STATUTORY REPORTS, FINANCIAL STATEMENTS AND NOTES

CONTENTS

STATUTORY REPORTS

REPORT OF THE DIRECTORS

PRINCIPAL BUSINESS ACTIVITIES AND GEOGRAPHICAL MARKETS ANALYSIS OF OPERATIONS

First Pacific Company Limited (the Company) is a Hong Kong-based investment and management company with operations located primarily in Southeast Asia. Its principal business interests relate to Consumer, Telecommunications and Property. There were no significant changes in the nature of the Group's principal business activities during the year.

An analysis of the Group's turnover and segmental information for the year, by principal business activities and principal geographical markets, is set out in Note 1 to the Financial Statements, and a summary of its principal investments is set out on the inside back cover.

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 that give a true and fair view of the 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 SHARE OPTIONS

Details of movements in the Company's share capital and share options during the year, together with the reasons therefor, are set out in Notes 19 and 29(C) to the Financial Statements.

RESERVES

Details of movements in the reserves of the Group and the Company are set out in the consolidated and Company statement of changes in shareholders' equity/(deficit) of the Financial Statements.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

On 25 September 2002, the Company issued 46,220,238 shares at HK$8.4 per share upon the conversion of a US$50 million Convertible Note, at a fixed exchange rate of HK$7.765: US$1.

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

In January 2002, the Group repurchased and canceled US$117.3 million of the two per cent 2002 convertible bonds for a total consideration of US$157.5 million. The remaining convertible bonds, totaling US$130.5 million, were redeemed at a total consideration of US$176.3 million on 27 March 2002.

During the year, Indofood repurchased approximately 790.2 million common shares from the market at an average price of approximately Rupiah 840 per share.

On 15 May 2002, under its employee stock ownership program, Indofood granted 457,800 options to qualified employees to purchase 228.9 million common shares at an exercise price of Rupiah 825 per share. The options were fully exercised by the employees on 15 May 2002 and Indofood issued 228.9 million new common shares.

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 during the year.

RESULTS AND APPROPRIATIONS

The consolidated results of the Group for the year ended 31 December 2002 and the state of affairs of the Company and the Group at that date are set out in the Financial Statements on pages 36 to 74.

The Directors do not recommend the payment of a dividend.

CHARITABLE CONTRIBUTIONS

The Group made charitable contributions totaling US$2.0 million in 2002 (2001: US$2.6 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, LOAN CAPITAL AND OTHER BORROWINGS

Particulars of the bank loans, loan capital and other borrowings of the Company and the Group are provided in Notes 17 and 21 to the Financial Statements.

FINANCIAL ASSISTANCE TO AN ASSOCIATED COMPANY

Particulars of the Company's guarantees for credit facilities to an associated company and its condensed balance sheet, disclosed pursuant to paragraphs 3.3 and 3.10 of Practice Note 19 of the Listing Rules, are respectively provided in Note 30(C) and Note 10(G) to the Financial Statements.

DISTRIBUTABLE RESERVES

At 31 December 2002, the Company's reserves available for distribution, calculated in accordance with the provisions of the Companies Act 1981 of Bermuda (as amended), amounted to US$29.6 million (2001: US$29.9 million). In addition, the Company's share premium, in the amount of US$958.2 million (2001: US$908.7 million), may be distributed in the form of fully-paid bonus shares.

PRE-EMPTIVE RIGHTS

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

SUMMARY FINANCIAL INFORMATION

A summary of the published results, assets and liabilities, and various information and financial ratios of the Company and the Group for the last ten financial years, as extracted from the audited Financial Statements and reclassified as appropriate, is set out on page 78. This summary does not form part of the audited Financial Statements.

DIRECTORS

The names of the Directors who held office at 31 December 2002 are set out in the table below. Details of Directors' contracts are provided in the Statement of Corporate Governance, and remuneration details are provided in Note 29(A) to the Financial Statements.

INTERESTS OF THE EXECUTIVE CHAIRMAN AND OTHER DIRECTORS IN THE COMPANY

Information in respect of the interests of the Executive Chairman and other Directors in the share capital of the Company at 31 December 2002, disclosed pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance (SDI Ordinance), is detailed below.

		Ordinary shares	Ordinary share options[(i)]
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[(ii)]	790,229,364 (C)	–
Anthoni Salim	33.3 per cent interest		
	via First Pacific Investments (BVI) Limited[(iii)]	628,296,599 (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)
Prof. Edward K. Y. Chen, CBE, JP		–	–
David W.C. Tang, OBE		–	–

(C) = Corporate interest, (P) = Personal interest
(i) All of the ordinary share options were canceled on 7 February 2003.
(ii) Soedono Salim, the former Chairman, and Sudwikatmono, a former Non-executive Director, respectively own a 30.0 per cent and a 10.0 per cent interest in First Pacific Investments Limited.
(iii) Soedono Salim, the former Chairman, owns a 33.3 per cent interest in First Pacific Investments (BVI) Limited.

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) at 31 December 2002 were as follows.

- Manuel V. Pangilinan owned 15,048,064 common shares(P) in Metro Pacific Corporation (MPC) and 40,000 common shares(P) in Philippine Long Distance Telephone Company (PLDT) and 300,000 common shares(P) in Pilipino Telephone Corporation. In addition, he is entitled to 97,571 stock options(P) in PLDT.
- Anthoni Salim owned 632,370 ordinary shares(P) in PT Indofood Sukses Makmur Tbk (Indofood).
- Michael J.A. Healy owned 625,000 ordinary shares(P) in 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.

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

In addition to the above, certain Directors have non-beneficial personal equity interests in certain subsidiary and associated companies held solely for the benefit of the Company for the purpose of complying with various statutory and other minimum company membership requirements.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS, OTHER THAN THE EXECUTIVE CHAIRMAN AND OTHER DIRECTORS, IN THE COMPANY

The register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance shows that at 31 December 2002, 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, beneficially owned 790,229,364 ordinary shares at 31 December 2002. FPIL-Liberia is majority owned by four Non-executive Directors of the Company. Their beneficial indirect interests in the Company, through FPIL-Liberia, at 31 December 2002, were: Sutanto Djuhar 7.44 per cent, Tedy Djuhar 2.48 per cent, Ibrahim Risjad 2.48 per cent, and Anthoni Salim 2.48 per cent.

(B) First Pacific Investments (BVI) Limited (FPIL-BVI), which is incorporated in the British Virgin Islands, beneficially owned 628,296,599 ordinary shares at 31 December 2002, and is 33.3 per cent owned by one Non-executive Director of the Company, Anthoni Salim. His beneficial indirect interest in the Company, through FPIL-BVI, at 31 December 2002, was 6.57 per cent.

HKSCC Nominees Limited, Credit Suisse First Boston (Singapore Branch) and Horsford Nominees Limited, at 31 December 2002, were the registered owners of 1,034,755,725 ordinary shares, 80,000,000 ordinary shares and 75,700,000 ordinary shares, representing 32.48 per cent, 2.51 per cent and 2.38 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, at 31 December 2002, FPIL-Liberia and FPIL-BVI have pledged 159,400,000 ordinary shares and 68,080,238 ordinary shares, representing 5.00 per cent and 2.14 per cent respectively, of the total issued share capital in the Company, registered in their own names, respectively, to secure certain credit facilities.

Commencing on 1 April 2003, new Hong Kong statutory requirements have lowered the threshold for this disclosure to five per cent or more, which will be reflected in the Company's future disclosures.

DIRECTORS' INTERESTS

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.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from as disclosed under the headings "Interests of the Executive Chairman and Other Directors in the Company" above and "Share Options" in Note 29(C) to the Financial Statements, at no time during the year were rights to acquire benefits by means of the acquisition of shares or debentures in the Company granted to any Director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiary companies or fellow subsidiary companies a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

MAJOR CUSTOMERS AND SUPPLIERS

In 2002, sales to the Group's five largest customers, and purchases from the Group's five largest suppliers, respectively accounted for less than 30 per cent of total sales and total purchases for the year.

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 Notes 30(A) to (C) to the Financial Statements.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

Previously, the Company maintained appropriate 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. In light of the recent surge in premia payable for insurance coverage, the Company is self-insuring, but continues to monitor premia in this coverage area.

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.

SUBSEQUENT EVENTS

Details of the significant subsequent events of the Group are set out in Note 31 to the Financial Statements.

AUDITORS

During the year, PricewaterhouseCoopers resigned as auditors of the Company, and Ernst & Young were appointed by the Directors to fill the casual vacancy so arising. There has been no other change of auditors in the past three years. A resolution for the reappointment of Ernst & Young as auditors of the Company will be proposed at the forthcoming AGM.

On behalf of the Board of Directors

MANUEL V. PANGILINAN
Executive Chairman

17 April 2003

ERNST & YOUNG
安永會計師事務所

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 36 to 74 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 an examination, on a test basis, of evidence relevant to the amounts and disclosures in the Financial Statements. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the Financial Statements, and of whether the accounting policies are appropriate to the Company's and the Group's circumstances, consistently applied and adequately disclosed.

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

OPINION

In our opinion the Financial Statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2002 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

ERNST & YOUNG
Certified Public Accountants

Hong Kong
17 April 2003

FINANCIAL STATEMENTS

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 accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the HKSA, the disclosure requirements of the Hong Kong Companies Ordinance and the Listing Rules. The Financial Statements have been prepared under the historical cost convention except for short-term investments and derivative instruments which, as disclosed in the accounting policies below, are stated at fair value.

During 2002, certain of the accounting policies have been revised following the adoption of the following new or revised Statements of Standard Accounting Practice (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 prescribes the basis for the presentation of Financial Statements and sets out guidelines for their structure and minimum requirements for the content thereof. The principal impact of the revision to this SSAP is that a consolidated statement of changes in shareholders' equity/(deficit) is now presented in place of the consolidated statement of recognized gains and losses that was previously required and in place of the Group's reserves note.
- SSAP 11 (Revised): Foreign Currency Translation prescribes the basis for the translation of foreign currency transactions and Financial Statements of overseas subsidiary and associated companies.
- SSAP 33: Discontinuing Operations prescribes the disclosure of certain information relating to a discontinuing operation.
- SSAP 34: Employee Benefits prescribes the recognition and measurement criteria which applied to employee benefits, together with the required disclosures in respect thereof. In addition, disclosures are now required in respect of the Group's share option schemes, which are similar to existing disclosure requirements of the Listing Rules.

The Group has also adopted SSAP 35 "Accounting for Government Grants and Disclosure of Government Assistance", which is effective for annual accounting periods commencing on or after 1 July 2002. SSAP 35 prescribes the accounting for, and disclosure of, government grants, and the disclosure of other forms of government assistance.

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

In addition, the Group has also adopted the HKSA's Interpretation 16: "Disclosure - Service Concession Arrangements", which became effective on 30 June 2002. The Interpretation 16 prescribes the disclosure of certain information relating to arrangements to provide services that give the public access to major economic and social facilities. The adoption of Interpretation 16 gives rise to additional disclosures as set out in Note 10(H).

(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 to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. Even in the absence of a majority shareholding or voting interest, the Group has the power to govern the financial and operating policies of Indofood so as to obtain benefits from its activities. Therefore, because of this ability to exercise control, Indofood has been accounted for as a subsidiary company since its acquisition pursuant to SSAP 32 "Consolidated Financial Statements and Accounting for Investments in Subsidiaries".

