.0**	**4.0**
As restated	908.7	(239.4)	–	1.3	(332.5)	**338.1**	**1,531.7**
Exchange translation	–	–	–	–	(14.9)	**(14.9)**	**–**
Transfer to profit and loss	–	874.0	–	–	264.0	**1,138.0**	**–**
Disposal and divestment of interests in subsidiary and associated companies	–	55.3	–	(1.3)	63.2	**117.2**	**–**
(Accumulated loss)/retained profit for the year							
– Company	–	(589.1)	–	–	–	**(589.1)**	**(589.1)**
– Subsidiary companies	–	(1,206.0)	–	–	–	**(1,206.0)**	**–**
– Associated companies	–	(1.9)	–	–	–	**(1.9)**	**–**
Dividend paid	–	(4.0)	–	–	–	**(4.0)**	**(4.0)**
AT 31 DECEMBER 2001	**908.7**	**(1,111.1)**	**–**	**–**	**(20.2)**	**(222.6)**	**938.6**
Including accumulated reserves of associated companies	**–**	**(80.5)**	**–**	**–**	**4.0**	**(76.5)**	**–**

	Share premium US$m	Revenue reserve US$m	Goodwill reserve US$m	Property revaluation reserve US$m	Exchange reserve US$m	Consolidated Total 2000 US$m	Company Total 2000 US$m
At 1 January 2000,							
as previously reported	849.8	1,600.0	(1,744.1)	26.0	(169.3)	562.4	1,450.7
Reclassification – Note 33	–	(1,744.1)	1,744.1	–	–	–	–
Prior year adjustments – Note 24	–	7.5	–	–	–	7.5	7.5
As restated	849.8	(136.6)	–	26.0	(169.3)	569.9	1,458.2
Exchange translation	–	–	–	–	(180.3)	(180.3)	–
Increased shareholding in							
a subsidiary company	58.9	–	–	–	–	58.9	58.9
Disposal and 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
Goodwill arising during the year on							
– acquisitions of and increased							
investments in associated							
companies	–	(268.0)	–	–	–	(268.0)	–
– increased investments in a							
subsidiary company	–	(44.7)	–	–	–	(44.7)	–
Goodwill reinstated on disposal of							
interests in subsidiary and							
associated companies	–	142.9	–	–	–	142.9	–
Retained profit/(accumulated loss)							
for the year							
– Company	–	23.5	–	–	–	23.5	23.5
– Subsidiary companies	–	121.5	–	–	–	121.5	–
– Associated companies	–	(93.8)	–	–	–	(93.8)	–
Dividend paid	–	(11.2)	–	–	–	(11.2)	(11.2)
AT 31 DECEMBER 2000	908.7	(239.4)	–	1.3	(332.5)	338.1	1,531.7
Including accumulated reserves of							
associated companies	–	(193.5)	–	–	(18.9)	(212.4)	–

The revenue reserve of the Company is distributable.

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

	2001 US$m	2000 US$m
PLDT	**(38.3)**	(35.5)
Indofood	**(24.2)**	(23.6)
Escotel	**42.3**	37.7
Metro Pacific	**–**	(253.0)
Disposed businesses	**–**	(58.1)
TOTAL	**(20.2)**	(332.5)

An analysis of the goodwill reserve, included within revenue reserves, by principal operating company is set out below.

	2001 US$m	2000 US$m
PLDT	**(467.1)**	(1,021.5)
Indofood	**(355.3)**	(652.7)
Escotel	**(163.4)**	(163.4)
Metro Pacific	**–**	(26.5)
Disposed businesses	**–**	(49.8)
TOTAL	**(985.8)**	(1,913.9)

20. OUTSIDE INTERESTS

	Consolidated 2001 US$m	2000 US$m
At 1 January	**935.6**	1,602.2
Exchange translation	**(38.8)**	(270.7)
Disposals of subsidiary companies	**(31.2)**	(404.4)
Shares issued and change in attributable interests	**(19.5)**	(36.4)
Share of (loss)/profit for the year	**(398.0)**	67.1
Attributable dividends	**(31.4)**	(22.2)
Reclassification(i)	**(24.5)**	–
AT 31 DECEMBER	**392.2**	935.6

(i) Reclassified from deferred liabilities and provisions.

