FIRST PACIFIC

FIRST PACIFIC COMPANY LIMITED

(Incorporated in Bermuda with limited liability)

2001 Interim Results - Unaudited

Financial Highlights

- Turnover from continuing businesses decreased by 21.7 per cent to US$904.5 million (HK$7,055.1 million) from US$1,155.7 million (HK$9,014.5 million).
- Contribution from continuing businesses decreased by 4.8 per cent to US$35.7 million (HK$278.5 million) from US$37.5 million (HK$292.5 million).
- Contribution from operations decreased by 18.0 per cent to US$37.3 million (HK$290.9 million) from US$45.5 million (HK$354.9 million).
- Recurring profit decreased by 21.5 per cent to US$20.4 million (HK$159.1 million) from US$26.0 million (HK$202.8 million).
- There was no gain on disposal and dilution of shareholdings less provision for investments in 2001 as compared to a net gain of US$87.7 million (HK$684.0 million) recorded in 2000.
- Foreign exchange losses, which were largely unrealized, decreased by 48.7 per cent, to US$32.5 million (HK$253.5 million) from US$63.3 million (HK$493.7 million).
- Loss attributable to ordinary shareholders of US$12.1 million (HK$94.4 million) was recorded in 2001 compared to a profit of US$50.4 million (HK$393.1 million) recorded in 2000.
- Net assets decreased by 12.8 per cent to US$1,138.2 million (HK$8,878.0 million) from US$1,305.1 million (HK$10,179.8 million).
- Loss per share of US0.39 cent (HK3.04 cents) was recorded in 2001 compared to earnings per share of US1.73 cents (HK13.49 cents) recorded in 2000.
- The directors do not propose the payment of an interim dividend in 2001 (2000 interim dividend: US0.13 cent or HK1.00 cent per share).

CONDENSED INTERIM FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED PROFIT AND LOSS STATEMENT

For the six months ended 30 June		(Restated)(i)		(Restated)(i)
	2001	2000	**2001***	2000*
	US$m	US$m	**HK$m**	HK$m
Turnover - *Note 1*	**904.5**	1,251.4	**7,055.1**	9,760.9

Cost of sales	**(666.4)**	(833.6)	**(5,197.9)**	(6,502.1)
Gross profit	**238.1**	417.8	**1,857.2**	3,258.8
Gain on disposal and dilution of shareholdings less provision for investments	**-**	91.4	**-**	712.9
Other operating income	**19.9**	10.9	**155.2**	85.1
Distribution costs	**(60.1)**	(56.7)	**(468.8)**	(442.2)
Administrative expenses	**(82.3)**	(122.1)	**(641.9)**	(952.4)
Other operating expenses	**(32.1)**	(137.1)	**(250.4)**	(1,069.4)
Operating profit - *Notes 1 & 2*	**83.5**	204.2	**651.3**	1,592.8
Share of profits less losses of associated companies	**(4.7)**	(38.2)	**(36.7)**	(298.0)
Net borrowing costs - *Note 3*	**(49.9)**	(60.1)	**(389.2)**	(468.8)
Profit before taxation	**28.9**	105.9	**225.4**	826.0
Taxation - *Note 4*	**(26.6)**	(23.4)	**(207.5)**	(182.5)
Profit after taxation	**2.3**	82.5	**17.9**	643.5
Outside interests	**(14.4)**	(32.1)	**(112.3)**	(250.4)
(Loss)/profit attributable to ordinary shareholders - *Note 5*	**(12.1)**	50.4	**(94.4)**	393.1

	2001	2000	**2001***	2000*
Per share data	**US¢**	US¢	**HK¢**	HK¢
(Loss)/earnings - *Note 6*				
- Basic	**(0.39)**	1.73	**(3.04)**	13.49
- Diluted	**(0.39)**	1.72	**(3.04)**	13.42
Dividend proposed - *Note 7*	**-**	0.13	**-**	1.00

CONDENSED CONSOLIDATED STATEMENT OF RECOGNIZED GAINS AND LOSSES

For the six months ended 30 June

		(Restated)(i)		(Restated)(i)
	2001	2000	**2001***	2000*
	US$m	US$m	**HK$m**	HK$m
Exchange differences on the translation of the financial statements of foreign entities	**(52.8)**	(70.8)	**(411.8)**	(552.2)
Realization of property revaluation	**-**	0.3	**-**	2.3
Net losses not recognized in the profit and loss statement	**(52.8)**	(70.5)	**(411.8)**	(549.9)
(Loss)/profit attributable to ordinary shareholders	**(12.1)**	50.4	**(94.4)**	393.1
Total recognized losses for the period	**(64.9)**	(20.1)	**(506.2)**	(156.8)
Goodwill arising on acquisitions and written off against reserves	**-**	(189.9)	**-**	(1,481.2)
	(64.9)	(210.0)	**(506.2)**	(1,638.0)

CONDENSED CONSOLIDATED BALANCE SHEET

		(Restated)(i)		(Restated)(i)
	At 30 June 2001	At 31 December 2000	**At 30 June 2001***	At 31 December 2000*