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 that 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 any provision for impairment losses. The results of subsidiary companies are accounted for by the Company on the basis of dividends received and receivable.

(C) CASH AND CASH EQUIVALENTS

For the purposes of the balance sheet, cash and bank balances comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

For the purposes of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short-term highly liquid investments (which are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally less than three months when acquired), less bank overdrafts (which are repayable on demand and which form an integral part of the Group's cash management).

(D) INVENTORIES

Inventories are stated at the lower of cost and net realizable value. Cost is calculated using the first-in first-out basis, the weighted-average basis or moving average method. 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.

(E) 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.

(F) 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 to the extent of deposits received. Under this method, the gross profit on sale is recognized as the related obligation is fulfilled. Unrealized gross profit on sale of development properties is deferred and shown as deferred income under "Deferred liabilities and provisions" account in the consolidated balance sheet.

(G) 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 of 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 under the equity method of accounting, together with related goodwill (net of accumulated impairment losses) or negative goodwill on acquisition, which was not previously eliminated or recognized in the consolidated reserves, 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.

(H) SHORT-TERM INVESTMENTS

Short-term investments are securities held for dealing purposes and are stated at fair value. 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 the disposals 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.

(I) DEFERRED TAXATION

Deferred taxation is provided using the liability method, on all significant 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. A deferred tax asset is not recognized until its realization is assured beyond reasonable doubt.

(J) PROVISIONS AND CONTINGENT LIABILITIES

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. When the effect of discounting is material, the amount recognized for a provision is the present value, at the balance sheet date, of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time, is included in net borrowing costs in the profit and loss statement.

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.

(K) IMPAIRMENT OF ASSETS

An assessment is made at each balance sheet date of whether there is any indication of impairment of any asset, or whether there is any indication that an impairment loss previously recognized for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's value in use or its net selling price.

An impairment loss is recognized only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the profit and loss statement in the period in which it arises, unless the asset is carried at a revalued amount, then the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of the asset. However this is limited, and will not give rise to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortization), had no impairment loss been recognized for the asset in prior years.

A reversal of an impairment loss is credited to the profit and loss statement in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

(L) ACCOUNTING ACQUISITIONS FOR AND DISPOSALS

(i) RESULTS The results of subsidiary or associated companies 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 subsidiary company 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 the cost of the acquisition over the Group's share of the fair values of the identifiable assets and liabilities acquired as at the date of acquisition.

Goodwill arising on acquisition is recognized in the consolidated balance sheet as an asset and amortized on the straight-line basis over its estimated useful life of 20 years. In the case of associated companies, any unamortized goodwill is included in the carrying amount thereof, rather than as a separately identified asset on the consolidated balance sheet.

SSAP 30 "Business combinations" was adopted as at 1 January 2001. Prior to that date, goodwill arising on acquisitions was eliminated against consolidated reserves in the year of acquisition. On the adoption of SSAP 30, the Group applied the transitional provision of SSAP 30 that permitted such goodwill, to remain eliminated against consolidated reserves. Goodwill on acquisitions subsequent to 1 January 2001 is treated according to the SSAP 30 goodwill accounting policy above.

On the disposal of subsidiary and associated companies, the gain or loss on disposal is calculated by reference to the net assets at the date of disposal, including the attributable amount of goodwill that remains unamortized, and any relevant reserves, as appropriate. Any attributable goodwill previously eliminated against consolidated reserves at the time of acquisition is written back and included in the calculation of the gain or loss on disposal.

The carrying amount of goodwill, including goodwill remaining eliminated against consolidated reserves, is reviewed annually and written down for impairment when it is considered necessary. A previously recognized impairment loss for goodwill is not reversed unless the impairment loss was caused by a specific external event of an exceptional nature that was not expected to recur, and subsequent external events have occurred which have reversed the effect of that event.

(M) FOREIGN CURRENCIES

On consolidation, the financial statements of overseas subsidiary and associated companies are translated into U.S. dollars using the net investment method. The profit and loss statements of overseas subsidiary and associated companies are translated into U.S. dollars using average rates of exchange for the year. Balance sheets are translated at closing rates. The resulting translation differences are included in the exchange reserve. Where hedging arrangements are in place, the transactions to which they relate are translated at the rate determined by those arrangements. For the purposes of the consolidated cash flow statement, the cash flows of overseas subsidiary companies are translated into U.S. dollars at the average rates of exchange for the year.

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 (R) 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.

(N) TURNOVER AND REVENUE RECOGNITION

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 the ownership of goods sold has transferred to the buyer. Turnover from services is recognized when it can be measured reliably by reference to stages of completion for the rendering of the said services.

(O) 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 year.

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

(P) OPERATING LEASES

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

(Q) EMPLOYEE BENEFITS

(i) PENSION OBLIGATIONS The Group operates defined contribution and defined benefit retirement schemes.

Contributions to defined contribution schemes by the Group and employees are calculated as a percentage of the employees' basic salaries. The Group's contributions to defined contribution schemes are expensed as incurred and are reduced by contributions forfeited by those employees who leave the schemes prior to vesting fully in the contributions.

Contributions to defined benefit schemes are determined based on the value of the retirement scheme assets and estimates of the effects of future events on the actuarial present value of accrued pension obligations, and are determined on the basis of actuarial valuations using the projected unit credit method. The costs of defined benefit schemes are charged against profit on a systematic basis, with any surpluses and deficits allocated so as to be spreaded over the expected remaining service lives of the employees affected. Actuarial gains and losses are recognized immediately in the profit and loss statement as and when occured.

(ii) LONG SERVICE PAYMENTS Certain of the Group's employees are eligible for long service payments in the event of the termination of their employment. A provision is recognized in respect of the probable future long service payments expected to be made. The provision is the best estimate of the probable future payments that have been earned by the employees from their service to the Group at the balance sheet date.

(iii) SHARE OPTION SCHEMES The Group operates three share option schemes for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The financial impact of share options granted under the share option schemes are not recorded in the Group's balance sheet until such time as the options are exercised, and no charge is recorded in the profit and loss statement or balance sheet for their cost. Upon the exercise of share options, the resulting shares issued are recorded by the Company and subsidiary companies as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded in the share premium account. Options which are canceled prior to their exercise date, or which lapse, are deleted from the register of outstanding options.

(iv) PAID LEAVE CARRIED FORWARD The Group provides paid annual leave to its employees under their employment contracts on a calendar year basis. Under certain circumstances, such leave which remains untaken as at the balance sheet date is permitted to be carried forward and utilized by the respective employees in the following year. An accrual is made at the balance sheet date for the expected future cost of such paid leave earned during the year by the employees and carried forward.

(R) 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 in borrowing costs 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 premiums will become payable.

Borrowing costs are expensed in the consolidated profit and loss statement in the year 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.

Other ancillary costs incurred in connection with the arrangement of borrowings are charged to the consolidated profit and loss statement in the year in which they are incurred.

(S) DERIVATIVE INSTRUMENTS

Derivative instruments, which includes currency swaps and foreign exchange contracts entered into for the purpose of managing foreign currency exposures but which are not qualified as hedging for accounting purposes, are recognized as either an asset or liability based on the fair value of each contract. The gains or losses arising from changes in the fair values of these derivative instruments, are recognized in the consolidated profit and loss statement.

(T) RELATED PARTIES

Related parties are individuals and corporate entities where the individual or corporate entity 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	2002 US$m	2001 US$m
TURNOVER	1	**1,892.3**	1,851.7
Cost of sales		**(1,420.9)**	(1,362.3)
GROSS PROFIT		**471.4**	489.4
Provision for investments and others		**–**	(2,165.4)
Loss on disposal of discontinued operations	26	**–**	(72.9)
Distribution costs		**(140.1)**	(142.0)
Administrative expenses		**(121.2)**	(150.3)
Other operating expenses		**(4.5)**	(17.7)
Other operating income		**11.4**	17.1
OPERATING PROFIT/(LOSS)	2	**217.0**	(2,041.8)
Share of profits less losses of associated companies		**32.6**	11.8
Net borrowing costs	3	**(109.0)**	(103.6)
PROFIT/(LOSS) BEFORE TAXATION		**140.6**	(2,133.6)
Taxation	4	**(56.2)**	(61.4)
PROFIT/(LOSS) AFTER TAXATION		**84.4**	(2,195.0)
Outside interests		**(44.3)**	398.0
PROFIT/(LOSS) ATTRIBUTABLE TO ORDINARY SHAREHOLDERS	5	**40.1**	(1,797.0)

BASIC EARNINGS/(LOSS) PER SHARE (U.S. CENTS)	6	**1.27**	(57.23)

The principal accounting policies on pages 36 to 41 and the Notes on pages 47 to 74 form an integral part of the Financial Statements.

CONSOLIDATED BALANCE SHEET

As at 31 December	Note	2002 US$m	2001 US$m
NON-CURRENT ASSETS			
Property and equipment	8	**1,009.3**	840.2
Associated companies	10	**(24.5)**	(23.6)
Long-term receivables and prepayments	11	**274.9**	176.3
Goodwill	12	**19.3**	–
		1,279.0	992.9
CURRENT ASSETS			
Cash and bank balances		**203.3**	310.1
Pledged deposits	25(C)	**22.9**	41.0
Short-term investments	13	**42.8**	11.5
Accounts receivable, other receivables and prepayments	14	**389.0**	328.7
Inventories	15	**376.1**	361.5
		1,034.1	1,052.8
CURRENT LIABILITIES			
Accounts payable, other payables and accruals	16	**455.2**	514.0
Short-term borrowings	17	**531.7**	750.2
Provision for taxation	18	**26.6**	23.1
		1,013.5	1,287.3
NET CURRENT ASSETS/(LIABILITIES)		**20.6**	(234.5)
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,299.6**	758.4
EQUITY CAPITAL AND RESERVES			
Issued capital	19	**31.9**	31.4
Reserves		**(103.1)**	(222.6)
Shareholders' deficit		**(71.2)**	(191.2)
OUTSIDE INTERESTS	20	**424.1**	392.2
NON-CURRENT LIABILITIES			
Loan capital and long-term borrowings	21	**757.2**	391.4
Deferred liabilities and provisions	22	**118.9**	130.0
Deferred taxation	23	**70.6**	36.0
		946.7	557.4
		1,299.6	758.4

The principal accounting policies on pages 36 to 41 and the Notes on pages 47 to 74 form an integral part of the Financial Statements.

On behalf of the Board of Directors

MANUEL V. PANGILINAN
Executive Chairman

MICHAEL J.A. HEALY
Finance Director

17 April 2003

COMPANY BALANCE SHEET

As at 31 December	Note	2002 US$m	2001 US$m
NON-CURRENT ASSETS			
Subsidiary companies	9	**1,049.4**	860.9
Amounts due from subsidiary companies	9(A)	**760.2**	1,464.1
Associated companies	10(A)	**31.4**	31.0
		1,841.0	2,356.0
CURRENT ASSETS			
Cash and bank balances		**26.2**	38.5
Receivables and prepayments		**0.4**	0.6
		26.6	39.1
CURRENT LIABILITIES			
Payables and accruals		**14.0**	0.8
NET CURRENT ASSETS		**12.6**	38.3
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,853.6**	2,394.3
EQUITY CAPITAL AND RESERVES			
Issued capital	19	**31.9**	31.4
Reserves		**987.8**	938.6
Shareholders' equity		**1,019.7**	970.0
NON-CURRENT LIABILITIES			
Amounts due to subsidiary companies	9(B)	**833.9**	1,374.3
Loan capital	21(B)	**–**	50.0
		833.9	1,424.3
		1,853.6	2,394.3

The principal accounting policies on pages 36 to 41 and the Notes on pages 47 to 74 form an integral part of the Financial Statements.