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

	2001 US$m	2000 US$m
Indofood	**204.8**	176.8
Metro Pacific	**187.4**	728.6
Disposed businesses	**–**	30.2
TOTAL	**392.2**	935.6

21. LOAN CAPITAL AND LONG-TERM BORROWINGS

	Note	Interest rate	Redemption date	Consolidated 2001 US$m	2000 US$m
UNSECURED LOANS					
Loan capital					
– Convertible bonds	(A)	2.0%	2002	**247.8**	267.9
– Convertible note	(B)	2.0%	2006	**50.0**	50.0
– Convertible notes	(C)	9.5%	2002	**29.0**	30.0
– Convertible preferred shares	(D)	10.0%	2002	**14.0**	14.4
– Convertible bonds	(E)	–	–	**–**	72.1
– Convertible long-term commercial paper	(F)	–	–	**–**	38.4
Bank loans				**395.1**	519.5
Other loans	(G)			**106.1**	110.6
Subtotal				**842.0**	1,102.9
SECURED LOANS					
Loan capital					
– Long-term commercial paper	(H)	10.8%	2002	**3.9**	11.0
Bank loans				**77.2**	39.8
Other loans				**63.0**	23.5
Subtotal				**144.1**	74.3
Total loan capital and long-term borrowings				**986.1**	1,177.2
Less current portion included in short-term borrowings (Note 16)				**(594.7)**	(258.7)
TOTAL				**391.4**	918.5

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

	Loan capital		Bank loans		Other loans		Consolidated	
	2001 US$m	2000 US$m	**2001 US$m**	2000 US$m	**2001 US$m**	2000 US$m	**Total 2001 US$m**	Total 2000 US$m
Not exceeding one year	**294.7**	117.5	**293.3**	131.5	**6.7**	9.7	**594.7**	258.7
More than one year but not exceeding two years	**–**	316.3	**73.7**	319.0	**12.3**	1.8	**86.0**	637.1
More than two years but not exceeding five years	**50.0**	–	**99.5**	99.1	**135.6**	122.6	**285.1**	221.7
More than five years	**–**	50.0	**5.8**	9.7	**14.5**	–	**20.3**	59.7
TOTAL	**344.7**	483.8	**472.3**	559.3	**169.1**	134.1	**986.1**	1,177.2
Representing amounts repayable								
– wholly within five years	**294.7**	433.8	**455.1**	549.6	**109.4**	134.1	**859.2**	1,117.5
– not wholly within five years	**50.0**	50.0	**17.2**	9.7	**59.7**	–	**126.9**	59.7
TOTAL	**344.7**	483.8	**472.3**	559.3	**169.1**	134.1	**986.1**	1,177.2

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 11.9 per cent (2000: 9.1 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. During the year, US$20.1 million of bonds were redeemed at an average premium of 26.9 per cent and a total of US$102.2 million of the bonds had been redeemed by 31 December 2001. 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 nonconversion, these bonds will be redeemed at 134.1 per cent of the par value. At 31 December 2001, a premium provision of US$80.2 million had been established for the purpose of redemption and is included in the current portion of deferred liabilities and provisions. Certain bonds have been repurchased subsequent to the year-end (Note 32(C)).

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 NOTES Issued by Metro Pacific totaling Pesos 1.5 billion (US$29.0 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 2001, a premium provision of US$1.8 million had been established for the purpose of redemption and is included in the current portion of deferred liabilities and provisions.

D) 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 2001, a premium provision of US$2.0 million had been established for the purpose of redemption and is included in the current portion of deferred liabilities and provisions.

E) CONVERTIBLE BONDS Guaranteed by Metro Pacific, the remaining bonds of US$72.1 million were redeemed in April 2001.

F) CONVERTIBLE LONG-TERM COMMERCIAL PAPER The outstanding amount, together with accrued interest, was restructured into a secured Pesos 2.1 billion (US$39.8 million) seven-year term loan in May 2001. This amount is included within secured other loans.

