

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The Condensed Interim Financial Statements have been prepared in accordance with Hong Kong Statement of Standard Accounting Practice (SSAP) No. 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants (HKSA) and the disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The Condensed Interim Financial Statements are prepared on a basis consistent with the accounting policies adopted in the Group's 2001 audited Financial Statements except that the Group has changed certain of its accounting policies following its adoption of the following SSAPs issued by the HKSA which are effective for accounting periods commencing on or after 1 January 2002:

SSAP 1 (Revised): Presentation of Financial Statements

SSAP 11 (Revised): Foreign Currency Translation

SSAP 15 (Revised): Cash Flow Statements

SSAP 25 (Revised): Interim Financial Reporting

SSAP 33: Discontinuing Operations

SSAP 34: Employee Benefits

The adoption of these new or revised SSAPs has no material effect on the Group's results or shareholders' equity.

The Group has also adopted early the HKSA's Interpretation 18: "Consolidation and Equity Method - Potential Voting Rights and Allocation of Ownership Interests", which is effective for annual accounting periods commencing on or after 1 July 2002. Interpretation 18 requires that all potential voting rights, that are presently exercisable, be considered in determining control and significant influence. According to this Interpretation, Piltel qualifies as a subsidiary of PLDT and adjustments are required to consolidate Piltel's results into those of PLDT. No prior year adjustment is required as there is no material effect on the previous years' reported results or shareholders' equity.

The Condensed Interim Financial Statements are unaudited but have been reviewed by the Audit Committee and the Group's external auditors.

2. SEGMENTAL INFORMATION

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

Six months ended 30 Jun US\$ millions	Turnover		Operating profit	
	2002	2001	2002	2001
Principal activities/markets				
– Consumer/Indonesia	836.4	671.4	119.0	62.8
– Property/Philippines	62.3	87.8	11.3	6.9
– Disposed businesses ⁽ⁱ⁾	0.4	145.3	(2.3)	3.6
Subtotal	899.1	904.5	128.0	73.3
Head Office	–	–	9.4	10.2
TOTAL	899.1	904.5	137.4	83.5

(i) Represents Infrontier in 2002 and 2001; Berli Jucker, Darya-Varia and Savills plc in 2001.

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3. OPERATING PROFIT

Six months ended 30 Jun US\$ millions	2002	2001
OPERATING PROFIT IS STATED AFTER (CHARGING)/CREDITING		
Employee remuneration	(71.6)	(74.5)
Depreciation	(26.8)	(31.0)
Doubtful debt provisions	(1.9)	(0.7)
(Loss)/gain on the sale of property and equipment	(0.3)	0.1
Net exchange gains/(losses) on monetary items	18.7	(31.3)
Net rental income from investment properties	1.2	0.2
Dividends from unlisted investments	–	0.1

4. NET BORROWING COSTS

Six months ended 30 Jun US\$ millions	2002	2001
Loan capital		
- wholly repayable within five years	2.8	6.1
- not wholly repayable within five years	0.5	1.4
Subtotal	3.3	7.5
Bank loans, overdrafts and other loans		
- wholly repayable within five years	55.3	50.5
- not wholly repayable within five years	2.5	1.0
Subtotal	57.8	51.5
TOTAL INTEREST EXPENSE	61.1	59.0
Other borrowing costs		
- Redemption premium on convertible instruments	4.2	11.3
TOTAL BORROWING COSTS	65.3	70.3
Less borrowing costs capitalized in property investments	(2.0)	(6.0)
Less interest income	(12.2)	(14.4)
NET BORROWING COSTS	51.1	49.9

5. TAXATION

No Hong Kong profits tax (2001: Nil) has been provided as the Group had no estimated assessable profits (2001: Nil) in Hong Kong for the period. Taxation on assessable profits generated outside Hong Kong has been provided at the rates of taxation prevailing in the countries in which the Company's subsidiary and associated companies operate.