On behalf of the Board of Directors

MANUEL V. PANGILINAN
Executive Chairman

MICHAEL J.A. HEALY
Finance Director

17 April 2003

CONSOLIDATED AND COMPANY STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY/(DEFICIT)

CONSOLIDATED	Issued capital US$m	Share premium US$m	Property revaluation reserve US$m	Exchange reserve (Note 24) US$m	Revenue reserve (Note 24) US$m	Total US$m
Balance at 1 January 2001	31.4	908.7	1.3	(332.5)	(239.4)	369.5
Net losses not recognized in						
the profit and loss statement						
– Exchange translation	–	–	–	(14.9)	–	(14.9)
Transfer to profit and loss statement	–	–	–	264.0	874.0	1,138.0
Disposal and divestment of interests in						
subsidiary and associated companies	–	–	(1.3)	63.2	55.3	117.2
Net loss for the year						
– Company	–	–	–	–	(589.1)	(589.1)
– Subsidiary companies	–	–	–	–	(1,206.0)	(1,206.0)
– Associated companies	–	–	–	–	(1.9)	(1.9)
Dividends	–	–	–	–	(4.0)	(4.0)
BALANCE AT 31 DECEMBER 2001	31.4	908.7	–	(20.2)	(1,111.1)	**(191.2)**
Shares issued upon conversion						
of a Convertible Note (Note 19)	0.5	49.5	–	–	–	**50.0**
Net gains not recognized in						
the profit and loss statement						
– Exchange translation	–	–	–	20.1	–	**20.1**
Dilution of interests in a subsidiary						
and an associated company	–	–	–	0.4	9.4	**9.8**
Net profit for the year						
– Company	–	–	–	–	(0.3)	**(0.3)**
– Subsidiary companies	–	–	–	–	14.1	**14.1**
– Associated companies	–	–	–	–	26.3	**26.3**
BALANCE AT 31 DECEMBER 2002	**31.9**	**958.2**	**–**	**0.3**	**(1,061.6)**	**(71.2)**

COMPANY	Issued capital US$m	Share premium US$m	Contributed surplus (Note 24) US$m	Revenue reserve US$m	Total US$m
Balance at 1 January 2001	31.4	908.7	173.8	449.2	1,563.1
Net loss for the year	–	–	–	(589.1)	(589.1)
Dividends	–	–	–	(4.0)	(4.0)
BALANCE AT 31 DECEMBER 2001	31.4	908.7	173.8	(143.9)	**970.0**
Share issued upon conversion					
of a Convertible Note (Note 19)	0.5	49.5	–	–	**50.0**
Net loss for the year	–	–	–	(0.3)	**(0.3)**
BALANCE AT 31 DECEMBER 2002	**31.9**	**958.2**	**173.8**	**(144.2)**	**1,019.7**

The principal accounting policies on pages 36 to 41 and the Notes on pages 47 to 74 form an integral part of the Financial Statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December	Note	2002 US$m	2001 US$m
NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES	25(A)	**(24.0)**	116.7
Purchase of property and equipment		**(87.2)**	(132.4)
Purchase of short-term investments		**(28.5)**	(13.5)
Sale of property and equipment		**8.0**	18.8
Disposals of			
– subsidiary companies	25(B)	**(6.7)**	129.4
– associated companies		**–**	48.2
– short-term investments		**–**	19.0
Loans repaid by/(to) associated companies		**7.3**	(4.3)
Dividends received from associated companies		**–**	2.7
NET CASH (OUTFLOW)/INFLOW FROM INVESTING ACTIVITIES		**(107.1)**	67.9
Proceeds of new borrowings		**886.9**	340.4
Borrowings repaid		**(809.4)**	(549.3)
Payments in connection with the shares repurchased by a subsidiary company		**(71.6)**	(7.5)
Shares issued to outside interests by a subsidiary company		**20.4**	–
Dividends paid to			
– outside interests by a subsidiary company		**(13.2)**	(8.6)
– shareholders		**–**	(4.0)
NET CASH INFLOW/(OUTFLOW) FROM FINANCING ACTIVITIES		**13.1**	(229.0)
DECREASE IN CASH AND CASH EQUIVALENTS		**(118.0)**	(44.4)
Cash and cash equivalents at 1 January		**310.1**	360.6
Exchange translation		**11.2**	(6.1)
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		**203.3**	310.1
REPRESENTING			
Cash and bank balances		**203.3**	310.1

The principal accounting policies on pages 36 to 41 and the Notes on pages 47 to 74 form an integral part of the Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

1. TURNOVER AND SEGMENTAL INFORMATION

	2002 US$m	2001 US$m
TURNOVER		
Sale of goods and properties	**1,843.5**	1,803.0
Rendering of services	**48.8**	48.7
TOTAL	**1,892.3**	1,851.7

SEGMENTAL INFORMATION

Segmental information, relating to the Group's business and geographic interests, follows. Analysis by business segment is the Group's primary reporting format as this is more relevant to the Group when making operational and financial decisions. Details of the Group's principal investments are provided on the inside back cover. Particulars in respect of discontinued operations are set out in Note 26.

BY PRINCIPAL BUSINESS ACTIVITIES – 2002

	Consumer US$m	Telecom-munications US$m	Property US$m	Discontinued operations# US$m	Head Office US$m	Total US$m
PROFIT AND LOSS						
Segment revenue – turnover	1,777.3	–	114.6	0.4	–	**1,892.3**
Segment results/operating profit	217.8	(0.4)	10.2	(2.3)	(8.3)	**217.0**
Share of profits less losses of associated companies	(0.1)	33.6	(0.9)	–	–	**32.6**
Net borrowing costs						**(109.0)**
Profit before taxation						**140.6**
Taxation						**(56.2)**
Profit after taxation						**84.4**
Outside interests						**(44.3)**
Profit attributable to ordinary shareholders						**40.1**
ASSETS AND LIABILITIES						
Segment assets	1,663.0	–	594.7	–	37.1	**2,294.8**
Associated companies	2.6	(56.0)	28.9	–	–	**(24.5)**
Unallocated assets						**42.8**
Total assets						**2,313.1**
Segment liabilities	285.2	–	224.0	–	64.9	**574.1**
Unallocated liabilities						**1,386.1**
Total liabilities						**1,960.2**
OTHER INFORMATION						
Capital expenditure	73.0	–	19.2	–	–	**92.2**
Depreciation and amortization	44.0	–	3.4	–	–	**47.4**
Other non-cash expenses	5.6	0.4	–	–	–	**6.0**

Represents Infrontier.

BY PRINCIPAL GEOGRAPHICAL MARKETS – 2002

	Indonesia US$m	The Philippines US$m	India US$m	Discontinued operations# US$m	Head Office US$m	**Total US$m**
Segment revenue – turnover	1,777.3	114.6	–	0.4	–	**1,892.3**
Segment assets	1,663.0	594.7	–	–	37.1	**2,294.8**
Associated companies	2.6	109.3	(136.4)	–	–	**(24.5)**
Unallocated assets						**42.8**
Total assets						**2,313.1**
Capital expenditure	73.0	19.2	–	–	–	**92.2**

Represents Infrontier.

BY PRINCIPAL BUSINESS ACTIVITIES – 2001

	Consumer US$m	Telecom–munications US$m	Property US$m	Discontinued operations* US$m	Head Office US$m	Total US$m
PROFIT AND LOSS						
Segment revenue – turnover	1,414.9	–	134.4	302.4	–	1,851.7
Segment results/operating loss**	(104.4)	(565.8)	(1,201.1)	(57.0)	(113.5)	(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	1,196.7	–	637.6	5.3	218.2	2,057.8
Associated companies	2.4	(75.7)	49.7	–	–	(23.6)
Unallocated assets						11.5
Total assets						2,045.7
Segment liabilities	260.8	–	215.2	1.5	166.5	644.0
Unallocated liabilities						1,200.7
Total liabilities						1,844.7
OTHER INFORMATION						
Capital expenditure	76.1	–	61.8	10.3	–	148.2
Impairment charge	299.6	565.8	1,188.5	–	100.0	2,153.9
Depreciation and amortization	34.4	–	8.7	17.3	0.1	60.5
Other non-cash expenses	1.5	–	6.0	0.1	–	7.6

BY PRINCIPAL GEOGRAPHICAL MARKETS – 2001

	Indonesia US$m	The Philippines US$m	India US$m	Discontinued operations* US$m	Head Office US$m	Total US$m
Segment revenue – turnover	1,414.9	134.4	–	302.4	–	1,851.7
Segment assets	1,196.7	637.6	–	5.3	218.2	2,057.8
Associated companies	2.4	103.3	(129.3)	–	–	(23.6)
Unallocated assets						11.5
Total assets						2,045.7
Capital expenditure	76.1	61.8	–	10.3	–	148.2

* Represents Infrontier, Berli Jucker, Darya-Varia and Savills plc.
** Balance included provision for investments and others of US$2,165.4 million and loss on disposal of discontinued operations of US$72.9 million.

2. OPERATING PROFIT/(LOSS)

	2002 US$m	2001 US$m
OPERATING PROFIT/(LOSS) IS STATED AFTER (CHARGING)/CREDITING		
Cost of inventories sold	**(1,139.2)**	(1,254.9)
Depreciation	**(47.0)**	(60.5)
Operating lease rentals		
– Land and buildings	**(9.6)**	(7.4)
– Hire of plant and equipment	**(1.0)**	(1.1)
– Other	**–**	(0.3)
Loss on dilution of interests in a subsidiary and an associated company	**(4.2)**	(6.7)
Doubtful debt provisions	**(1.8)**	(7.6)
Loss on sale of property and equipment	**(0.7)**	(2.1)
Auditors' remuneration		
– Audit services	**(1.1)**	(1.1)
– Other services	**(0.1)**	(0.5)
Unrealized (losses)/gains on short-term investments	**(0.9)**	0.5
Amortization of goodwill (included in other operating expenses)	**(0.4)**	–
Net exchange gains/(losses) on monetary items	**10.7**	(15.2)
Dividends from unlisted investments	**–**	0.1

3. NET BORROWING COSTS

	2002 US$m	2001 US$m
Loan capital		
– wholly repayable within five years	**2.3**	10.1
– not wholly repayable within five years	**0.7**	1.0
Subtotal	**3.0**	11.1
Bank loans and other loans		
– wholly repayable within five years	**118.1**	97.1
– not wholly repayable within five years	**6.1**	11.1
Subtotal	**124.2**	108.2
TOTAL INTEREST EXPENSE	**127.2**	119.3
Other borrowing costs		
– Redemption premium on convertible instruments	**3.7**	20.4
TOTAL BORROWING COSTS	**130.9**	139.7
Less borrowing costs capitalized in development properties	**–**	(9.8)
Less interest income	**(21.9)**	(26.3)
NET BORROWING COSTS	**109.0**	103.6

The capitalization rate applied to funds borrowed for general purposes and used for the development of property is nil (2001: 18.1 per cent per annum) for the year.

4. TAXATION

No Hong Kong profits taxation (2001: Nil) has been provided as the Group had no estimated assessable profits in Hong Kong 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.