G) UNSECURED OTHER LOANS Principally includes the Rupiah 1.0 trillion (US$96.2 million) non-convertible bonds issued by Indofood in July 2000. These bonds are subject to interest of 16 per cent and have a maturing term of five years up to 12 July 2005.

H) LONG-TERM COMMERCIAL PAPER Issued by Metro Pacific totaling Pesos 200 million (US$3.9 million), these papers are secured over shares of a subsidiary company of Metro Pacific.

Included within loan capital and long-term borrowings at 31 December 2001 are amounts due by the Metro Pacific group with the following maturity profile:

	2001 US$m
Not exceeding one year (Note 16)	**66.3**
More than one year but not exceeding two years	**36.7**
More than two years but not exceeding five years	**66.0**
More than five years	**18.5**
TOTAL	**187.5**

On 1 March 2002, Metro Pacific announced its intention to implement a debt reduction plan as summarized in Note 32(B). If successfully implemented, this plan will reduce the overall indebtedness of the Metro Pacific group and/or extend the maturity profile of certain debts to match anticipated future revenue streams. Consequently, Metro Pacific's debt maturity profile may ultimately differ from that set out above.

22. 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	Pension and others US$m	Consolidated Total 2001 US$m
At 1 January	41.4	24.9	87.8	47.6	80.8	**282.5**
Exchange translation	(0.3)	(1.1)	(0.6)	–	(3.2)	**(5.2)**
Additions	–	26.5	20.4	8.6	53.4	**108.9**
Payment and utilization	(3.5)	(3.3)	(23.6)	(31.4)	(9.3)	**(71.1)**
Disposal of subsidiary companies	(2.5)	–	–	–	(5.1)	**(7.6)**
Reclassification(i)	–	–	–	–	(39.3)	**(39.3)**
Subtotal	35.1	47.0	84.0	24.8	77.3	**268.2**
Less current portion included in accounts payable and accruals	(1.3)	(17.8)	(84.0)	–	(35.1)	**(138.2)**
AT 31 DECEMBER	**33.8**	**29.2**	**–**	**24.8**	**42.2**	**130.0**

(i) Reclassified to property and equipment, associated companies and outside interests.

23. DEFERRED TAXATION

	Consolidated 2001 US$m	2000 US$m
At 1 January	**29.8**	34.6
Exchange translation	**(2.0)**	(8.8)
Disposal of subsidiary companies	**(5.0)**	(5.8)
Additions	**14.0**	10.3
Transfer from/(to) provision for taxation (Note 17)	**0.2**	(0.5)
Payment and utilization	**(1.0)**	–
AT 31 DECEMBER	**36.0**	29.8

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 2001, to reduce future income tax arising in the entities to which they relate, amount to US$153.7 million (2000: US$168.2 million) in respect of non-Hong Kong tax losses, and US$47.9 million (2000: US$88.7 million) in respect of Hong Kong tax losses. No deferred tax assets have been recognized in respect of these losses.

24. 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 year-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. In addition, the Group has opted to adopt early SSAP 15 (Revised) regarding the presentation of the cash flow statement. Details of the requirements of these new accounting standards are summarized in Note (A) of the principal accounting policies on pages 47 and 48.

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

	As previously reported For the year ended 31 December 2000 US$m	Restatement SSAP 32 US$m	SSAP 15 (Revised) US$m	As restated For the year ended 31 December 2000 US$m
PROFIT AND LOSS STATEMENT				
Turnover	808.9	1,490.3	–	2,299.2
Operating profit	209.0	185.0	–	394.0
Profit after taxation	56.7	61.6	–	118.3
Profit attributable to ordinary shareholders	51.2	–	–	51.2
CASH FLOW STATEMENT				
Net cash (outflow)/inflow from				
– operating activities	(12.1)	249.3	(182.1)	55.1
– investing activities	274.5	(63.4)	48.0	259.1
– financing activities	(199.2)	(131.3)	(22.2)	(352.7)