	US$m	US$m	**HK$m**	HK$m
ASSETS				
Non-current assets				
Property and equipment	**1,610.1**	2,001.6	**12,558.8**	15,612.5
Associated companies	**(17.2)**	19.1	**(134.2)**	149.0
Long-term investments	**2.5**	5.2	**19.5**	40.5
Long-term receivables	**241.0**	207.8	**1,879.8**	1,620.8
Pledged deposits	**-**	50.7	**-**	395.5
	1,836.4	2,284.4	**14,323.9**	17,818.3
Current assets				
Cash and bank balances	**255.9**	369.5	**1,996.0**	2,882.1
Pledged deposits	**64.4**	8.0	**502.3**	62.4
Short-term investments	**14.0**	16.4	**109.2**	127.9
Accounts receivable and prepayments - *Note 8*	**506.6**	518.5	**3,951.5**	4,044.3
Inventories	**432.5**	259.0	**3,373.5**	2,020.2
	1,273.4	1,171.4	**9,932.5**	9,136.9
Total assets	**3,109.8**	3,455.8	**24,256.4**	26,955.2
EQUITY AND LIABILITIES				
Equity capital and reserves				
Share capital	**31.4**	31.4	**244.9**	244.9
Reserves	**285.8**	338.1	**2,229.3**	2,637.2
Shareholders' equity	**317.2**	369.5	**2,474.2**	2,882.1
Outside interests	**821.0**	935.6	**6,403.8**	7,297.7
Non-current liabilities				
Loan capital and long-term borrowings	**457.4**	918.5	**3,567.7**	7,164.3
Deferred liabilities and provisions	**134.3**	247.4	**1,047.5**	1,929.7
Deferred taxation	**32.8**	29.8	**255.9**	232.5
	624.5	1,195.7	**4,871.1**	9,326.5
Current liabilities				
Accounts payable and accruals - *Note 9*	**493.5**	401.3	**3,849.3**	3,130.1
Short-term borrowings	**831.7**	526.1	**6,487.2**	4,103.5
Provision for taxation	**21.9**	27.6	**170.8**	215.3
	1,347.1	955.0	**10,507.3**	7,448.9
Total liabilities	**1,971.6**	2,150.7	**15,378.4**	16,775.4
Total equity and liabilities	**3,109.8**	3,455.8	**24,256.4**	26,955.2

Supplementary Information				
Net current (liabilities)/assets	**(73.7)**	216.4	**(574.8)**	1,688.0
Total assets less current liabilities	**1,762.7**	2,500.8	**13,749.1**	19,506.3
Number of shares in issue (millions)	**3,139.8**	3,139.8	**3,139.8**	3,139.8

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June	2001 US$m	(Restated)(i) 2000 US$m	2001* HK$m	(Restated)(i) 2000* HK$m
Operating profit	**83.5**	204.2	**651.3**	1,592.8
Gain on disposal and dilution of shareholdings less provision for investments	**-**	(91.4)	**-**	(712.9)
Exchange losses	**31.3**	90.2	**244.1**	703.6
Dividend income	**(0.1)**	(0.1)	**(0.8)**	(0.8)
Gain on sale of property and equipment	**(0.1)**	(0.5)	**(0.8)**	(3.9)
Depreciation	**31.0**	57.2	**241.8**	446.2
Payments in respect of deferred liabilities and provisions	**(17.2)**	(18.1)	**(134.2)**	(141.2)
Increase in working capital+	**(15.3)**	(28.9)	**(119.3)**	(225.4)
Others	**(33.7)**	9.2	**(262.8)**	71.7
Less operating profit attributable to Banking operations	**-**	(14.3)	**-**	(111.6)
Net cash inflow from operating activities	**79.4**	207.5	**619.3**	1,618.5
Net interest paid	**(33.5)**	(56.7)	**(261.3)**	(442.2)
Net dividends paid	**(2.3)**	(2.1)	**(17.9)**	(16.4)
Net cash outflow from returns on investments and servicing of finance	**(35.8)**	(58.8)	**(279.2)**	(458.6)
Tax paid	**(15.1)**	(28.7)	**(117.8)**	(223.9)
Net cash inflow before investing activities	**28.5**	120.0	**222.3**	936.0
Purchase of property and equipment	**(62.6)**	(91.3)	**(488.3)**	(712.1)
Purchase of new businesses and investments	**-**	(2.2)	**-**	(17.2)
Sale of businesses, property and equipment and others	**44.4**	33.8	**346.3**	263.6
Loans to associated companies	**(2.4)**	(1.8)	**(18.7)**	(14.0)
Net cash outflow from investing activities	**(20.6)**	(61.5)	**(160.7)**	(479.7)
Net cash inflow before financing activities	**7.9**	58.5	**61.6**	456.3
Net borrowings repaid	**(92.3)**	(129.6)	**(719.9)**	(1,010.9)
Net cash outflow from financing activities	**(92.3)**	(129.6)	**(719.9)**	(1,010.9)
Decrease in cash and cash equivalents	**(84.4)**	(71.1)	**(658.3)**	(554.6)
Cash and cash equivalents at 1 January	**360.6**	491.7	**2,812.7**	3,835.3
Exchange translation	**(26.0)**	(59.7)	**(202.8)**	(465.7)
Cash and cash equivalents at 30 June	**250.2**	360.9	**1,951.6**	2,815.0

Representing				
Cash and bank balances	**255.9**	391.1	**1,996.0**	3,050.6
Overdrafts	**(0.4)**	(2.4)	**(3.1)**	(18.7)
Other short-term borrowings with an original maturity of less than 90 days	**(5.3)**	(27.8)	**(41.3)**	(216.9)
Cash and cash equivalents at 30 June	**250.2**	360.9	**1,951.6**	2,815.0

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

Analysis of changes in financing

For the six months ended 30 June	Share capital and share premium US$m	Outside interests US$m	Bank and other borrowings US$m	**2001 Total financing US$m**	**2001* Total financing HK$m**
At 1 January	940.1	935.6	1,435.7	**3,311.4**	**25,828.9**
Exchange translation	-	(65.1)	(58.3)	**(123.4)**	**(962.5)**
Net cash outflow	-	-	(92.3)	**(92.3)**	**(719.9)**
Attributable profit less dividends	-	6.4	-	**6.4**	**49.9**
Other movements	-	(55.9)	(1.7)	**(57.6)**	**(449.3)**
At 30 June	940.1	821.0	1,283.4	**3,044.5**	**23,747.1**

(i) Refer to Note 10.