	2002 US$m	2001 US$m
SUBSIDIARY COMPANIES		
Current taxation – Overseas (Note 18)	**26.5**	35.5
Deferred taxation – Overseas (Note 23)	**23.4**	14.0
Subtotal	**49.9**	49.5
ASSOCIATED COMPANIES		
Current taxation – Overseas	**2.8**	4.9
Deferred taxation – Overseas	**3.5**	7.0
Subtotal	**6.3**	11.9
TOTAL	**56.2**	61.4

The effective tax rate for 2002 was 37.5 per cent. In 2001, excluding non-taxable business disposals and impairment provisions, the effective tax rate was 38.0 per cent.

5. PROFIT/(LOSS) ATTRIBUTABLE TO ORDINARY SHAREHOLDERS

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

ANALYSIS OF EXCHANGE (LOSSES)/GAINS

	2002 US$m	2001 US$m
Exchange (losses)/gains		
– Subsidiary companies	**10.7**	(15.2)
– Associated companies	**(20.4)**	(19.8)
Subtotal	**(9.7)**	(35.0)
Attributable to taxation and outside interests	**(1.3)**	12.6
TOTAL	**(11.0)**	(22.4)

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

	2002 US$m	2001 US$m
PLDT	**(12.0)**	(12.3)
Indofood	**3.8**	(2.8)
Others	**(2.8)**	(7.3)
TOTAL	**(11.0)**	(22.4)

Included within the profit/(loss) attributable to ordinary shareholders is a loss of US$0.3 million (2001: US$589.1 million) attributable to the Company.

6. BASIC EARNINGS/(LOSS) PER SHARE

	2002	2001
Basic earnings/(loss) per share is based on		
– profit/(loss) attributable to ordinary shareholders of (US$m)	**40.1**	(1,797.0)
– and an average number of shares in issue of (millions)	**3,152.2**	3,139.8
resulting in earnings/(loss) per share of (U.S. cents)	**1.27**	(57.23)

No diluted earnings/(loss) per share for the years ended 31 December 2002 and 2001 have been presented as the outstanding convertible bonds, convertible notes and convertible preferred shares of the Company, a subsidiary and an associated company have anti-dilutive effects on the basic earnings/(loss) per share for these years. In addition, no diluting events existed in respect of the outstanding share options of the Company, a subsidiary and an associated company during these years.

7. ORDINARY SHARE DIVIDENDS

(A) No interim dividend was paid for 2002 (2001: Nil).

(B) At a meeting held on 17 April 2003, the Directors did not recommend the payment of a final dividend for 2002 (2001: Nil).

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 2002	914.9	261.7	620.7	**1,797.3**
Exchange translation	(27.1)	29.6	80.9	**83.4**
Additions	10.2	29.7	52.3	**92.2**
Disposals	(4.9)	(3.4)	(4.3)	**(12.6)**
Disposal of a subsidiary company	–	–	(2.7)	**(2.7)**
Reclassification(i)	82.7	(41.7)	(4.7)	**36.3**
AT 31 DECEMBER 2002	**975.8**	**275.9**	**742.2**	**1,993.9**
ACCUMULATED DEPRECIATION AND IMPAIRMENT				
At 1 January 2002	679.2	39.3	238.6	**957.1**
Exchange translation	(20.1)	7.1	19.8	**6.8**
Charge for the year	–	8.5	38.5	**47.0**
Disposals	–	(1.4)	(2.5)	**(3.9)**
Disposal of a subsidiary company	–	–	(0.6)	**(0.6)**
Reclassification(i)	–	1.3	(23.1)	**(21.8)**
AT 31 DECEMBER 2002	**659.1**	**54.8**	**270.7**	**984.6**
NET BOOK AMOUNT AT 31 DECEMBER 2002	**316.7**	**221.1**	**471.5**	**1,009.3**
Net book amount at 31 December 2001	235.7	222.4	382.1	840.2

(i) Reclassified from/(to) inventories.

(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 property held by Fort Bonifacio Development Corporation included in Development Properties at 31 December 2002:

Location in the Philippines	Approximate gross development area (sq.m.)[i]	Group's economic interest (%)	Type	Status	Estimated completion date
Fort Bonifacio, Taguig	1,325,036	32.3	C, R	Under construction	2020

C = Commercial, R = Residential

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

(C) The land and buildings are freehold properties held outside Hong Kong.

(D) Property and equipment with a net book amount of US$20.2 million (2001: US$36.0 million) was pledged as security for certain of the Group's banking facilities (Note 21(H)).

(E) At 31 December 2002, no capitalized interest (2001: nil) was included in the net book value of development properties.

9. SUBSIDIARY COMPANIES

	Company	
	2002 US$m	2001 US$m
Unlisted shares at cost	**1,115.6**	927.1
Less provisions for impairment loss	**(66.2)**	(66.2)
TOTAL	**1,049.4**	860.9

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

(A) Amounts due from subsidiary companies are unsecured, interest-bearing at a range of zero per cent to 4.8 per cent per annum (2001: zero per cent to 4.8 per cent per annum) and have no fixed terms of repayment.

(B) Amounts due to subsidiary companies are unsecured, interest-free (2001: zero per cent to 8.9 per cent per annum) and have no fixed terms of repayment.

Details of principal 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	
	2002 US$m	2001 US$m
Shares at cost or valuation		
– Listed	**559.0**	559.0
– Unlisted	**76.4**	79.3
Share of post acquisition reserves	**(61.8)**	(76.5)
Goodwill on acquisitions of associated companies	**(630.1)**	(630.5)
Loans to associated companies	**32.0**	45.1
TOTAL	**(24.5)**	(23.6)

(A) The Company's interest in associated companies includes unlisted investment of US$31.4 million (2001: US$31.0 million) located outside Hong Kong.

(B) At 31 December 2002, both the listed and unlisted investments were located outside Hong Kong.

(C) At 31 December 2002, the market valuation of listed investments was US$212.9 million (2001: US$341.6 million) and dividends received and receivable were nil (2001: US$1.8 million).

(D) Loans to associated companies are unsecured, interest-bearing at a range of zero per cent to 16.0 per cent per annum (2001: zero per cent to 14.5 per cent per annum) and have no fixed terms of repayment.

(E) Principal development properties held by the associated companies of Metro Pacific and Landco Pacific, which is a 61.3 per cent owned subsidiary company of Metro Pacific, at 31 December 2002:

Location in the Philippines	Approximate gross development area (sq.m.)[i]	Group's economic interest (%)	Type	Status	Estimated completion date
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	2,141,537	7.3	R	Under construction	2005
Calasiao, Pangasinan	1,860,000	39.5	R	Planning	–
Urdaneta, Pangasinan	298,275	7.3	R	Under construction	2004

Ro = Resort , R = Residential

(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.

(F) Details of principal 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.

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

	PLDT		Escotel	
	2002 US$m	2001 US$m	**2002 US$m**	2001 US$m
OPERATING RESULTS				
Turnover	**1,552.5**	1,707.9	**70.6**	53.5
Profit/(loss) before taxation	**193.7**	357.3	**(13.4)**	(22.4)
Profit/(loss) after taxation	**167.9**	311.8	**(13.4)**	(22.4)
Net profit/(loss)	**168.4**	59.0	**(13.4)**	(22.4)
NET ASSETS/(LIABILITIES)				
Current assets	**724.6**	596.7	**9.5**	21.4
Long-term assets	**3,860.2**	4,066.8	**83.4**	142.8
TOTAL ASSETS	**4,584.8**	4,663.5	**92.9**	164.2
Current liabilities	**(822.3)**	(875.6)	**(73.5)**	(52.2)
Long-term liabilities and provisions	**(3,416.0)**	(3,552.3)	**(344.3)**	(421.3)
TOTAL LIABILITIES	**(4,238.3)**	(4,427.9)	**(417.8)**	(473.5)
Outside interests	**(17.0)**	(16.2)	**–**	–
AT 31 DECEMBER	**329.5**	219.4	**(324.9)**	(309.3)

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 the acquisition cost of the telecommunications business, over the fair value of its separable net assets. This attributes no value to the acquired telecommunications licenses.

(H) PLDT was incorporated under the law of the Philippines on 28 November 1928 to provide telephone services in the Philippines. PLDT's charter was initially limited to a period of 50 years but has since been extended twice for 25 years each, the last extension being for an additional 25-year period ending 2028. Under its amended charter, which became effective on 24 August 1991, PLDT is authorized to provide virtually every type of telecommunications service, both within the Philippines and between the Philippines and other countries.

PLDT operates under the jurisdiction of the Philippine National Telecommunications Commission which jurisdiction extends, among other things, to approving major services offered by PLDT and certain rates charged by PLDT.

Escotel, incorporated in May 1995, was granted three non-exclusive 10-year GSM licenses, in December 1995, by the Department of Telecommunication of India to build and operate cellular telephone services in Uttar Pradesh (West), Haryana and Kerala. The initial 10-year licenses were based on a fixed amount to be paid to the Indian Government. In August 1999, the Indian Government issued a New Telecom Policy that allows cellular operators to migrate to a revenue sharing mechanism from the previous basis of a fixed license fee. Under the revenue sharing mechanism, Escotel is required to pay license fees to the Indian Government on a quarterly basis, calculated at 10 per cent of gross revenue, and spectrum charges, calculated at two to three per cent of gross revenue, depending on the region of operation. In addition, the license period for all licenses was extended to 20 years (previously 10 years) from the date of initial award; thus Escotel's runs to 2015.

(I) On 4 May 2000, on the condition that Metro Pacific would infuse Pesos 2 billion (US$37.6 million) of fresh equity into First e-Bank, the Philippine Deposit and Insurance Corporation (PDIC) granted Pesos 2 billion (US$37.6 million) of low-cost financial assistance to First e-Bank. Pesos 1 billion (US$18.8 million) of the financial assistance has been invested in government securities and pledged, together with a pool of non-performing assets with a book value of Pesos 2 billion (US$37.6 million), to PDIC.

On 14 August 2001, Metro Pacific's Board of directors resolved to procure a surety bond of Pesos 2 billion (US$37.6 million) in favour of PDIC. This was to guarantee Metro Pacific's undertaking to indemnify PDIC should First e-Bank not receive the Pesos 2 billion (US$37.6 million) equity infusion, or not enter into a firm agreement for a merger or other corporate combination within the period prescribed by PDIC.

In accordance with the requirements of PDIC, Metro Pacific converted Pesos 1.8 billion (US$33.9 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 to 83.2 per cent from 31.8 per cent. As Metro Pacific's control of First e-Bank was intended to be temporary, First e-Bank continued to be accounted for as an associated company of Metro Pacific. In September 2002, First e-Bank obtained approval from the Philippine Monetary Board for its sale, to Banco de Oro, of its banking business, as well as certain assets and liabilities, up to Pesos 10.0 billion (US$188.1 million) (the Bank Transaction). The Bank Transaction is expected to be completed during the second quarter of 2003. Upon the completion of the Bank Transaction, First e-Bank will cease its banking operations, and Metro Pacific's intention is to retain only a non-controlling minority stake in the shell company after the Bank Transaction.

Upon the completion of the Bank Transaction, Metro Pacific will assign a property of approximately 700 hectares, together with First e-Bank's remaining assets, to fully repay the Pesos 2 billion (US$37.6 million) financial assistance. Metro Pacific's directors believe that once the Pesos 2 billion (US$37.6 million) financial assistance extended by PDIC to First e-Bank is fully settled, the equity infusion commitment of Metro Pacific will be automatically extinguished and, accordingly, no provision is required.