	As previously reported As at 31 December 2000 US$m	Restatement SSAP 32 US$m	SSAP 9 (Revised) US$m	As restated As at 31 December 2000 US$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
Shareholders' equity	365.5	–	4.0	369.5
Outside interests	758.8	176.8	–	935.6

25. CONSOLIDATED CASH FLOW STATEMENT

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

	2001 US$m	2000 US$m
Operating (loss)/profit	**(2,041.8)**	394.0
Loss/(gain) on disposal and dilution of shareholdings and provision for investments	**2,238.3**	(142.3)
Exchange losses	**15.2**	102.8
Depreciation	**60.5**	88.0
Dividend income	**(0.1)**	(0.1)
Payments in respect of deferred liabilities and provisions	**(28.4)**	(53.6)
Loss/(gain) on sale of property and equipment	**2.1**	(1.3)
Increase in long-term receivables	**(45.8)**	(12.2)
Increase in accounts receivable and prepayments	**(1.4)**	(46.0)
Increase in inventories	**(13.3)**	(80.5)
Increase in accounts payable and accruals	**62.9**	32.5
Decrease in pledged deposits	**14.1**	25.2
Others	**(5.4)**	(35.2)
Less operating profit attributable to Banking operations	**–**	(34.1)
Cash generated from operations	**256.9**	237.2
Interest paid	**(139.3)**	(130.4)
Hong Kong profits tax paid (Note 17)	**(0.1)**	(0.2)
Overseas taxation paid (Note 17)	**(30.9)**	(51.5)
NET CASH INFLOW FROM OPERATING ACTIVITIES	**86.6**	55.1

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

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 2001	940.1	935.6	1,435.7	**3,311.4**
Exchange translation	–	(38.8)	(15.7)	**(54.5)**
Net cash outflow	–	(8.6)	(208.9)	**(217.5)**
Balances in disposed subsidiary companies	–	(31.2)	(68.5)	**(99.7)**
Attributable loss	–	(398.0)	–	**(398.0)**
Other movements	–	(66.8)	(1.0)	**(67.8)**
AT 31 DECEMBER 2001	**940.1**	**392.2**	**1,141.6**	**2,473.9**

	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	1,602.2	2,315.7	4,796.8
Attributable to Banking operations	–	(219.8)	–	(219.8)
Sources of financing activities	878.9	1,382.4	2,315.7	4,577.0
Exchange translation	–	(270.7)	(166.2)	(436.9)
Net cash outflow	–	(13.1)	(330.7)	(343.8)
Increased shareholding in a subsidiary company	61.1	–	–	61.1
Balances in disposed subsidiary companies	–	(173.7)	(422.6)	(596.3)
Attributable profit	–	49.8	–	49.8
Other movements	0.1	(39.1)	39.5	0.5
AT 31 DECEMBER 2000	940.1	935.6	1,435.7	3,311.4

C) ANALYSIS OF BANK AND OTHER BORROWINGS

	2001 US$m	2000 US$m
Loan capital and long-term borrowings	**391.4**	918.5
Short-term borrowings	**750.2**	526.1
Amounts reclassified as cash and cash equivalents		
– Overdrafts	**–**	(1.0)
– Other short-term borrowings with an original maturity of less than 90 days	**–**	(7.9)
TOTAL	**1,141.6**	1,435.7

D) PLEDGED DEPOSITS The Group has pledged bank deposits of US$4.4 million (2000: US$8.0 million) as security for a banking facility.

In addition, Indofood has pledged bank deposits totaling Rupiah 380.6 billion (US$36.6 million) (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. During 2001, Indofood deposits totaling Rupiah 108.5 billion were released and Guthrie has committed to the release of the remaining deposits, in stages, during 2002.