* *The Company maintains its accounts and reports to its shareholders in United States dollars. The figures shown in Hong Kong dollars are for illustration only and are based on a fixed exchange rate of 7.8 Hong Kong dollars to one United States dollar.*

Notes:-

1. Segmental information

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

For the six months ended 30 June	Turnover		Operating profit		Turnover		Operating profit	
	2001 US$m	2000 US$m	**2001 US$m**	2000 US$m	**2001* HK$m**	2000* HK$m	**2001* HK$m**	2000* HK$m
Principal activities								
- Consumer	**816.7**	911.5	**70.1**	89.8	**6,370.3**	7,109.7	**546.8**	700.4
- Telecommunications	**-**	80.5	**(3.7)**	(17.4)	**-**	627.9	**(28.9)**	(135.7)
- Property	**87.8**	163.7	**6.9**	34.0	**684.8**	1,276.9	**53.8**	265.2

- Disposed businesses^	**-**	95.7	**-**	14.6	**-**	746.4	**-**	113.9
Subtotal	**904.5**	1,251.4	**73.3**	121.0	**7,055.1**	9,760.9	**571.7**	943.8
Head Office			**10.2**	(8.2)			**79.6**	(63.9)
Gain on disposal and dilution of shareholdings less provision for investments			**-**	91.4			**-**	712.9
Total			**83.5**	204.2			**651.3**	1,592.8
Principal markets								
- Indonesia	**694.4**	765.9	**60.9**	80.2	**5,416.3**	5,974.0	**475.0**	625.6
- Philippines	**87.8**	244.2	**6.9**	16.6	**684.8**	1,904.8	**53.8**	129.5
- Thailand	**122.3**	145.6	**9.2**	9.6	**954.0**	1,135.7	**71.8**	74.9
- Others	**-**	95.7	**(3.7)**	14.6	**-**	746.4	**(28.9)**	113.8
Subtotal	**904.5**	1,251.4	**73.3**	121.0	**7,055.1**	9,760.9	**571.7**	943.8
Head Office			**10.2**	(8.2)			**79.6**	(63.9)
Gain on disposal and dilution of shareholdings less provision for investments			**-**	91.4			**-**	712.9
Total			**83.5**	204.2			**651.3**	1,592.8

^ Represents SPORTathlon, First Pacific Bank and Savills plc.

2. Operating profit

For the six months ended 30 June	**2001**	2000	**2001***	2000*
	US$m	US$m	**HK$m**	HK$m
Operating profit is stated after crediting/(charging)				
Net rental income from investment properties	**0.2**	1.3	**1.6**	10.1
Dividends from unlisted investments	**0.1**	0.1	**0.8**	0.8
Gain on sale of property and equipment	**0.1**	0.5	**0.8**	3.9
Employee remuneration	**(74.5)**	(113.2)	**(581.1)**	(883.0)
Net exchange loss on monetary items	**(31.3)**	(90.2)	**(244.1)**	(703.6)
Depreciation	**(31.0)**	(57.2)	**(241.8)**	(446.2)
Doubtful debt provisions	**(0.7)**	(15.5)	**(5.5)**	(120.9)

3. Net borrowing costs

For the six months ended 30 June	**2001**	2000#	**2001***	2000*/#
	US$m	US$m	**HK$m**	HK$m
Loan capital	**7.5**	6.6	**58.5**	51.5
Bank loans, overdrafts and other loans	**51.5**	76.0	**401.7**	592.8
Total interest expense	**59.0**	82.6	**460.2**	644.3
Other borrowing costs	**11.3**	26.2	**88.1**	204.3
Total borrowing costs	**70.3**	108.8	**548.3**	848.6
Less borrowing costs capitalized	**(6.0)**	(23.3)	**(46.8)**	(181.7)

Less interest income	**(14.4)**	(25.4)	**(112.3)**	(198.1)
Net borrowing costs	**49.9**	60.1	**389.2**	468.8

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

4. **Taxation**

Hong Kong profits tax has been provided at the rate of 16.0 per cent (2000: 16.0 per cent) on the estimated assessable profits for the period. Taxation on assessable profits generated outside Hong Kong has been provided at the rates of taxation prevailing in the countries in which the Company's subsidiary and associated companies operate.

For the six months ended 30 June	**2001 US$m**	2000 US$m	**2001* HK$m**	2000* HK$m
Subsidiary companies				
Current taxation				
- Overseas	**16.7**	22.8	**130.3**	177.8
- Hong Kong	**-**	2.6	**-**	20.3
Deferred taxation - Overseas	**4.1**	(1.1)	**31.9**	(8.6)
Subtotal	**20.8**	24.3	**162.2**	189.5
Associated companies				
Current taxation - Overseas	**5.5**	7.8	**42.9**	60.9
Deferred taxation - Overseas	**0.3**	(8.7)	**2.4**	(67.9)
Subtotal	**5.8**	(0.9)	**45.3**	(7.0)
Total	**26.6**	23.4	**207.5**	182.5

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

5. **(Loss)/profit attributable to ordinary shareholders**

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

For the six months ended 30 June	**2001 US$m**	2000 US$m	**2001* HK$m**	2000* HK$m
Subsidiary companies	**(31.3)**	(103.5)	**(244.1)**	(807.3)
Less capitalized within net borrowing costs	**-**	13.3	**-**	103.7
Included in other operating expenses	**(31.3)**	(90.2)	**(244.1)**	(703.6)
Associated companies	**(28.5)**	(65.2)	**(222.3)**	(508.5)
Subtotal	**(59.8)**	(155.4)	**(466.4)**	(1,212.1)
Exchange differences attributable to taxation and outside interests	**27.3**	92.1	**212.9**	718.4
Total	**(32.5)**	(63.3)	**(253.5)**	(493.7)

An analysis of exchange losses by principal operating company is set out below. Exchange losses arose primarily on the translation of unhedged U.S. dollar denominated borrowings of PLDT and Indofood as a result of the depreciation of the peso and the rupiah during 2000 and 2001.