11. LONG-TERM RECEIVABLES AND PREPAYMENTS

	Consolidated	
	2002 US$m	2001 US$m
Currency swap asset	135.4	108.7
Installment sales receivable	73.6	93.3
Input value added tax recoverable	68.1	73.4
Others	172.8	96.7
Subtotal	449.9	372.1
Less impairment provision	(68.1)	(77.1)
Less current portion included in accounts receivable, other receivables and prepayments	(106.9)	(118.7)
TOTAL	274.9	176.3

The currency swap asset relates to Indofood's hedging program.

The installment sales receivable primarily relates to Metro Pacific's property sales. These are 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.

The 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 arising from Indofood's provision for technical and management services.

12. GOODWILL

	Consolidated	
	2002 US$m	2001 US$m
COST		
At 1 January	–	–
Addition	19.7	–
AT 31 DECEMBER	19.7	–
ACCUMULATED AMORTIZATION		
At 1 January	–	–
Charge for the year	0.4	–
AT 31 DECEMBER	0.4	–
NET BOOK AMOUNT AT 31 DECEMBER	19.3	–

The goodwill arose from the deemed acquisition of a further interest in Indofood, as a consequence of Indofood's share buy back program.

13. SHORT-TERM INVESTMENTS

	Consolidated	
	2002 US$m	2001 US$m
Listed outside Hong Kong – equity securities	4.3	–
– debt securities	37.9	–
Subtotal	42.2	–
Unlisted outside Hong Kong – debt securities	0.6	11.5
TOTAL	42.8	11.5

14. ACCOUNTS RECEIVABLE, OTHER RECEIVABLES AND PREPAYMENTS

Included in accounts receivable, other receivables and prepayments are trade receivables of US$201.1 million (2001: US$169.0 million), with an ageing profile as below.

	2002 US$m	2001 US$m
Less than 30 days	**160.3**	144.2
31-60 days	**11.8**	7.7
61-90 days	**8.3**	4.2
Over 90 days	**20.7**	12.9
TOTAL	**201.1**	169.0

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

15. INVENTORIES

	Consolidated	
	2002 US$m	2001 US$m
Properties held for sale	**118.4**	244.9
Finished goods	**93.9**	72.3
Raw materials	**208.7**	133.2
Work in progress	**4.6**	5.2
Less provisions	**(49.5)**	(94.1)
TOTAL	**376.1**	361.5

At 31 December 2002, the carrying amount of inventories carried at net realizable value amounted to US$68.9 million (2001: US$150.8 million).

Principal properties held by Metro Pacific, Landco Pacific and Fort Bonifacio Development Corporation are included in Properties Held for Sale at 31 December 2002:

Location in the Philippines	Approximate gross area (sq.m.)(i)	Group's economic interest (%)	Type	Status	Estimated completion date
Batulao, Batangas	2,107,500	52.3	R	Planning	–
Lemery, Batangas	786,372	49.2	F	Under construction	2004
Punta Fuego 1, Batangas	455,811	27.4	R, Ro	Under construction	2003
Punta Fuego 2, Batangas	356,761	17.7	R, Ro	Under construction	2005
Stonecrest, San Pedro, Laguna	300,448	25.0	R	Under construction	2003
Talisay, Cebu	276,640	24.2	R	Under construction	2005
Waterwood, Bulacan	122,835	33.0	R	Under construction	2003
Legaspi City, Albay	47,533	24.2	C	Completed	–
Lucena City, Quezon	43,598	69.3	C	Under construction	2003
Fort Bonifacio, Taguig	13,202	32.3	C, R	Under construction	2020
Pacific Plaza Towers	4,851	80.6	R	Under construction	2003

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

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

16. ACCOUNTS PAYABLE, OTHER PAYABLES AND ACCRUALS

Included in accounts payable, other payables and accruals are trade payables of US$175.6 million (2001: US$182.3 million), with an ageing profile as below.

	2002 US$m	2001 US$m
Less than 30 days	129.0	100.7
31-60 days	11.9	28.7
61-90 days	25.1	14.6
Over 90 days	9.6	38.3
TOTAL	**175.6**	182.3

17. SHORT-TERM BORROWINGS

	Consolidated	
	2002 US$m	2001 US$m
Bank loans		
– Secured	**55.9**	71.0
– Unsecured	**75.2**	84.5
Subtotal	**131.1**	155.5
Current portion of loan capital and long-term borrowings (Note 21)	**400.6**	594.7
TOTAL	**531.7**	750.2

None (2001: None) of the debt has an original maturity of less than 90 days.

Throughout the year, Metro Pacific has been actively engaged in discussions with its creditors to reduce and restructure its Head Office outstanding debts with principal amounting to Pesos 11.7 billion (US$220.0 million). By the end of 2002, Metro Pacific had made significant progress towards the repayment, reduction or restructuring of approximately Pesos 8.7 billion (US$163.6 million) debts. In November 2002, as part of Metro Pacific's debt reduction initiatives, Metro Pacific entered into an agreement with Greenfield Development Corporation and Ayala Land Inc. (collectively the GA Group), whereby the GA Group would repay the Larouge loan (in the principal amount of Pesos 4.8 billion (US$90.0 million) in exchange for a 50.4 per cent interest in Bonifacio Land Corporation (BLC) owned by Metro Pacific. The transaction was completed on 17 April 2003. Details are set out in Note 31(A). Furthermore, during 2002, Metro Pacific (i) concluded individual agreements with a number of Philippine-based lending institutions resulting in the repayment of various debts totaling Pesos 1.2 billion (US$22.6 million); (ii) reached agreements in-principle for the settlement, in the form of asset assignment, of approximately Pesos 1.3 billion (US$24.4 million) debts to a variety of Philippine-based lenders; and (iii) conducted ongoing discussions with other creditors in respect of the reduction or restructuring of an additional Pesos 1.4 billion (US$26.6 million) debts.

18. PROVISION FOR TAXATION

	Consolidated	
	2002	2001
	US$m	US$m
At 1 January	**23.1**	27.6
Exchange translation	**0.5**	(1.1)
Disposal of subsidiary companies	**–**	(3.3)
Provision for taxation on estimated assessable profits for the year (Note 4)	**26.5**	35.5
Transfer to deferred taxation (Note 23)	**–**	(0.2)
Reclassification	**–**	(4.4)
TOTAL	**50.1**	54.1
Tax paid	**(23.5)**	(31.0)
AT 31 DECEMBER	**26.6**	23.1

19. SHARE CAPITAL

	Consolidated and Company	
	2002	2001
	US$m	US$m
Authorized		
3,499,000,000 (2001: 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**	31.4
Shares issued upon conversion of a Convertible Note	**0.5**	–
At 31 December		
3,185,993,003 (2001: 3,139,772,765) ordinary shares of U.S. 1 cent each	**31.9**	31.4

In September 2002, 46,220,238 ordinary shares of US$0.01 each were issued at a value of HK$8.4 per share upon the conversion of a US$50.0 million Convertible Note (Note 21(B)).

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

20. OUTSIDE INTERESTS

An analysis of the Group's outside interests, by principal operating company, is set out below.

	Consolidated	
	2002	2001
	US$m	US$m
Indofood	**271.8**	204.8
Metro Pacific	**152.3**	187.4
TOTAL	**424.1**	392.2

21. LOAN CAPITAL AND LONG-TERM BORROWINGS

	Note	Consolidated 2002 US$m	Consolidated 2001 US$m
UNSECURED LOANS			
Loan capital			
– Convertible bonds	(A)	**–**	247.8
– Convertible note	(B)	**–**	50.0
– Convertible notes	(C)	**10.8**	29.0
– Convertible preferred shares	(D)	**7.6**	14.0
Bank loans		**354.2**	395.1
Other loans	(E)	**427.0**	106.1
Subtotal		**799.6**	842.0
SECURED LOANS			
Loan capital			
– Long-term commercial papers	(F)	**1.8**	3.9
Bank loans	(G)	**299.7**	77.2
Other loans		**56.7**	63.0
Subtotal		**358.2**	144.1
Total loan capital and long-term borrowings		**1,157.8**	986.1
Less current portion included in short-term borrowings (Note 17)		**(400.6)**	(594.7)
TOTAL		**757.2**	391.4

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

	Loan capital		Bank loans		Other loans		Consolidated	
							Total	Total
	2002 US$m	2001 US$m	**2002 US$m**	2001 US$m	**2002 US$m**	2001 US$m	**2002 US$m**	2001 US$m
Not exceeding one year	**20.2**	294.7	**342.4**	293.3	**38.0**	6.7	**400.6**	594.7
More than one year but not exceeding two years	**–**	–	**87.8**	73.7	**18.9**	12.3	**106.7**	86.0
More than two years but not exceeding five years	**–**	50.0	**159.5**	99.5	**426.7**	135.6	**586.2**	285.1
More than five years	**–**	–	**64.2**	5.8	**0.1**	14.5	**64.3**	20.3
TOTAL	**20.2**	344.7	**653.9**	472.3	**483.7**	169.1	**1,157.8**	986.1
Representing amounts repayable								
– wholly within five years	**20.2**	294.7	**579.8**	455.1	**483.5**	109.4	**1,083.5**	859.2
– not wholly within five years	**–**	50.0	**74.1**	17.2	**0.2**	59.7	**74.3**	126.9
TOTAL	**20.2**	344.7	**653.9**	472.3	**483.7**	169.1	**1,157.8**	986.1

Bank and other loans are repayable in various annual installments at a weighted average annual rate of interest of 11.7 per cent (2001: 11.9 per cent). Details of loan capital and long-term borrowings are set out below.

(A) CONVERTIBLE BONDS

Issued by First Pacific Capital (1997) Limited on 27 March 1997. The outstanding bonds, in the principal amount of US$247.8 million, were settled by the Company either through repurchase during January 2002, or redemption on 27 March 2002.

(B) CONVERTIBLE NOTE

Issued by the Company on 17 September 1999, this note was mandatorily converted into 46,220,238 ordinary shares of the Company at HK$8.4 per share, at a fixed exchange rate of HK$7.765:US$1, on 25 September 2002. Details regarding the conversion of this Note is set out in Note 19.

(C) CONVERTIBLE NOTES

Issued by Metro Pacific totaling Pesos 1.5 billion (US$29.0 million) during September and October 1999, these notes were due for redemption, at a premium of 8.7 per cent of the par value, in October 2002. At 31 December 2002, Pesos 560.7 million (US$10.8 million) of these notes, together with the related redemption premium of Pesos 48.8 million (US$0.9 million), remained outstanding and were included in deferred liabilities and provisions.

(D) CONVERTIBLE PREFERRED SHARES

Issued by Metro Pacific totaling Pesos 720.0 million (US$14.0 million) on 23 July 1999, these preferred shares were due for redemption, with a cumulative yield of 15 per cent, in July 2002. At 31 December 2002, Pesos 401.9 million (US$7.6 million) of these preferred shares, together with the related redemption premium of Pesos 60.3 million (US$1.1 million), remained outstanding and were included in deferred liabilities and provisions.

(E) OTHER UNSECURED LOANS

Principally includes US$280.0 million five-year Euro bonds, and Rupiah 1.0 trillion (US$111.7 million) of non-convertible bonds (Rupiah-bonds) issued by Indofood in June 2002 and July 2000, respectively. The Euro bonds have a coupon rate of 10.375 per cent, are payable semi-annually, and mature in June 2007. The Rupiah-bonds are subject to interest of 16 per cent, and have a five year maturity to July 2005.