26. DISPOSALS AND DIVESTMENTS

A) DISPOSAL OF SUBSIDIARY COMPANIES

	Berli Jucker US$m	Darya-Varia US$m	**Total 2001 US$m**	Total First Pacific Bank, Smart and others 2000 US$m
NET ASSETS				
Property and equipment	142.4	9.1	**151.5**	862.4
Associated companies	2.6	–	**2.6**	(69.6)
Long-term receivables	–	–	**–**	5.3
Long-term investments	3.4	–	**3.4**	17.7
Assets, other than property and equipment, attributable to Banking operations	–	–	**–**	2,854.2
Cash and bank balances	28.6	2.0	**30.6**	66.2
Accounts receivable and prepayments	75.6	8.4	**84.0**	165.1
Inventories	38.1	8.9	**47.0**	37.2
Accounts payable and accruals	(43.5)	(14.2)	**(57.7)**	(66.1)
Amount due to Group companies	–	–	**–**	(87.6)
Short-term borrowings	(16.0)	(2.1)	**(18.1)**	(214.9)
Provision for taxation	(2.7)	(0.6)	**(3.3)**	(1.7)
Outside interests	(30.1)	(1.1)	**(31.2)**	(404.4)
Loan capital and long-term borrowings	(50.4)	–	**(50.4)**	(207.7)
Deferred liabilities and provisions	(7.6)	–	**(7.6)**	(86.4)
Deferred taxation	(7.4)	2.4	**(5.0)**	(5.8)
Liabilities attributable to Banking operations	–	–	**–**	(2,579.9)
TOTAL NET ASSETS DISPOSED OF	133.0	12.8	**145.8**	284.0
Goodwill reinstated from reserves	30.8	8.1	**38.9**	130.4
Exchange reserve reinstated	27.8	20.4	**48.2**	17.1
(Loss)/gain on disposal	(66.6)	(6.3)	**(72.9)**	127.0
CONSIDERATION				
Cash and cash equivalents	125.0	35.0	**160.0**	277.4
Additional interest in associated companies	–	–	**–**	281.1
TOTAL CONSIDERATION	125.0	35.0	**160.0**	558.5
NET INFLOW OF CASH AND CASH EQUIVALENTS PER CONSOLIDATED CASH FLOW STATEMENT	**96.4**	**33.0**	**129.4**	211.2

B) DISPOSALS OF ASSOCIATED COMPANIES This includes US$41.6 million of cash generated on the sale of the Group's entire interest in Savills plc, and US$6.6 million from other disposals.

27. COMMITMENTS AND CONTINGENT LIABILITIES

A) CAPITAL EXPENDITURE

	Consolidated	
	2001 US$m	2000 US$m
Commitments in respect of subsidiary companies:		
Authorized but not contracted for	**20.6**	13.5
Contracted but not provided for	**26.9**	35.4
TOTAL	**47.5**	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.

	Consolidated	
	2001 US$m	2000 US$m
Group's share of commitments in respect of associated companies:		
Authorized but not contracted for	**63.1**	94.6
Contracted but not provided for	**66.8**	90.4
TOTAL	**129.9**	185.0

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

At 31 December 2001, there were no Company commitments in respect of capital expenditure (2000: Nil).

B) LEASING COMMITMENTS The total future minimum lease payments payable under non-cancelable operating leases are as follows.

	Consolidated	
	2001 US$m	2000 US$m
LAND AND BUILDINGS		
– Within one year	**1.8**	2.4
– Between two and five years inclusive	**6.1**	5.6
– Over five years	**–**	0.2
Total land and buildings	**7.9**	8.2
PLANT AND OTHER		
– Within one year	**0.3**	–
– Between two and five years inclusive	**0.3**	–
Total plant and other	**0.6**	–
TOTAL	**8.5**	8.2

At 31 December 2001, the Company did not have any leasing commitments (2000: Nil).

C) CONTINGENT LIABILITIES

	Consolidated		Company	
	2001 US$m	2000 US$m	**2001 US$m**	2000 US$m
Guarantees for credit facilities given to				
– non-wholly owned subsidiary companies	**–**	–	**–**	1.0
– associated companies	**100.1**	100.4	**100.1**	100.4
– others	**2.6**	19.3	**–**	–
TOTAL	**102.7**	119.7	**100.1**	101.4

Guarantees in respect of associated companies relate to credit facilities extended to Escotel, which are guaranteed by Escotel's shareholders on a pro-rata basis. Guarantees of US$100.1 million at 31 December 2001 represent the Group's 49 per cent share of Escotel's bank borrowings.