Six months ended 30 Jun US\$ millions	2002	2001
SUBSIDIARY COMPANIES		
Current taxation - Overseas	13.0	16.7
Deferred taxation - Overseas	15.4	4.1
Subtotal	28.4	20.8
ASSOCIATED COMPANIES		
Current taxation - Overseas	2.2	5.5
Deferred taxation - Overseas	7.4	0.3
Subtotal	9.6	5.8
TOTAL	38.0	26.6

Excluding non-taxable business disposals, the effective tax rate for 2002 was 41.6% (2001: 46.1%).

6. PROFIT/(LOSS) ATTRIBUTABLE TO ORDINARY SHAREHOLDERS

Profit/(loss) attributable to ordinary shareholders includes exchange gains/(losses) that arose primarily on the translation of the unhedged U.S. dollar denominated borrowings of PLDT and Indofood.

Six months ended 30 Jun US\$ millions	2002	2001
Exchange gains/(losses)		
– Subsidiary companies	18.7	(31.3)
– Associated companies	8.5	(28.5)
Subtotal	27.2	(59.8)
Attributable to taxation and outside interests	(16.0)	27.3
TOTAL	11.2	(32.5)

Exchange gains/(losses), net of taxation and outside interests, by principal operating company is set out below.

Six months ended 30 Jun US\$ millions	2002	2001
PLDT	8.0	(18.9)
Indofood	6.6	(8.4)
Others	(3.4)	(5.2)
TOTAL	11.2	(32.5)

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7. EARNINGS /(LOSS) PER SHARE

Six months ended 30 Jun	2002	2001
Earnings/(loss) per share are based on		
- profit/(loss) attributable to ordinary shareholders of (US\$ millions)	26.8	(12.1)
- and an average number of shares in issue of (millions)	3,139.8	3,139.8
Resulting in earnings/(loss) per share of (U.S. cent)	0.85	(0.39)

As the convertible instruments have no dilutive effect, there is no difference between the basic and diluted earnings/(loss) per share figures for both 2002 and 2001.

8. ORDINARY SHARE DIVIDENDS

At a meeting held on 19 August 2002, the Directors proposed that no interim dividend be paid for 2002 (2001: Nil).

9. PROPERTY AND EQUIPMENT

The movements in property and equipment are set out below.

US\$ millions	2002	2001
At 1 Jan	840.2	2,001.6
Exchange translation	108.8	(150.9)
Additions	63.1	67.8
Disposals	(17.5)	(65.5)
Depreciation	(26.8)	(31.0)
Reclassifications	67.8	(211.9)
AT 30 JUN	1,035.6	1,610.1

10. ASSOCIATED COMPANIES

US\$ millions	At 30 Jun 2002	At 31 Dec 2001
Escotel	(133.4)	(129.3)
PLDT	73.4	53.6
Metro Pacific associates	40.4	49.7
Others	3.0	2.4
TOTAL	(16.6)	(23.6)

11. ACCOUNTS RECEIVABLE AND PREPAYMENTS

Included in accounts receivable and prepayments are trade receivables of US\$163.4 million (31 December 2001: US\$169.0 million). An ageing analysis of trade receivables follows.

US\$ millions	At 30 Jun 2002	At 31 Dec 2001
Less than 30 days	91.6	144.2
30 to 60 days	37.3	7.7
60 to 90 days	7.2	4.2
Over 90 days	27.3	12.9
TOTAL	163.4	169.0

Indofood allows sub-distributors/wholesalers 60 days of credit, and other customers between 15 to 60 days of credit. Metro Pacific collects contract receivables by installments over periods ranging between two and 10 years.

12. ACCOUNTS PAYABLE AND ACCRUALS

Included in accounts payable and accruals are trade payables of US\$194.9 million (31 December 2001: US\$182.3 million). An ageing analysis of trade payables follows.