(F) LONG-TERM COMMERCIAL PAPERS

Issued by Metro Pacific totaling Pesos 200.0 million (US$3.9 million), these papers are secured over shares of a subsidiary company of Metro Pacific. At 31 December 2002, Pesos 95.8 million (US$1.8 million) remained outstanding.

(G) SECURED BANK LOANS

Includes a US$187.4 million bank loan facility provided by ING Bank N.V. to the Company. It is subject to an interest rate of HIBOR (Hong Kong Inter-bank Offer Rates) plus three per cent, and is repayable on 31 December 2003. Following the repayment of the Larouge Loan, the outstanding balance will decline to approximately US$100 million.

(H) PLEDGE OF ASSETS

At 31 December 2002, certain bank and other borrowings were secured by the Group's property and equipment, accounts receivables and inventories equating to a net book value of US$95.0 million (2001: US$163.7 million). Apart from these, the Head Office's US$187.4 million bank loan, as described in Note (G) above, is principally secured by the Group's interests in Indofood, PLDT and Metro Pacific of 51.9 per cent, 15.8 per cent and 80.6 per cent, respectively.

22. DEFERRED LIABILITIES AND PROVISIONS

	Deferred income US$m	Long-term payables US$m	Redemption premium on convertible instruments US$m	Pension US$m	Others US$m	Consolidated Total 2002 US$m	Consolidated Total 2001 US$m
At 1 January	35.1	47.0	84.0	35.3	66.8	**268.2**	282.5
Exchange translation	(0.1)	(1.6)	(0.1)	5.2	(0.4)	**3.0**	(5.2)
Additions	6.3	6.3	3.7	9.2	21.7	**47.2**	108.9
Payment and utilization	(4.3)	(1.7)	(85.6)	(18.3)	(0.6)	**(110.5)**	(71.1)
Reversal	–	–	–	–	(37.6)	**(37.6)**	–
Disposal of subsidiary companies	–	–	–	–	–	**–**	(7.6)
Reclassification	–	–	–	–	(8.1)	**(8.1)**	(39.3)
Subtotal	37.0	50.0	2.0	31.4	41.8	**162.2**	268.2
Less current portion included in accounts payable, other payables and accruals	(1.3)	(24.8)	(2.0)	–	(15.2)	**(43.3)**	(138.2)
AT 31 DECEMBER	35.7	25.2	–	31.4	26.6	**118.9**	130.0

Deferred income relates to the gross profit arising on property sales.

Long-term payables relate to liabilities for property development.

Redemption premium on convertible instruments relates to loan capital issued. Loan capital details are set out in Notes 21(A), (C) and (D).

Pension relates to accrued liabilities in relation to retirement schemes.

Others mainly relates to provisions for severance payments and warranty claims.

23. DEFERRED TAXATION

	Consolidated	
	2002 US$m	2001 US$m
At 1 January	**36.0**	29.8
Exchange translation	**3.1**	(2.0)
Disposal of subsidiary companies	**–**	(5.0)
Additions (Note 4)	**23.4**	14.0
Transfer from provision for taxation (Note 18)	**–**	0.2
Reclassification	**8.1**	–
Utilization	**–**	(1.0)
AT 31 DECEMBER	**70.6**	36.0

Provision is made for the tax that is expected to be payable in respect of planned distributions of retained profits of overseas subsidiary and associated companies. No deferred tax has been provided on earnings retained overseas. Except for the matters described below, deferred taxation has been fully provided for.

At 31 December 2002, taxation losses available to reduce future income tax, arising in the entities to which they relate, amounted to US$30.8 million (2001: US$153.7 million) in respect of non-Hong Kong tax losses, and US$40.7 million (2001: US$47.9 million) in respect of Hong Kong tax losses. No deferred tax assets have been recognized in respect of these losses.

24. RESERVES

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

	Consolidated	
	2002 US$m	2001 US$m
PLDT	**(43.5)**	(38.3)
Indofood	**1.3**	(24.2)
Escotel	**41.3**	42.3
Others	**1.2**	–
TOTAL	**0.3**	(20.2)

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

	Consolidated	
	2002 US$m	2001 US$m
PLDT	**(466.7)**	(467.1)
Indofood	**(346.3)**	(355.3)
Escotel	**(163.4)**	(163.4)
TOTAL	**(976.4)**	(985.8)

The 2002 reduction in goodwill reserve for PLDT (US$0.4 million) and Indofood (US$9.0 million), represents the amounts reinstated upon the dilution of the Group's interests in these investments.

An analysis of the accumulated reserves of associated companies, included within consolidated reserves, is set out below.

	2002 US$m	2001 US$m
Revenue reserve	**(59.6)**	(80.5)
Exchange reserve	**(2.2)**	4.0
TOTAL	**(61.8)**	(76.5)

The contributed surplus of the Company arose from a reorganization of the Group in 1988 and represents the difference between the nominal value of the share capital issued by the Company and the aggregate net asset value of the subsidiary companies acquired at the date of acquisition. Under the Companies Act 1981 of Bermuda (as amended), the Company may make distributions to its shareholders out of the contributed surplus provided certain conditions are met.

25. NOTES TO CONSOLIDATED CASH FLOW STATEMENT

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

	2002 US$m	2001 US$m
Operating profit/(loss)	**217.0**	(2,041.8)
Provision for investments and others	**–**	2,165.4
Loss on disposal of discontinued operations	**–**	72.9
Foreign exchange (gains)/losses, net	**(10.7)**	15.2
Loss on dilution of interest in a subsidiary and an associated company	**4.2**	6.7
Depreciation	**47.0**	60.5
Dividend income	**–**	(0.1)
Payments in respect of deferred liabilities and provisions	**(6.9)**	(28.4)
Loss on sale of property and equipment	**0.7**	2.1
Increase in long-term receivables and prepayments	**(28.4)**	(45.8)
Decrease in pledged deposits	**23.3**	14.1
Increase in accounts receivable, other receivables and prepayments	**(64.5)**	(1.4)
Increase in inventories	**(73.4)**	(13.3)
Increase in accounts payable, other payables and accruals	**0.6**	62.9
Others	**(16.6)**	(12.1)
Net cash inflow generated from operations	**92.3**	256.9
Interest received*	**21.9**	30.1
Interest paid	**(114.7)**	(139.3)
Tax paid	**(23.5)**	(31.0)
NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES	**(24.0)**	116.7

* In accordance with current year presentation, the interest received of US$30.1 million in 2001 has been reclassified to operating activities from investing activities because, in the opinion of the Directors, such presentation better reflects the underlying nature of the balance.

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

(B) DISPOSALS OF SUBSIDIARY COMPANIES

	2002 US$m	2001 US$m
NET ASSETS		
Property and equipment	**2.1**	151.5
Associated companies	**–**	2.6
Long-term investments	**–**	3.4
Cash and bank balances	**1.2**	30.6
Accounts receivable, other receivables and prepayments	**2.2**	84.0
Inventories	**–**	47.0
Accounts payable, other payables and accruals	**(4.2)**	(57.7)
Short-term borrowings	**(0.8)**	(18.1)
Provision for taxation	**–**	(3.3)
Outside interests	**–**	(31.2)
Loan capital and long-term borrowings	**(0.5)**	(50.4)
Deferred liabilities and provisions	**–**	(7.6)
Deferred taxation	**–**	(5.0)
TOTAL NET ASSETS DISPOSED OF	**–**	145.8
Goodwill reinstated from reserves	**–**	38.9
Exchange reserve reinstated	**–**	48.2
Loss on disposal	**–**	(72.9)
(AMOUNT PAID)/CONSIDERATION		
Cash and cash equivalents	**(5.5)**	160.0
TOTAL (AMOUNT PAID)/CONSIDERATION	**(5.5)**	160.0
NET (OUTFLOW)/INFLOW OF CASH AND CASH EQUIVALENTS PER CONSOLIDATED CASH FLOW STATEMENT	**(6.7)**	129.4

(C) PLEDGED DEPOSITS

The Company has pledged bank deposits of US$2.3 million (2001: US$4.4 million) as security for a loan. In addition, Indofood had pledged bank deposits totaling Rupiah 184.2 billion (US$20.6 million) (2001: Rupiah 380.6 billion; US$36.6 million), which were fully released in February 2003.

(D) NON-CASH TRANSACTION

In September 2002, a US$50.0 million Convertible Note was converted, at a value of HK$8.4 per share, into 46.2 million ordinary shares of the Company.

During 2002, the Metro Pacific group settled Pesos 1,055.2 million (US$19.8 million) of borrowings through property asset transfers to its creditors.

26. DISCONTINUED OPERATIONS

During 2002 and 2001, the Group disposed of certain subsidiary and associated companies. Details of these disposals are as follows.

Date of disposal	Subsidiary/associated company	Percentage held (%)	Percentage sold (%)	Consideration US$m	Loss on disposal US$m
April 2002	Infrontier	100.0	81.0	–	–
December 2001	Berli Jucker	83.5	83.5	125.0	66.6
December 2001	Darya-Varia	89.5	89.5	35.0	6.3
March 2001	Savills plc	19.6	19.6	41.6	–

Infrontier is a business solutions provider specializing in supply chain management in Asia. Details of the disposal of Infrontier are provided in Note 30(B). Berli Jucker is engaged in the business of manufacturing, distribution and marketing of glass, consumer, technical and imaging products in Thailand. Darya-Varia is a fully-integrated healthcare company engaged in the manufacture, marketing and distribution of prescription and over-the-counter medicines in Indonesia. Savills plc is an international property consultant providing advice across all aspects of the property market in the United Kingdom, Continental Europe and Asia.

The turnover, results, cash flows, assets and liabilities of the discontinued operations attributable to the Group were as follows.

	2002 US$m	2001 US$m
PROFIT AND LOSS		
Turnover	**0.4**	302.4
Operating expenses	**(2.7)**	(359.4)
Operating loss	**(2.3)**	(57.0)
Share of profits less losses of associated companies	**–**	3.5
Net borrowing costs	**–**	(1.9)
Loss before taxation	**(2.3)**	(55.4)
Taxation	**–**	(7.3)
LOSS AFTER TAXATION FOR THE YEAR	**(2.3)**	(62.7)
CASH FLOW		
Net operating cash (outflow)/inflow	**(2.8)**	20.8
Net investing cash (outflow)/inflow	**(6.7)**	125.2
Net financing cash outflow	**(0.2)**	(9.3)
TOTAL NET CASH (OUTFLOW)/INFLOW FOR THE YEAR	**(9.7)**	136.7
ASSETS AND LIABILITIES		
Total assets	**–**	5.3
Total liabilities	**–**	(3.1)
AT 31 DECEMBER	**–**	2.2

27. COMMITMENTS AND CONTINGENT LIABILITIES

(A) CAPITAL EXPENDITURE

	Consolidated	
	2002 US$m	2001 US$m
Commitments in respect of subsidiary companies:		
Authorized but not contracted for	**13.6**	20.6
Contracted but not provided for	**23.9**	26.9
TOTAL	**37.5**	47.5

Capital expenditure commitments relate to Indofood (purchase of machinery and equipment) and Metro Pacific (property development obligations).

At 31 December 2002, the Company committed US$10.0 million (2001: Nil) for a potential capital investment in Escotel. The Company has no commitments in respect of capital expenditure (2001: Nil).