At 31 December 2001, there were no contingent liabilities in respect of the Group's associated companies.

28. EMPLOYEE INFORMATION

A) REMUNERATION

	Consolidated	
	2001 US$m	2000 US$m
Basic salaries	**118.3**	155.5
Bonuses	**18.7**	30.8
Benefits in kind	**18.2**	26.8
Pension contributions	**4.2**	18.2
TOTAL	**159.4**	231.3
AVERAGE NUMBER OF EMPLOYEES	**52,252**	52,187

The above includes remuneration paid to Directors. Detailed disclosures in respect of Directors' remuneration are set out in Note 29.

B) RETIREMENT BENEFITS The Group operates both defined contribution and defined benefit schemes covering approximately 21,072 (2000: 30,132) employees.

i) DEFINED CONTRIBUTION SCHEMES The Group operates nine (2000: eight) defined contribution schemes covering approximately 18,806 (2000: 24,204) employees. The assets of all the schemes are held separately from the Group and are administered by independent trustees. Contributions to the schemes either by the Group or by the employees are determined by reference to employees' salaries and length of service and range from zero per cent to 10 per cent (2000: zero to 12 per cent). Under the terms of the schemes, the Group cannot be required to make additional payments over and above these levels of contributions. In four (2000: three) of the schemes, forfeited contributions may be used to reduce the existing levels of employer contributions and, in 2001, US$0.1 million (2000: Nil) was used for this purpose. At 31 December 2001, forfeited contributions had been fully utilized.

ii) DEFINED BENEFIT SCHEMES The Group operates four (2000: four) defined benefit schemes covering approximately 2,266 (2000: 5,928) employees. The assets of all the schemes are held separately from the Group and are administered by independent trustees. Benefits are determined by reference to employees' final salaries and length of service, and all of the schemes have undergone an independent valuation by qualified actuaries within three years of the balance sheet date. These actuarial valuations were based on the projected unit credit method.

At 31 December 2001, the assets of these schemes had a market value of US$5.3 million which was sufficient to cover 64 per cent of their projected accrued liabilities. The deficit will be eliminated by increasing the employers' and employees' contributions.

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. All of the outstanding loans are to officers of subsidiary companies.

	Balance outstanding		Maximum balance during the year
	31 December US$m	1 January US$m	US$m
Aggregate amount outstanding – 2001	**–**	**0.8**	**0.8**
– 2000	0.8	16.2	16.2

29. DIRECTORS AND SENIOR EXECUTIVES

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

A) DIRECTORS' REMUNERATION

Executive Directors	**2001 US$m**	2000 US$m
Non-performance based		
– Salary and benefits	**3.1**	4.0
– Pension contributions	**0.2**	0.3
– Compensation for contract severance	**–**	1.8
Performance based		
– Bonus and long-term monetary incentive awards	**7.3**	5.9
TOTAL(i)	**10.6**	12.0

(i) Not included above or below is an amount of approximately US$0.9 million (2000: US$1.0 million) which is reimburseable by an associated company in respect of the services of the Executive Chairman.

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

Remuneration bands	**2001 Number**	2000 Number
US$NIL – US$125,000	**6**	6
US$125,001 – US$189,000	**1**	–
US$381,001 – US$445,000	**–**	1
US$573,001 – US$637,000	**1**	–
US$637,001 – US$701,000	**1**	1
US$1,085,001 – US$1,149,000	**–**	1
US$1,213,001 – US$1,277,000	**–**	1
US$1,341,001 – US$1,405,000	**1**	–
US$1,405,001 – US$1,469,000	**–**	1
US$1,725,001 – US$1,789,000	**–**	1
US$1,789,001 – US$1,853,000	**1**	–
US$2,109,001 – US$2,173,000	**–**	1
US$2,749,001 – US$2,813,000	**1**	–
US$3,069,001 – US$3,133,000	**–**	1
US$3,133,001 – US$3,197,000	**1**	–

The Company's independent Non-executive Directors received a total of US$92,000 (2000: US$30,000) in fees for meetings attended in 2001, and emoluments of US$76,923 (2000: US$76,923) for consultancy services provided to the Company in 2001.