For the six months ended 30 June	**2001**	2000	**2001***	2000*
	US$m	US$m	**HK$m**	HK$m
PLDT	**(18.9)**	(32.7)	**(147.4)**	(255.0)
Indofood	**(8.4)**	(21.7)	**(65.5)**	(169.3)
Others	**(5.2)**	(8.9)	**(40.6)**	(69.4)
Total	**(32.5)**	(63.3)	**(253.5)**	(493.7)

6. (Loss)/earnings per share

For the six months ended 30 June	**2001**	2000	**2001***	2000*
	U.S.	U.S.	**HK**	HK
(Loss)/earnings per share are based on				
- (loss)/profit attributable to ordinary shareholders of ($m)	**(12.1)**	50.4	**(94.4)**	393.1
- and an average number of shares of (millions)	**3,139.8**	2,911.0	**3,139.8**	2,911.0
Resulting in (loss)/earnings per share of (cents)	**(0.39)**	1.73	**(3.04)**	13.49

As the impact of convertible instruments is anti-dilutive, both the basic and diluted loss per share figures are the same in 2001. In 2000, the diluted earnings per share was US1.72 cents (HK 13.42 cents).

7. Ordinary share dividends

The directors do not propose the payment of an interim dividend in 2001 (2000: US0.13 cent or HK1.00 cent per ordinary share, totaling US$3.7 million or HK$28.9 million).

8. Accounts receivable and prepayments

Included in accounts receivable and prepayments are trade receivables of US$238.5 million (HK$1,860.3 million) (31 December 2000: US$228.6 million or HK$1,783.1 million) and their aging analysis is as follows:

	At 30 June 2001 US$m	At 31 December 2000 US$m	**At 30 June 2001* HK$m**	At 31 December 2000* HK$m
Less than 30 days	**180.8**	156.1	**1,410.2**	1,217.6
30-60 days	**24.9**	16.8	**194.2**	131.0
60-90 days	**6.1**	4.7	**47.6**	36.7
Over 90 days	**26.7**	51.0	**208.3**	397.8
Total	**238.5**	228.6	**1,860.3**	1,783.1

For consumer businesses, there are 60 days of credit for sub-distributors/wholesaler and between 15-60 days of credit for other customers. For property businesses, contract receivables are collectible by installments for periods ranging from two to ten years.

9. Accounts payable and accruals

Included in accounts payable and accruals are trade payables of US$214.6 million (HK$1,673.9 million) (31 December 2000: US$176.8 million or HK$1,379.0 million) and their aging analysis is as follows:

	At 30 June 2001 US$m	At 31 December 2000 US$m	**At 30 June 2001* HK$m**	At 31 December 2000* HK$m
Less than 30 days	**165.3**	136.1	**1,289.3**	1,061.6
30-60 days	**24.1**	20.7	**188.0**	161.4
60-90 days	**8.1**	11.4	**63.2**	88.9
Over 90 days	**17.1**	8.6	**133.4**	67.1
Total	**214.6**	176.8	**1,673.9**	1,379.0

10. Prior year adjustments

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

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

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

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

	As previously reported For the six months ended 30 June 2000 US$m	Restatement SSAP 32 US$m	SSAP 9 (Revised) US$m	As restated For the six months ended 30 June2000 US$m	As previously reported For the six months ended 30 June 2000* HK$m	Restatement SSAP 32* HK$m	SSAP 9 (Revised)* HK$m	As restated For the six months ended 30 June2000* HK$m
Profit and loss statement								
Turnover	512.0	739.4	-	1,251.4	3,993.6	5,767.3	-	9,760.9

Operating profit	125.3	78.9	-	204.2	977.3	615.5	-	1,592.8
Profit after taxation	54.9	27.6	-	82.5	428.2	215.3	-	643.5
Profit attributable to ordinary								
shareholders	50.4	-	-	50.4	393.1	-	-	393.1
Cash flow statement								
Net cash inflow/(outflow) from								
- operating activities	35.2	172.3	-	207.5	274.6	1,343.9	-	1,618.5
- investing activities	(48.3)	(13.2)	-	(61.5)	(376.7)	(103.0)	-	(479.7)
- financing activities	(91.0)	(38.6)	-	(129.6)	(709.8)	(301.1)	-	(1,010.9)

	As previously				As previously			
	reported			As restated	reported			As restated
	At 31	Restatement		At 31	At 31	Restatement		At 31
	December			SSAP 9	December	December	SSAP 9	December
	2000	SSAP 32	(Revised)	2000	2000*	SSAP 32*	(Revised)*	2000*
	US$m	US$m	US$m	US$m	HK$m	HK$m	HK$m	HK$m
Balance Sheet								
Total assets	2,322.4	1,133.4	-	3,455.8	18,114.7	8,840.5	-	26,955.2
Total liabilities	1,198.1	956.6	(4.0)	2,150.7	9,345.2	7,461.4	(31.2)	16,775.4
Shareholders' equity	365.5	-	4.0	369.5	2,850.9	-	31.2	2,882.1
Outside interests	758.8	176.8	-	935.6	5,918.6	1,379.1	-	7,297.7

11. Contingent liabilities

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

	At 30 June 2001 US$m	At 31 December 2000 US$m	**At 30 June 2001* HK$m**	At 31 December 2000* HK$m
Guarantees for credit facilities given to				
- associated companies	**95.5**	100.4	**744.9**	783.1
- others	**7.3**	19.3	**56.9**	150.6
Total	**102.8**	119.7	**801.8**	933.7

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

12. Comparative figures

Amounts have been reclassified and comparatives have been restated, as appropriate, in accounting for the consolidation of Indofood and dividends proposed after the year/period end (Note 10). In addition, as required by SSAP 30, the goodwill reserve is no longer presented as a separate item on the balance sheet but is included within the revenue reserve. Such reclassifications and restatements have the effect of increasing the shareholders' equity as at 31 December 2000 from US$365.5 million to US$369.5 million and have no effect on the previously reported profit attributable to ordinary shareholders.

REVIEW OF OPERATIONS

Below is an analysis of results by individual company, classified within the Group's three main business areas.