(B) LEASING COMMITMENTS

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

	Consolidated	
	2002	2001
	US$m	US$m
LAND AND BUILDINGS		
– Within one year	**1.0**	1.8
– Between two and five years inclusive	**1.8**	6.1
Total land and buildings	**2.8**	7.9
PLANT AND OTHER		
– Within one year	**–**	0.3
– Between two and five years inclusive	**–**	0.3
Total plant and other	**–**	0.6
TOTAL	**2.8**	8.5

At 31 December 2002, the Company did not have any leasing commitments (2001: Nil).

(C) CONTINGENT LIABILITIES

	Consolidated		Company	
	2002	2001	**2002**	2001
	US$m	US$m	**US$m**	US$m
Guarantees for credit facilities given to				
– an associated company	**92.6**	100.1	**92.6**	100.1
– others	**–**	2.6	**–**	–
TOTAL	**92.6**	102.7	**92.6**	100.1

The guarantee in respect of an associated company relates to credit facilities extended to Escotel, which are guaranteed by Escotel's shareholders on a pro-rata basis. The US$92.6 million (2001: US$100.1 million) guarantee represents the Group's 49 per cent share of Escotel's borrowings.

The non-compliance of certain financial ratios under certain of Escotel's loan facilities may provide a basis for the lenders to accelerate the credit facilities which may then enable the lenders to access the guarantees provided by Escotel's shareholders. In the event that such guarantees are called upon by the lenders, they will become unsecured and short-term debts of the Company. However, Escotel's loan principal and interest payments remain current as at and subsequent to 31 December 2002.

28. EMPLOYEE INFORMATION

(A) REMUNERATION

	Consolidated	
	2002	2001
	US$m	US$m
Basic salaries	**110.6**	118.3
Bonuses	**14.9**	18.7
Benefits in kind	**22.3**	18.2
Pension contributions	**3.3**	4.2
TOTAL	**151.1**	159.4
AVERAGE NUMBER OF EMPLOYEES	**46,422**	52,252

The above includes the remuneration of Directors. Detailed disclosures in respect of Directors' remuneration are set out in Note 29(A).

(B) RETIREMENT BENEFITS

The Group operates both defined contribution and defined benefit schemes covering approximately 22,863 (2001: 21,072) employees.

(i) DEFINED CONTRIBUTION SCHEMES The Group operates seven (2001: nine) defined contribution schemes covering approximately 21,391 (2001: 18,806) employees. The assets of all of 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 the employees' salaries and length of service and range from zero per cent to 10 per cent (2001: zero to 10 per cent). Under the terms of the schemes, the Group cannot be requested to make additional payments over and above these levels of contributions. In one (2001: four) of the schemes, forfeited contributions may be used to reduce the existing levels of employer contributions and, in 2002, US$0.1 million (2001: US$0.1 million) was used for this purpose. At 31 December 2002, the forfeited contributions had been fully utilized.

(ii) DEFINED BENEFIT SCHEMES The Group operates two (2001: three) defined benefit schemes covering approximately 1,472 (2001: 1,526) employees. The assets of these 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 the schemes have undergone an independent valuation at the balance sheet date. These actuarial valuations were based on the projected unit credit method. The plan assets do not include any financial instruments of the Group or property occupied by, or other assets used by, the Group.

The amount of deficit under defined benefit schemes included in the balance sheet is as follows.

	2002	2001
	US$m	US$m
Present value of defined benefit obligations	**9.5**	7.8
Fair value of plan assets	**(5.1)**	(4.4)
LIABILITY IN BALANCE SHEET	**4.4**	3.4

The movement of deficit under defined benefit schemes included in balance sheet during 2002 is as follows.

	2002
	US$m
At 1 January	**3.4**
Exchange translation	**0.1**
Net pension scheme cost recognized in the profit and loss statement	**2.3**
Payment	**(1.4)**
AT 31 DECEMBER	**4.4**

The amount recognized in the profit and loss statement is as follows.

	2002 US$m	2001 US$m
Current service cost	**1.8**	0.7
Expected return on plan assets	**(0.4)**	(0.3)
Net actuarial losses/(gains) recognized in the year	**0.2**	(0.1)
Past service cost	**0.7**	–
TOTAL INCLUDED IN EMPLOYEE REMUNERATION	**2.3**	0.3
ACTUAL RETURN ON PLAN ASSETS	**9%**	9%

Principal actuarial assumptions (weighted average) at 31 December are as follows.

	2002	2001
Discount rate	**9%**	9%
Expected return on plan assets	**9%**	9%
Future salary increases	**13%**	14%
Future pension increases	**13%**	14%
Average remaining working lives of employees (years)	**13**	14

(C) LOANS TO OFFICERS

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

	Balance outstanding 31 December US$m	Balance outstanding 1 January US$m	Maximum balance during the year US$m
Aggregate amount outstanding – 2002	**–**	**–**	**–**
– 2001	–	0.8	0.8

29. DIRECTORS AND SENIOR EXECUTIVES REMUNERATION

The remuneration of the Executive Directors and senior executives, as disclosed in Notes (A) and (B), exclude the benefits arising from the exercise of share options.

(A) DIRECTORS' REMUNERATION

Executive Directors	2002 US$m	2001 US$m
Non-performance based		
– Salary and benefits	**3.4**	3.1
– Pension contributions	**0.2**	0.2
Performance based		
– Bonus and long-term monetary incentive awards	**0.3**	7.3
TOTAL	**3.9**	10.6

Included within total Directors' remuneration is an amount of US$1.5 million (2001: US$0.9 million) paid or reimburseable by PLDT, an associated company, in respect of the services of the Executive Chairman.

The Company's Independent Non-executive Directors received a total of US$55,000 (2001: US$92,000) in fees for meetings attended in 2002, and emoluments of US$76,923 (2001: US$76,923) for consultancy services provided to the Company in 2002. No fees or emoluments have been received by the other Non-executive Directors.

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

Remuneration bands	2002 Number	2001 Number
US$NIL – US$125,000	**6**	6
US$125,001 – US$189,000	**–**	1
US$573,001 – US$637,000	**–**	1
US$637,001 – US$701,000	**–**	1
US$701,001 – US$765,000	**1**	–
US$765,001 – US$829,000	**1**	–
US$893,001 – US$957,000	**1**	–
US$1,341,001 – US$1,405,000	**–**	1
US$1,469,001 – US$1,533,000	**1**	–
US$1,789,001 – US$1,853,000	**–**	1
US$2,749,001 – US$2,813,000	**–**	1
US$3,133,001 – US$3,197,000	**–**	1
TOTAL	**10**	13

Messrs. James C. Ng, David G. Eastlake and Ricardo S. Pascua resigned as Directors of the Company on 20 March 2001, 19 April 2001 and 31 December 2001, respectively.

(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. One (2001: Two) senior executive was among the Group's five highest earning employees. The remaining four (2001: three), of the five highest earning employees, are the Company's Directors.

	2002 US$m	2001 US$m
Non-performance based		
– Salary and benefits	**0.4**	0.3
– Compensation for contract severance[(i)]	**–**	4.9
Performance based		
– Bonus and long-term monetary incentive awards	**–**	0.2
TOTAL	**0.4**	5.4

(i) Represents the amount paid to two senior executives upon the disposal of a subsidiary company in 2001.

The table below shows the remuneration of the one (2001: two) senior executive who was among the Group's five highest earning employees in 2002.

Remuneration bands	2002 Number	2001 Number
US$381,001 – US$445,000	**1**	–
US$1,981,001 – US$2,045,000	**–**	1
US$3,389,001 – US$3,453,000	**–**	1
TOTAL	**1**	2

(C) SHARE OPTIONS

The tables below give particulars of the share options of the Company and its subsidiary companies granted to the Executive Directors, senior executives and a former Director, which were outstanding at 31 December 2002.

(i) PARTICULARS OF THE COMPANY'S SHARE OPTION SCHEME On 7 February 2003, the Company's Board of Directors approved the cancellation of all outstanding share options of the Company, which were granted to its Executive Directors and senior executives under Non-Qualified Stock Option Plan and the Incentive Stock Option Plan (which expired on 16 June 1999 and was replaced by the existing share option scheme) and the existing share option scheme (which has been suspended by the Company, pending amendments to reconcile this plan's provisions with Chapter 17 of the Listing Rules), during the period between December 1996 and August 2000, at exercise prices ranging from HK$5.38 to HK$9.47. As a result, there are no outstanding options under the Company's share option scheme at the date of this report.

	Options held at 1 January 2002	Options canceled during the year	Options held at 31 December 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 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	3,298,000	(454,000)	2,844,000	9.47	9.60	19 December 1996	December 1996 to December 1997	December 2006
	4,458,000	(1,522,000)	2,936,000	5.38	2.40-6.80	25 June 1999 to 14 August 2000	June 2000 to August 2001	June 2009
A FORMER DIRECTOR	5,786,000	–	5,786,000	9.47	9.60	19 December 1996	December 1996	December 2006
TOTAL	39,348,000	(1,976,000)	37,372,000					

On 7 June 1989, the Directors of the Company approved the Non-Qualified Stock Option Plan and the Incentive Stock Option Plan for senior executives, which schemes expired on 16 June 1999. Because of their impending expiry, on 24 May 1999, the Company approved a share option scheme under which the Directors may, at their discretion, at any time during the effectiveness of the scheme, grant to relevant executives of the Company share options of the Company as part of the Company's long-term incentive program. The scheme became effective on 17 June 1999. The scheme will be valid for 10 years and will expire on 17 June 2009.

The maximum number of shares on which options may be granted may not exceed 10 per cent of the Company's issued share capital, excluding any shares issued on the exercise of options, from time to time. The maximum number of shares in respect of which options may be granted under the scheme to any one participant (including shares issued and issuable to him/her under all the options previously granted to him/her) is limited to 25 per cent of the maximum aggregate number of shares of the Company subject to the scheme at the time of the proposed grant of options to such participant.

The exercise price in relation to each option offer shall be determined by the Directors at their absolute discretion, but in any event shall not be less than the greater of (i) 80 per cent of the average of the official closing price of the shares on the Stock Exchange of Hong Kong for the five trading days immediately preceding the relevant offer date or (ii) the nominal value of the shares. The terms of the scheme provide that an option may be exercised under the scheme at any time during the period commencing on the date upon which such option is deemed to be granted and accepted.

No share options have been granted or exercised during the year in respect of the Company's share option scheme. Accordingly, no value in respect of share options granted has been charged to the profit and loss statement, or is otherwise included in the Directors' remuneration and the five highest paid employees' remuneration disclosures as set out in Notes (A) and (B) above.

(ii) PARTICULARS OF INDOFOOD'S SHARE OPTION SCHEME

	Options held at 1 January 2002	Options granted during the year	Options exercised during the year	Options held at 31 December 2002	Option exercise price (Rupiah)	Market price at date of grant (Rupiah)	Market price at date of exercise (Rupiah)	Grant date	Exercisable from	Exercisable until
INDOFOOD SENIOR EXECUTIVES	–	457,800	(457,800)	–	412,500	500,000	500,000	15 May 2002	May 2002	May 2002

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, for appreciation purposes. Under this programme, certain persons who have been employees, including senior executives and employees cooperatives, of Indofood for a minimum of one year are entitled to receive 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. The exercise price was determined as the average closing price of the Indofood's shares during 25 consecutive trading days prior to 16 May 2001. The options were granted to three groups of employees, namely Group A (Executive Management) with a maximum portion of 48 per cent, Group B (Other Executive Management and staff) with a maximum portion of 50 per cent, and Group C (Employees' Cooperatives) with a maximum portion of 2 per cent, in each phase. The offer of the grant of options may be accepted by a participant within 3 days after the qualified employees received the notification. The options are exercisable when they are granted within the relevant ESOP phases. If the consideration is payable to or based on loans, they must be paid or repaid within 3 years. 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.