US\$ millions	At 30 Jun 2002	At 31 Dec 2001
Less than 30 days	156.4	100.7
30 to 60 days	3.7	28.7
60 to 90 days	2.1	14.6
Over 90 days	32.7	38.3
TOTAL	194.9	182.3

13. DEFERRED LIABILITIES AND PROVISIONS

US\$ millions	Deferred income	Long- term payables	Redemption premium on convertible instruments	Pensions and others	2002 Total	2001 Total
At 1 Jan	35.1	47.0	84.0	102.1	268.2	282.5
Exchange translation	0.2	1.2	0.1	7.2	8.7	(8.9)
Additions	8.8	5.5	4.2	16.1	34.6	51.4
Payment and utilization	(3.2)	–	(88.2)	(48.0)	(139.4)	(95.7)
Subtotal	40.9	53.7	0.1	77.4	172.1	229.3
Less current portion included in accounts payable and accruals	(1.3)	(26.6)	(0.1)	(12.2)	(40.2)	(95.0)
AT 30 JUN	39.6	27.1	–	65.2	131.9	134.3

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14. NOTES TO THE CONDENSED CONSOLIDATED CASH FLOW STATEMENT

(a) ANALYSIS OF CHANGES IN FINANCING

US\$ millions	Share capital and share premium	Outside interests	Bank and other borrowings	2002 Total financing	2001 Total financing
At 1 Jan	940.1	392.2	1,141.6	2,473.9	3,311.4
Exchange translation	–	45.1	55.0	100.1	(123.4)
Net cash outflow	–	(16.3)	(118.5)	(134.8)	(92.3)
Attributable profit	–	32.5	–	32.5	14.4
Other movements	–	12.4	97.3	109.7	(65.6)
AT 30 JUN	940.1	465.9	1,175.4	2,581.4	3,044.5

(b) ANALYSIS OF BANK AND OTHER BORROWINGS

US\$ millions	At 30 Jun 2002	At 30 Jun 2001
Loan capital and long-term borrowings	885.5	457.4
Short-term borrowings	289.9	831.7
Amounts reclassified as cash and cash equivalents		
– Overdrafts	–	(0.4)
– Other short-term borrowings with an original maturity of less than 90 days	–	(5.3)
TOTAL	1,175.4	1,283.4

(c) PLEDGED DEPOSITS

The Company has pledged bank deposits of US\$2.4 million (31 December 2001: US\$4.4 million) as security for a loan.

In addition, Indofood has pledged bank deposits totaling Rupiah 336.7 billion (US\$38.7 million) (31 December 2001: Rupiah 380.6 billion or US\$36.6 million) as security in connection with loans advanced to PT Salim Ivomas Pratama (SIMP). During 2001, the Indonesia 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 2002, Indofood deposits totaling Rupiah 43.9 billion were released and Guthrie has committed to release the remaining deposits, in stages, before the end of 2002.

15. COMMITMENTS AND CONTINGENT LIABILITIES

(a) CAPITAL EXPENDITURE

US\$ millions	At 30 Jun 2002	At 31 Dec 2001
Commitments in respect of subsidiary companies:		
Authorized but not contracted for	23.2	20.6
Contracted but not provided for	16.9	26.9
TOTAL	40.1	47.5

This mainly relates to Indofood (purchase of machinery and equipment) and Metro Pacific (property development obligations).

US\$ millions	At 30 Jun 2002	At 31 Dec 2001
Group's share of commitments in respect of associated companies:		
Authorized but not contracted for	27.0	63.1
Contracted but not provided for	26.2	66.8
TOTAL	53.2	129.9

Principally represents PLDT's commitments to acquire telecommunications equipment.

(b) CONTINGENT LIABILITIES

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

US\$ millions	At 30 Jun 2002	At 31 Dec 2001
Guarantees for credit facilities given to		
– an associated company	97.7	100.1
– others	–	2.6
TOTAL	97.7	102.7

Guarantees in respect of an associated company relate to credit facilities extended to Escotel, which are guaranteed by Escotel's shareholders on a pro-rata basis. Guarantees of US\$97.7 million (31 December 2001: US\$100.1 million) represents the Group's 49 per cent share of Escotel's borrowings.