Contribution Summary

	Six months ended 30 June			
	Turnover		Contribution to Group (loss)/profit[i]	
	2001	2000	**2001**	2000
	US$m	US$m	**US$m**	US$m
Consumer				
Indofood	**671.4**	739.4	**18.6**	34.6
Berli Jucker	**122.3**	145.6	**5.8**	5.2
Darya-Varia	**23.0**	26.5	**1.2**	4.2
	816.7	911.5	**25.6**	44.0
Telecommunications				
PLDT^	**-**	-	**21.9**	8.7
Smart[ii]	**-**	80.5	**-**	(9.0)
Escotel^	**-**	-	**(3.7)**	(5.5)
Infrontier	**-**	-	**(3.8)**	-
	-	80.5	**14.4**	(5.8)
Property				
Metro Pacific	**87.8**	163.7	**(4.3)**	(0.7)
From continuing businesses	**904.5**	1,155.7	**35.7**	37.5
From disposed businesses[iii]	**-**	95.7	**1.6**	8.0
From operations	**904.5**	1,251.4	**37.3**	45.5
Corporate overhead			**(6.3)**	(7.8)
Net finance charges			**(10.6)**	(11.7)
Recurring profit			**20.4**	26.0
Exchange losses			**(32.5)**	(63.3)
Gain on disposal and dilution of shareholdings less provision for investments			**-**	87.7
(Loss)/profit attributable to ordinary shareholders			**(12.1)**	50.4

^ *Associated companies*
(i) *After taxation and outside interests, where appropriate.*
(ii) *Merged with PLDT on 24 March 2000.*
(iii) *Represents SPORTathlon, First Pacific Bank and Savills plc, which were sold on 29 June 2000, 28 December 2000 and 12 March 2001, respectively.*

During a period of continued political uncertainty, declining regional exchange rates, and restrained consumer demand, First Pacific has returned a contribution from operations of US$37.3 million, down US$8.2 million against 2000's US$45.5 million.

This decline in profitability is largely a reflection of changes within the First Pacific Group. Approximately US$6.4 million of the contribution in 2000 was derived from SPORTathlon, First Pacific Bank and Savills plc, which were disposed in June 2000, December 2000 and March

2001 respectively. In addition, Infrontier, First Pacific's start-up company that offers business solutions, commenced operations in 2001, with start-up losses of US$3.8 million being recorded for the first time within contribution from operations.

The Group's operating results are denominated in local currencies - principally the rupiah, peso, and baht - which are translated and consolidated to give the Group's U.S. dollar denominated results. The depreciation of these currencies against the U.S. dollar is summarized below and illustrates continued weakness through to 30 June 2001.

	At 30 June 2001	At 31 December 2000	Six months change	At 30 June 2000	One year change
Closing:					
Peso	**52.43**	49.96	-4.7%	43.20	-17.6%
Rupiah	**11,390**	9,650	-15.3%	8,740	-23.3%
Baht	**45.28**	43.16	-4.7%	39.19	-13.4%
Rupee	**47.04**	46.72	-0.7%	44.67	-5.0%
	Six months ended 30 June 2001	12 months ended 31 December 2000	Six months change	Six months ended 30 June 2000	One year change
Average:					
Peso	**50.17**	44.67	-11.0%	41.59	-17.1%
Rupiah	**10,661**	8,523	-20.1%	7,950	-25.4%
Baht	**44.47**	40.43	-9.1%	38.30	-13.9%
Rupee	**46.77**	45.07	-3.6%	43.96	-6.0%

The effect this has on the Group's U.S. dollar denominated results is to reduce the translated U.S. dollar value of local currency results. It is estimated that this has had an adverse impact on the June 2001 results of approximately US$11.1 million.

At the operational level, weaker local currencies increase the cost of imported raw materials which, unless these can be fully recovered through increased selling prices, has the effect of eroding margins. In addition, the servicing costs of foreign currency denominated debt are increased, and unrealized exchange gains or losses arising on the translation of monetary assets and liabilities are recognized in the profit and loss statement.

CONSUMER

Indofood, a leading processed-foods group with operations throughout Indonesia, contributed a profit of US$18.6 million, down 46.2 per cent against the comparative of US$34.6 million.

The Group increased its interest in Indofood by eight per cent in December 2000, as a consequence of which, the Group's average shareholding for the first half of 2001 was 48.0 per cent, against 40.0 per cent for the comparative period.

The majority of Indofood's revenues are denominated in rupiah, which averaged Rupiah 10,661 to the U.S. dollar over the first six months of 2001, compared with Rupiah 7,950 to the U.S. dollar over the first six months of 2000.

Because of the weaker average rupiah exchange rate, the 9.2 per cent decline in U.S. dollar turnover, to US$671.4 million, masks an underlying 21.5 per cent increase in rupiah-denominated turnover to Rupiah 7,158.0 billion. With the exception of Baby Foods, all of Indofood's businesses increased turnover. The divisions of Instant Noodles, Flour, and Edible Oils contributed four-fifths of total turnover, with increased turnover from the divisions of Flour (up 39.7 per cent), Instant Noodles (up 13.4 per cent), Distribution (up 23.3 per cent) and Edible Oils (up 5.2 per cent).

Improved turnover was achieved through a mix of volume growth and price increases. However, gross and operating margins came under pressure as the cost of imported raw materials increased with the rupiah's decline, with operating margins further eroded by fuel costs, which almost doubled, and increases in salaries, electricity and transportation costs. As a result, Indofood's overall gross margin declined to 26.0 per cent (1H00: 31.5 per cent), while its operating margin was 14.4 per cent (1H00: 21.2 per cent).

Notwithstanding this, Indofood returned to paying dividends when a final 2000 dividend of Rupiah 18 per share, representing a payout ratio of 25 per cent, was approved during the period. This dividend, which was paid in July 2001, was the first dividend payment since 1997. Furthermore, approximately US$60 million of debt was repaid out of operating cash flows during the first half, reducing Indofood's debt to approximately US$628.8 million and further containing exposure to future exchange rate fluctuations. Approximately 77 per cent of Indofood's U.S. dollar debt is hedged and, as at 30 June 2001, Indofood's net debt was US$426.8 million.

In May 2001, Indofood announced its intention to buy back up to 10 per cent of its share capital, equating to 915,600,000 shares, by 30 November 2002. At the same time, Indofood management also introduced an employee stock ownership program as an incentive to motivate employees. Under this scheme Indofood can issue up to five per cent of its issued share capital - equating to 457,800,000 shares - to be made available for employee purchase.