B) SENIOR EXECUTIVES' REMUNERATION As similar remuneration schemes operate for the senior executives of the Group, their remuneration may exceed that of the Company's Directors. Two (2000: Nil) senior executives were among the Group's five highest earning employees.

	2001 US$m	2000 US$m
Non-performance based		
– Salary and benefits	**0.3**	–
– Compensation for contract severance[(i)]	**4.9**	–
Performance based		
– Bonus and long-term monetary incentive awards	**0.2**	–
TOTAL	**5.4**	–

(i) Represents the amount paid to two senior executives upon the disposal of a subsidiary company.

The table below shows the remuneration of the two (2000: Nil) senior executives who were among the Group's five highest earning employees in 2001.

Remuneration bands	**2001 Number**	2000 Number
US$1,981,001 – US$2,045,000	**1**	–
US$3,389,001 – US$3,453,000	**1**	–

C) SHARE OPTIONS The tables below give particulars of the options of the Company and its subsidiary companies granted to the Executive Directors and senior executives.

	Options held at 1 January 2001	Options canceled during the year	Options held at 31 December 2001	Option exercise price (HK$)	Market price at date of grant (HK$)	Grant date	Exercisable from	Exercisable until
COMPANY								
EXECUTIVE DIRECTORS								
Manuel V. Pangilinan	12,498,000	–	12,498,000	9.47	9.60	19 December 1996	December 1996	December 2006
Michael J.A. Healy	964,000	–	964,000	9.47	9.60	19 December 1996	December 1996	December 2006
	2,004,000	–	2,004,000	5.38	6.80	25 June 1999	June 2000	June 2009
Ronald A. Brown	1,360,000	–	1,360,000	9.47	9.60	19 December 1996	December 1996	December 2006
	2,504,000	–	2,504,000	5.38	6.80	25 June 1999	June 2000	June 2009
Edward A. Tortorici	920,000	–	920,000	9.22	9.15	16 July 1997	July 1997	July 2007
	5,556,000	–	5,556,000	6.72	6.80	25 June 1999	January 2000	June 2009
SENIOR EXECUTIVES	4,198,000	(900,000)	3,298,000	9.47	9.60	19 December 1996	December 1996 to December 1997	December 2006
	532,000	(532,000)	–	9.66	10.00	14 January 1997	–	–
	7,496,000	(3,038,000)	4,458,000	5.38	2.40–6.80	25 June 1999 to 14 August 2000	June 2000 to August 2001	June 2009

	Options held at 1 January 2001	Options canceled during the year	Options held at 31 December 2001	Option exercise price (Pesos)	Market price at date of grant (Pesos)	Grant date	Exercisable from	Exercisable until
METRO PACIFIC								
SENIOR EXECUTIVES	28,069,204	(11,212,281)	16,856,923	1.69	1.76	2 November 1993	November 1994	November 2003
	9,589,300	(9,589,300)	–	2.26	1.76	2 November 1993	–	–
	10,015,857	(207,386)	9,808,471	1.91	2.37	30 June 1995	June 1996	June 2005
	776,684	(102,448)	674,236	4.38	5.19	15 April 1996	April 1997	April 2006
	11,299,704	(1,280,954)	10,018,750	3.46	3.57	1 August 1997	August 1997	August 2007

No share options have been granted or exercised during the year.

30. 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.

31. RELATED PARTY TRANSACTIONS

Significant related party transactions entered into by the Group during the year ended 31 December 2001, which also constitute connected transactions under the Listing Rules, are disclosed in Note (A). Other related party transactions, which do not constitute connected transactions under the Listing Rules, are disclosed in Note (B).