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16. SHARE OPTIONS

The table below gives particulars of options, to subscribe for shares of the Company, that have been granted to the Executive Directors and senior executives of the Company.

	Options held at 1 Jan 2002	Options canceled during the period	Options held at 30 Jun 2002	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 Dec 1996	Dec 1996	Dec 2006
Michael J.A. Healy	964,000	–	964,000	9.47	9.60	19 Dec 1996	Dec 1996	Dec 2006
	2,004,000	–	2,004,000	5.38	6.80	25 Jun 1999	Jun 2000	Jun 2009
Ronald A. Brown	1,360,000	–	1,360,000	9.47	9.60	19 Dec 1996	Dec 1996	Dec 2006
	2,504,000	–	2,504,000	5.38	6.80	25 Jun 1999	Jun 2000	Jun 2009
Edward A. Tortorici	920,000	–	920,000	9.22	9.15	16 Jul 1997	Jul 1997	Jul 2007
	5,556,000	–	5,556,000	6.72	6.80	25 Jun 1999	Jan 2000	Jun 2009
SENIOR EXECUTIVES	3,298,000	(454,000)	2,844,000	9.47	9.60	19 Dec 1996	Dec 1996 to Dec 1997	Dec 2006
	4,458,000	(1,522,000)	2,936,000	5.38	2.40-6.80	25 Jun 1999 to 14 Aug 2000	Jun 2000 to Aug 2001	Jun 2009

No share options have been granted, exercised or canceled during the period in respect of Metro Pacific's share options scheme. For details, please refer to page 80 of First Pacific's 2001 Annual Report.

On 16 May 2001, Indofood established an Employee Stock Ownership Programme (ESOP), which is to be implemented in three phases ending on 15 May 2004. Under this programme, certain persons who have been employees, including directors and senior executives, of Indofood for a minimum of one year were granted non-transferable options to purchase Indofood's common shares with a par value of Rupiah 100 each, exercisable in the relevant period up to 15 May 2004. The programme has authorized the granting of up to 915,600 options to purchase 500 common shares each, representing in aggregate 457,800,000 common shares or five per cent of the issued and outstanding share capital of Indofood at 16 May 2001, at an exercise price of Rupiah 825 per share. At 31 December 2001, no options had been granted under the ESOP. On 15 May 2002, 457,800 options were granted and all of these have been exercised. The market value of Indofood shares, at the date the options were granted, was Rupiah 1,000 per share.

The Directors are of the view that the value of options granted during the period depends on a number of variables which are either difficult to ascertain or which can only be ascertained subject to a number of theoretical bases and speculative assumptions. Accordingly, the Directors believe that any calculation of the value of options will not be meaningful and may be misleading to shareholders.

17. RELATED PARTY TRANSACTIONS

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 transactions are conducted under normal terms and conditions, similar to those with non-related parties. The more significant transactions with these related parties are summarized below.

Nature of balances US\$ millions	At 30 Jun 2002	At 31 Dec 2001
BALANCE SHEET ITEMS		
Accounts receivable – trade		
– from associated companies	5.7	5.4
– from affiliated companies	3.4	2.6
Accounts receivable – non-trade		
– from affiliated companies	9.0	10.1
Long-term receivables		
– from associated companies	3.0	1.0
– from affiliated companies	1.6	27.5
Accounts payable – trade		
– to associated companies	1.4	1.1
– to affiliated companies	2.1	14.2
Nature of transactions		
Six months ended 30 Jun US\$ millions	2002	2001
PROFIT AND LOSS ITEMS		
Sales of finished goods		
– to associated companies	26.4	21.2
– to affiliated companies	8.6	2.9
Purchase of raw materials		
– from associated companies	6.8	5.6
– from affiliated companies	16.2	73.6

Approximately four per cent (2001: four per cent) of Indofood's sales and four per cent (2001: 16 per cent) of its purchases were transacted with these related companies.

18. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current period's presentation. In particular, the comparatives have been adjusted to take into account HKSSAP 15 (Revised). Such reclassifications have no material effect on the Group's results or shareholders' equity.