Subsequent to 30 June 2001, Indofood repaid a further US$120 million of U.S. dollar denominated debt, and in August 2001 announced that it no longer intended to acquire a controlling stake in Singapore-listed Golden-Agri Resources Limited. As Indofood's plantations only provide between 40 per cent to 45 per cent of Indofood's crude palm oil needs, alternatives, for securing the supply required for the Edible Oils division, are under consideration.

Berli Jucker, a manufacturer, marketer and distributor of glass, consumer, technical products and imaging in Thailand, contributed a profit of US$5.8 million, up 11.5 per cent against the comparative of US$5.2 million. In September 2000, Berli Jucker reduced its equity base by 30 per cent, through dividending its retained earnings. As a consequence, return on equity has increased to 9.5 per cent (1H00: 7.1 per cent). The Group's interest in Berli Jucker has remained unchanged at 83.5 per cent.

The majority of Berli Jucker's revenues are denominated in baht, which averaged Baht 44.47 to the U.S. dollar over the first six months of 2001, compared with Baht 38.30 to the U.S. dollar over the first six months of 2000.

In U.S. dollar terms, Berli Jucker's turnover is down 16.0 per cent to US$122.3 million. However, this is a reflection of a weaker baht as turnover in baht terms is up 8.0 per cent as all divisions recorded stronger sales. Gross margins improved with Packaging & Consumer Products returning a gross margin of 28.3 per cent (1H00: 25.9 per cent), reflecting lower paper pulp and palm oil prices, while Technical Products & Imaging achieved a gross margin of 22.2 per cent (1H00: 15.3 per cent) following the deconsolidation of Thai Klinipro.

Operating margins also held up, with cost control measures improving Packaging & Consumer Products' operating margin to 9.9 per cent (1H00: 8.7 per cent), while Technical Products & & Imaging returned an operating margin of 4.5 per cent (1H00: 3.7 per cent).

Darya-Varia, a leading fully integrated Indonesian health care company, contributed a profit of US$1.2 million, down 71.4 per cent against the comparative of 4.2 million. The Group's interest in Darya-Varia remained unchanged at 89.5 per cent.

The majority of Darya-Varia's revenues are denominated in rupiah, which averaged Rupiah 10,661 to the U.S. dollar over the first six months of 2001, compared with Rupiah 7,950 to the U.S. dollar over the first six months of 2000.

This weakening of the rupiah has masked a 16.2 per cent improvement in Darya-Varia's rupiah denominated turnover, achieved off an aggressive marketing drive. The gross margin, at 45.9 per cent, was maintained at a similar level to the comparative period as operational efficiencies offset increased costs for imported raw materials due to the rupiah's weakening.

The operating margin declined to 12.8 per cent, principally due to a provision in respect of Stop Cold, Darya-Varia's leading cold preparation. This product has been withdrawn from the market in compliance with Department of Health regulations as, similar to other available cold medications, Stop Cold contains an ingredient called Phenylprophanolamin (PPA). The health authorities are concerned that PPA, if taken in large quantities, may cause adverse side effects. Darya-Varia, consistent with its commitment to sell only safe, high quality products, immediately withdrew the product and plans to re-introduce Stop Cold using an equally effective raw material that has no known adverse side effects.

TELECOMMUNICATIONS

PLDT, the principal supplier of national and international telecommunications services in the Philippines, contributed a profit of US$21.9 million, up 151.7 per cent against the comparative of US$8.7 million.

As a consequence of a number of transactions - most notably the acquisition of Smart by PLDT in March 2000, and First Pacific's acquisition of Metro Pacific's eight per cent interest in PLDT in September 2000 - the Group's average shareholding for the first half was 24.6 per cent, against 20.3 per cent for the comparative period.

In the first half of 2001, 31.5 per cent of PLDT's operating revenues were received in U.S. dollars, while 36.4 per cent were U.S. dollar-linked as PLDT is able to adjust its monthly fixed line service rates by one per cent for every Peso 0.1 change in the U.S. dollar exchange rate. The peso averaged Pesos 50.17 to the U.S. dollar over the first half of 2001, compared with Pesos 41.59 for the first six months of 2000.

PLDT's EBITDA grew 26.7 per cent to Pesos 19.8 billion (1H00: Pesos 15.7 billion), on the back of a 24.6 per cent improvement in revenues to Pesos 36.7 billion (1H00: Pesos 29.5 billion), and improved operating efficiencies.

Wireless services posted a dramatic turnaround in 2001 as revenues surged from data services such as text messaging and enhanced services from Smart's new mobile portal service 'Smart zed'. As a result, combined Wireless revenues for the first half increased by 70.1 per cent to Pesos 12.0 billion (1H00: Pesos 7.1 billion). Now accounting for 32.7 per cent (1H00: 24.0 per cent) of PLDT's total revenues, Wireless is the driver of medium-term growth, underscoring PLDT's transition to a full-service telecommunications and multi-media group. Subscriber acquisition costs declined by approximately 63 per cent, this despite the doubling of subscribers to 5.0 million (1H00: 2.4 million) that secured Smart and Piltel some 58 per cent of the cellular market by 30 June 2001. Around 93 per cent of subscribers are on prepaid plans, while approximately 4.4 million (1H00: 1.3 million) subscribers are for GSM services. Having together added 280,000 GSM subscribers, on average each month, Smart and Piltel also maintained their leadership in the GSM market with a combined market share of approximately 56 per cent.

PLDT's Fixed Line network, which platforms a wide range of PLDT's fixed, cellular, cable and internet products and services, added 90,903 (1H00: 57,717) new subscribers, net of churn, during the first half of 2001. PLDT better managed churn by achieving higher reconnections of previously disconnected lines and, as at 30 June 2001, the PLDT Group had 2,106,211 (1H00: 1,963,711) fixed line subscribers. This increase of 142,500 subscribers, or 7.3 per cent, reflects organic growth as well as growth through acquisition. PLDT has approximately 67 per cent of the fixed line market, with the nearest competitor having approximately a 13 per cent market share.