A) On 26 March 2001, the Company announced that it had agreed to extend funding of US$90.0 million via its wholly-owned subsidiary, Larouge, to Metro Pacific on a fully secured basis, subject to shareholder approval. 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 (i.e., those other than Manuel V. Pangilinan, Ricardo S. Pascua and Edward A. Tortorici who are Directors and shareholders of the Company as well as shareholders and/or Directors of Metro Pacific) approved the transaction at a special general meeting and Metro Pacific drew down the full amount of the facility on the same date. This facility bears interest at a rate of 15.0 per cent per annum and had a maturity date of 31 October 2001, extendable to 31 December 2001 at the option of the Company.

On 29 October 2001, due to Metro Pacific's anticipated difficulties with repayment, the Company's Independent Directors approved the extension of the maturity date to 31 December 2001. At year-end, Metro Pacific was unable to repay the loan and the Company is reviewing its various alternatives in light of Metro Pacific's inability to repay several of its other creditors, as well. The status in respect of this funding after 31 December 2001 is set out in Note 32(A).

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 and is a Commissioner of Indofood.

Indofood believes that these balances/transactions are conducted 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.

As at 31 December Nature of transactions	**2001** **US$m**	2000 US$m
BALANCE SHEET ITEMS		
Accounts receivable – trade		
– from associated companies	**5.4**	3.8
– from affiliated companies	**2.6**	2.8
Accounts receivable – non-trade		
– from affiliated companies	**10.1**	35.0
Long-term receivables		
– from associated companies	**1.0**	–
– from affiliated companies	**27.5**	1.5
Accounts payable – trade		
– to associated companies	**1.1**	1.3
– to affiliated companies	**14.2**	21.6

For the year ended 31 December Nature of transactions	**2001** **US$m**	2000 US$m
PROFIT AND LOSS ITEMS		
Sales of finished goods		
– to associated companies	**46.8**	37.7
– to affiliated companies	**7.0**	18.2
Purchase of raw materials		
– from associated companies	**12.4**	9.6
– from affiliated companies	**137.6**	84.1

Approximately four per cent (2000: four per cent) of Indofood's sales and 14 per cent (2000: nine per cent) of its purchases were made to/from these related companies.

32. SUBSEQUENT EVENTS

A) On 9 January 2002, the Company announced that its wholly-owned subsidiary, Larouge, had been advised by Metro Pacific that Metro Pacific was unable to repay the US$90.0 million loan (together with US$8.2 million of accrued interest), which had been extended by Larouge to Metro Pacific in April 2001. The loan was due and payable on 31 December 2001, and was secured by a pledge over 50.4 per cent of Bonifacio Land Corporation ("BLC") shares, which Metro Pacific owns.

In light of this non-payment, Larouge will co-manage with Metro Pacific the on-going sale of the latter's 69.6 per cent controlling stake in BLC, which was announced in November 2001. When agreement is reached for such a sale, Larouge intends to offer the 50.4 per cent interest in BLC, which it holds as a secured creditor, as part of the sale transaction.

B) On 1 March 2002, Metro Pacific announced its intention to implement a debt reduction plan which may include the sale of assets, discussions with creditors for extended interest and principal repayment grace periods, the conversion of short-term loans into longer facilities and the conversion of certain debts into equity of Metro Pacific's subsidiaries. If successfully implemented, this plan will reduce the overall indebtedness of the Metro Pacific group and/or extend the maturity profile of certain debts to match anticipated future revenue streams. Consequently, Metro Pacific's debt maturity profile may ultimately differ from the position set out in Notes 16 and 21.

C) The Group repurchased and canceled US$117.3 million of convertible bonds from the market at a total cost of US$157.5 million in January 2002 through a combination of cash on hand and the drawdown of US$190.0 million from a US$200.0 million facility provided by ING Bank NV.

After the conclusion of the open market purchase exercise, there remain outstanding convertible bonds in the principal amount of US$130.5 million. These convertible bonds will be redeemed at their full redemption value payable at maturity on 27 March 2002, plus accrued interest, at a total cost of approximately US$176.3 million. On 31 January 2002, First Pacific deposited sufficient funds with the appointed trustee of the convertible bonds, for the purpose of redeeming in full all of the outstanding bonds upon maturity.

33. 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-end, and the presentation of the cash flow statement (Note 24). 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 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.