In March 2003, 228,900 options under Phase II of the ESOP were granted and became rights of the qualified employees. Based on the said total number of options under Phase II, a total of 114,450,000 new shares of Indofood are available for subscription by the qualified employees at the established exercise price of Rupiah 825 per share. At the date of this report, no shares were issued through the exercise of options granted under Phase II of the ESOP. As at the date of this report, the number of shares issuable under share options granted under Indofood's share option scheme was 114,450,000, which represented approximately 1.2 per cent of Indofood's shares in issue.

The Directors are of the view that the value of options granted during the year 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 to shareholders.

(iii) PARTICULARS OF METRO PACIFIC'S SHARE OPTION SCHEME

	Options held at 1 January 2002	Options canceled during the year	Options held at 31 December 2002	Option exercise price (Pesos)	Market price at date of grant (Pesos)	Grant date	Exercisable from	Exercisable until
METRO PACIFIC SENIOR EXECUTIVES	16,856,923	(7,067,368)	9,789,555	1.69	1.76	2 November 1993	November 1994	November 2003
	9,808,471	–	9,808,471	1.91	2.37	16 April 1995	April 1996	April 2005
	674,236	–	674,236	4.38	5.19	15 April 1996	April 1997	April 2006
	10,018,750	–	10,018,750	3.46	3.57	1 August 1997	August 1997	August 2007
TOTAL	37,358,380	(7,067,368)	30,291,012					

On May 15, 1990, Metro Pacific approved a share option scheme under which the directors may, at their discretion, invite executives of Metro Pacific upon the regularization of employment of eligible executives, to take up share options of Metro Pacific to obtain an ownership interest in Metro Pacific and for the purpose of long-term employment motivation. The scheme became effective on May 15, 1990. The scheme shall be valid for an indefinite period of time.

The maximum number of shares on which options may be granted may not exceed 10% per cent of the issued share capital of Metro Pacific, excluding any shares issued on the exercise of options, from time to time. As at the date of this report, the number of shares issuable under share options granted under Metro Pacific's share option scheme was 30,291,012, which represented approximately 0.1 per cent of Metro Pacific's shares in issue at that date. The maximum number of shares in respect of which options may be granted under the scheme to any one participant (including shares issued and issuable to him/her under all the options previously granted to him/her) is limited to 30% per cent of the maximum aggregate number of shares of Metro Pacific subject to the scheme at the time of the proposed grant of options to such participant.

The exercise price in relation to each option offer shall be determined by the directors at their absolute discretion, but in any event shall not be less than the (i) average of the official closing price of the shares on the Philippine Stock Exchange for the twenty trading days immediately preceding the relevant offer date or (ii) the nominal value of the shares.

No share options have been granted or exercised during the year in respect of Metro Pacific's share option scheme.

30. CONNECTED AND RELATED PARTY TRANSACTIONS

Significant related party transactions entered into by the Group during the year ended 31 December 2002, which also constitute connected transactions under the Listing Rules, are disclosed in Notes (A) to (C). Other related party transactions, which do not constitute connected transactions under the Listing Rules, are disclosed in Notes (D) to (F).

(A) Larouge, a wholly-owned subsidiary of the Company, extended a US$90.0 million loan to Metro Pacific in April 2001. The loan was secured by a pledge over a 50.4 per cent interest of Bonifacio Land Corporation shares that Metro Pacific owned. The loan was repaid on 17 April 2003. For details, please refer to Note 31(A).

(B) Under an agreement dated 19 August 2002, First Pacific has transferred an 81 per cent controlling stake in Infrontier Limited to the incumbent management, with effect from 30 April 2002. First Pacific has retained a minority stake of 19 per cent.

(C) Since December 1995, the Company has provided guarantees, on a pro-rata basis to its shareholding, in respect of the credit facilities extended to Escotel. Details are provided in Note 27(C). The purpose of the guarantees is to facilitate Escotel's financing activities.

(D) On 25 September 2002, First Pacific exercised its option to convert a US$50 million Convertible Note into 46,220,238 newly issued ordinary shares of First Pacific at HK$8.4 per share, at a fixed exchange rate of HK$7.765: US$1.

The US$50 million Convertible Note was issued on 17 September 1999 to First Pacific Investment (B.V.I.) Limited (FPIL(BVI)), a major shareholder of the Company. With the issuance of the 46,220,238 new ordinary shares, FPIL(BVI)'s interest in First Pacific increased to 19.72 per cent from 18.54 per cent.

(E) In May 2002, Metrosel raised Rupiah 67.0 billion (US$7.6 million) through a rights issue. Asia Link B.V., a wholly-owned subsidiary of the Company, subscribed for the rights issue in proportion to its 35 per cent shareholding in Metrosel. The Rupiah 23.5 billion (US$2.7 million) funds required for the subscription were advanced by the Salim Group, the major shareholder of the Company, at an interest rate of 18.0 per cent per annum, the then prevailing cost of short-term Rupiah borrowings. The advance, together with accrued interest, was fully repaid in August 2002.

(F) 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.

As at 31 December Nature of balances	**2002** **US$m**	2001 US$m
BALANCE SHEET ITEMS		
Accounts receivable – trade		
– from associated companies	**6.0**	5.4
– from affiliated companies	**4.0**	2.6
Accounts receivable – non-trade		
– from associated companies	**1.2**	0.3
– from affiliated companies	**11.9**	10.1
Long-term receivables		
– from associated companies	**4.0**	1.0
– from affiliated companies	**1.5**	27.5
Accounts payable – trade		
– to associated companies	**1.4**	1.1
– to affiliated companies	**2.3**	14.2

For the year ended 31 December Nature of transactions	**2002** **US$m**	2001 US$m
PROFIT AND LOSS ITEMS		
Sales of finished goods		
– to associated companies	**53.3**	46.8
– to affiliated companies	**15.5**	7.0
Purchase of raw materials		
– from associated companies	**14.3**	12.4
– from affiliated companies	**29.1**	137.6

Approximately four per cent (2001: four per cent) of Indofood's sales and three per cent (2001: 14 per cent) of its purchases were transacted with these related companies.

31. SUBSEQUENT EVENTS

(A) On 23 November 2002, Metro Pacific entered into an agreement with Greenfield Development Corporation and Ayala Land Inc., which anticipated the sale and assignment by Larouge B.V. (Larouge), a wholly-owned subsidiary company of the Company, of its US$90.0 million loan (the Larouge Loan) to Metro Pacific and its 50.4 per cent pledged interest in Bonifacio Land Corporation (BLC), a 72.9 per cent owned subsidiary company of Metro Pacific, for a consideration of US$90.0 million (the Transaction). The Larouge Loan was extended by Larouge to Metro Pacific in April 2001 and became due and payable on 31 October 2001, which date was extended by First Pacific to 31 December 2001, but remained unpaid.

On 8 February 2003, Larouge entered into an assignment agreement with Evergreen Holdings Inc., Ayala Land Inc. and Greenfield Development Corporation, which provided for the transfer of the Larouge Loan as part of the Transaction. The closing of the Transaction required the fulfillment or waiver of various conditions precedent.

On the same date, Larouge also entered into an agreement with Metro Pacific which provided that the interest payable under the Larouge Loan would be re-calculated based on Larouge's actual cost of funds, up to the closing of the Transaction, approximating Pesos 700 million (US$13.2 million), which resulted in approximately US$20.1 million of interest payable being waived by Larouge upon the closing of the Transaction.

On 19 March 2003, the proposed Transaction was unanimously approved by the Company's independent shareholders at a Special General Meeting.

On 17 April 2003, the Transaction was formally completed and US$90 million cash was received. The proceeds will be used to partially repay the Company's US$187.4 million bank loan. After this partial repayment, the Company will have approximately US$100.0 million of outstanding bank loan, which it intends to refinance within the next six months prior to its maturity in December 2003.

As a consequence of the Larouge Loan Transaction, Metro Pacific's interest in BLC has declined to 22.5 per cent from 72.9 per cent. Accordingly, BLC, which was a subsidiary company of the Group, is now accounted for as an associated company. A pro forma consolidated balance sheet, as if the Transaction had been completed on 31 December 2002, follows.

	Actual US$m	Disposal of 50.4 per cent BLC by Metro Pacific US$m	Repayment of the Company debt US$m	**Pro forma US$m**
NON-CURRENT ASSETS				
Property and equipment	**1,009.3**	(337.3)	–	**672.0**
Associated companies	**(24.5)**	13.6	–	**(10.9)**
Other non-current assets	**294.2**	(28.1)	–	**266.1**
	1,279.0	(351.8)	–	**927.2**
CURRENT ASSETS				
Cash and bank balances (including pledged deposits)	**226.2**	76.4	(90.0)	**212.6**
Other current assets	**807.9**	(68.1)	–	**739.8**
	1,034.1	8.3	(90.0)	**952.4**
CURRENT LIABILITIES	**1,013.5**	(111.4)	(90.0)	**812.1**
NET CURRENT ASSETS	**20.6**	119.7	–	**140.3**
TOTAL ASSETS LESS CURRENT LIABILITIES	**1,299.6**	(232.1)	–	**1,067.5**
SHAREHOLDERS' DEFICIT	**(71.2)**	–	–	**(71.2)**
OUTSIDE INTERESTS	**424.1**	(145.0)	–	**279.1**
NON-CURRENT LIABILITIES	**946.7**	(87.1)	–	**859.6**
	1,299.6	(232.1)	–	**1,067.5**

(B) On 7 February 2003, the Company's Board of Directors approved the cancellation of all the outstanding share options of the Company, which were granted to its Executive Directors and senior executives under the Non-Qualified Stock Option Plan and the Incentive Stock Option Plan (which expired on 16 June 1999 and was replaced by the existing share option scheme) and the existing share option scheme (which has been suspended by the Company, pending amendments to reconcile this plan's provisions with Chapter 17 of the Listing Rules), during the period between December 1996 and August 2000, at exercise prices ranging from HK$5.38 to HK$9.47. As a result, there are no outstanding options under the Company's share option scheme at the date of these Financial Statements.

(C) On 21 March 2003, Asia Link B.V., a wholly-owned subsidiary company of the Company, exchanged its 35.0 per cent interest in Metrosel for 14.6 per cent interest in PT Mobile-8 Telecom (Mobile-8). Mobile-8, through its subsidiary companies, Metrosel and Komselindo, plans to build and operate a CDMA cellular telephone network and provide mobile telephone services in most of Indonesia.

32. COMPARATIVE FIGURES

Due to the adoption of certain new and revised Statements of Standard Accounting Practice issued by the HKSA during 2002, the presentation of certain items and balances in the Financial Statements have been revised to comply with the new requirements. Accordingly, certain comparative figures have been reclassified to conform with the current year's presentation.

33. APPROVAL OF FINANCIAL STATEMENTS

The Financial Statements were approved and authorized for issue by the Board of Directors on 17 April 2003.