PLDT's total International Long Distance call volume grew by 40.5 per cent to 1,266.5 million billed minutes in the first half of 2001. Inbound call volume grew by 41.6 per cent to 1,185.9 million billed minutes, while outbound traffic increased by 26.3 per cent to 80.6 million billed minutes. However, these volume increases were insufficient to offset the continued decline in international settlement rates for inbound international calls, and successive reductions in direct dialing rates for outbound international calls. As a result, peso revenues declined by 3.7 per cent to Pesos 6.4 billion, from Pesos 6.7 billion for the same period of 2000.

National Long Distance recorded 1,488.7 million billed minutes, down 6.6 per cent, with revenues down 17.7 per cent to Pesos 4.5 billion. This decline was largely attributable to rate reductions implemented to enhance competitiveness and a change in call mix such that more calls are subject to revenue sharing with other carriers.

Data and Other Services, the driver of PLDT's future growth, recorded a 78.2 per cent increase in revenues to Pesos 2.3 billion, with this business now contributing six per cent (1H00: four per cent) of PLDT's consolidated peso revenues. Strong demand for domestic and international bandwidth underpinned this growth as a range of value-added and broadband services were offered off PLDT's fiber optic backbone. Technological upgrades have evolved PLDT's infrastructure to a new packet-switched and Internet-based network offering faster, improved transmission of voice, video and data. In addition, digital subscriber line technology, which provides high-speed data transfer over copper lines, is already available in Metro Manila and Cebu and is progressively being introduced elsewhere.

In June 2001, PLDT concluded the debt restructuring of Piltel. PLDT's interest in Piltel has now decreased to 45.3 per cent and as such, Piltel is no longer treated as a consolidated subsidiary, but as an affiliate of PLDT.

Escotel, a New Delhi-based GSM cellular telephone services provider, contributed a loss of US$3.7 million, a 32.7 per cent improvement against the comparative loss of US$5.5 million. The Group's interest in Escotel remained unchanged at 49.0 per cent.

Escotel's revenues are denominated in rupees, which averaged Rupee 46.77 to the U.S. dollar over the first six months of 2001, compared with Rupee 43.96 to the U.S. dollar over the first six months of 2000.

Escotel recorded a maiden operating profit of US$2.9 million. This achievement was underpinned by strong growth in subscriber revenues despite a decline in ARPUs as subscribers increasingly use prepaid plans. As at the end of June 2001, Escotel had 333,242 subscribers, up approximately 93 per cent from June 2000.

In March 2001, Escotel put in place five-year financing when it refinanced US$75.0 million of offshore debt and secured a domestic debt facility equivalent to approximately US$112 million. These facilities enabled the repayment of short-term debt, and provide the funds for network enhancements necessary to support Escotel's growing subscriber base.

Infrontier, First Pacific's wholly-owned start-up offering business solutions in both hosted and traditional environments, recorded a start-up loss of US$3.8 million in its first period of commercial operations.

Infrontier offers business solutions that address all aspects of supply chain management including logistics, asset utilization, warehousing and manufacturing processes, sales automation, and demand planning and forecasting. In addition, Infrontier offers wireless applications that enable businesses and consumers to communicate and transact via a wireless environment. In support of these core businesses, Infrontier has a team of experienced and knowledgeable professionals who assist clients in the development, integration, implementation, and maintenance phases, and can also provide the technology infrastructure necessary to develop, manage and host client applications.

Infrontier recorded its first revenues in July 2001.

PROPERTY

Metro Pacific, which principally holds Philippine property assets, contributed a loss of US$4.3 million, compared with a loss of US$0.7 million recorded over the first six months of 2000. The Group's interest in Metro Pacific remained unchanged at 80.6 per cent.

Metro Pacific's revenues are denominated in pesos. The peso averaged Pesos 50.17 to the U.S. dollar over the first half of 2001, compared with Pesos 41.59 for the year-ago period.

Metro Pacific's principal property asset is its 69.6 per cent interest in Bonifacio Land Corporation (BLC). BLC holds a 55.0 per cent interest in Fort Bonifacio Development Corporation (FBDC), which is developing, in stages, 150 hectares of land in the former military base, Fort Bonifacio.

The decline in turnover and operating profit recognized from Fort Bonifacio is primarily due to the completion of the horizontal development of Big Delta in April 2000. Revenues in respect of Pesos 28.4 billion worth of land sales made in 1996 were recognized over the period of Big Delta's development. By April 2000, when the project was completed on schedule and below budget, all revenues and profits on these 1996 land sales had been recognized.

A small land sale was concluded in June 2001, and Metro Pacific is confident of securing further land sales in the second half. Alternative land use opportunities continue to be sought by offering building leases, which average five years, and land leases, which range between 25 and 50 years, to Bonifacio Global City locators. In addition to generating short and medium term cash flows, these establishments draw people to the Bonifacio Global City to fulfill their business, entertainment, shopping or residential needs, which is important for developing the project's overall critical mass.

Work has commenced on the horizontal development of Expanded Big Delta, an area covering 54 hectares to the north and west of Big Delta. The first phase of Expanded Big Delta is substantially complete and, together with Big Delta, these areas represent approximately 75 per cent of the land under development by FBDC.

Bonifacio Ridge, FBDC's first residential project, was 31 per cent complete by the end of June 2001, and was officially topped-out on 2 July 2001, at which time 70 per cent of the development's 288 units were sold. New bars and restaurants are scheduled to open at The Fort, while S&R Price, a membership-shopping club, opened in April 2001. The Bonifacio Global City's first business tenants will shortly move into The Hatchasia GlobalCity Centre, and work continues on the gas and retail plaza, Bonifacio StopOver, scheduled to open in September. In July, St. Luke's Medical Center, the Philippines' foremost provider of medical services, signed a 50-year extendible long-term lease arrangement for a 1.6-hectare medical complex to be located on 32nd Street.

In May 2001, BLC successfully refinanced Pesos 3.05 billion of long-term commercial papers with a new Pesos 2.1 billion fully secured seven-year facility. While in June 2001, BLC announced its intention to sell its development rights in respect of the northern central business district of the Bonifacio Global City. This initiative will accelerate the advancement of the Bonifacio Global City's undeveloped areas and allow Metro Pacific to concentrate on its ongoing and future vertical developments within Big Delta and Expanded Big Delta. Interested parties are currently preparing their submission bids, and it is anticipated that this process will be concluded by late September 2001.

Pacific Plaza Towers recorded improved turnover and operating profit as unit sales continued. As at 30 June 2001, some 283 of the development's 393 units had been sold, with residents now occupying 42 units.

Metro Pacific's remaining property asset, Landco, recorded reduced turnover and operating profit as key developments, Punta Fuego and Ridgewood Park, have now been sold. Landco plans to launch four new projects this year to enhance medium-term revenue streams.

Negros Navigation (Nenaco) returned improved peso turnover and operating profit as price increases introduced in 2000 and efforts to streamline Nenaco's operations took effect. In June 2001, in order to further position Metro Pacific as a company focused on property, the board of Metro Pacific approved a proposal to dividend its interest in Nenaco to the shareholders of Metro Pacific, including First Pacific. This transaction is subject to certain creditor and regulatory approvals and it is anticipated to conclude by year-end.

FINANCIAL REVIEW

Liquidity and financial resources

CONSOLIDATED NET INDEBTEDNESS AND GEARING BY OPERATING COMPANY

	At 30 June 2001			At 31 December 2000		
	Net indebtedness/ (cash)(i) US$m	**Net assets/ (liabilities) US$m**	**Gearing(ii) times**	Net indebtedness/ (cash)(i) US$m	Net asset/ (liabilities) US$m	Gearing(ii) times
Consolidated						
Head Office(iii)	**242.7**	**1,474.7**	**0.15**	150.0	1,500.1	0.10
Indofood	**426.8**	**239.3**	**1.78**	494.5	271.6	1.82
Berli Jucker(iv)	**52.9**	**146.5**	**0.36**	70.4	148.5	0.47
Darya-Varia	**(1.3)**	**7.6**	**-**	(1.6)	10.9	-
Infrontier	**0.4**	**(9.3)**	**-**	-	-	-
Metro Pacific(v)	**247.3**	**1,176.7**	**0.21**	303.1	1,287.9	0.24
Consolidated before goodwill reserve	**968.8**	**3,035.5**	**0.32**	1,016.4	3,219.0	0.32
Goodwill reserve	**-**	**(1,897.3)**	**-**	-	(1,913.9)	-
Consolidated after goodwill reserve	**968.8**	**1,138.2**	**0.85**	1,016.4	1,305.1	0.78
Associated companies						
PLDT(vi)	**3,280.4**	**1,681.6**	**1.95**	3,730.3	1,746.1	2.14
Escotel	**192.5**	**(65.1)**	**-**	176.6	(46.0)	-

(i) Includes pledged deposits and excludes inter-company indebtedness.
(ii) Calculated as net indebtedness divided by net assets.
(iii) Head Office's gearing increased principally as a result of the US$90.0 million advance made to Metro Pacific.
(iv) Berli Jucker's gearing improved due to cash generated from operations.
(v) Metro Pacific's gearing improved mainly because of the repayment of convertible bonds in April 2001.

(vi) *PLDT's gearing improved as a consequence of the deconsolidation of Piltel in June 2001.*

The maturity profile of consolidated debt is summarized below. The change to the debt maturity profile principally reflects the fact that the Head Office's US$267.9 million convertible bonds (due March 2002) and Indofood's US$200.0 million bank loan (due June 2002) are now due within one year.

MATURITY PROFILE OF CONSOLIDATED DEBT

	At 30 June 2001 US$m	At 31 December 2000 US$m
Within one year	**831.6**	526.1
One to two years	**190.2**	637.1
Two to five years	**144.2**	221.7
Over five years	**123.1**	59.7
Total	**1,289.1**	1,444.6

The maturity profile of the borrowings of the Group's associated companies follows. The change to the debt maturity profile of PLDT primarily reflects the deconsolidation of Piltel with effect from 27 June 2001. The improvement in Escotel's maturity profile reflects the impact of the debt refinancing that was completed in March 2001.

ASSOCIATED COMPANIES

	PLDT		Escotel	
	At 30 June 2001 US$m	At 31 December 2000 US$m	**At 30 June 2001 US$m**	At 31 December 2000 US$m
Within one year	**316.4**	340.4	**59.4**	91.9
One to two years	**619.2**	657.3	**10.1**	24.3
Two to five years	**1,595.6**	1,518.3	**103.9**	45.9
Over five years	**867.4**	1,407.9	**22.1**	16.4
Total	**3,398.6**	3,923.9	**195.5**	178.5

CHARGES ON GROUP ASSETS

Certain bank loans and overdrafts included within consolidated borrowings are secured by certain of the Group's property and equipment, interests in subsidiary companies, trade receivables and inventories.

Financial Risk Management

FOREIGN CURRENCY RISK

(A) Company risk

First Pacific is exposed to foreign currency fluctuations arising from its portfolio of investments. As all Head Office debt was denominated in U.S. dollars at 30 June 2001, this exposure relates mainly to the receipt of cash dividends, and to the translation of non-

U.S. dollar investments in subsidiary and associated companies. The Company actively reviews the potential benefits of hedging based on forecast dividend flows.

The Company does not actively seek to hedge risks arising from foreign currency translation of investments in subsidiary and associated companies due to their non-cash nature and the high cost associated with such hedging. Accordingly, First Pacific is exposed to the impact of foreign currency fluctuations on the U.S. dollar value of its investments.

The following table illustrates the estimated impact on the Company's adjusted net asset value (NAV) for a 1.0 per cent depreciation against the U.S. dollar of the currencies in which the equities of subsidiary and associated companies are quoted.

Company	Effect on adjusted NAV US$m	Effect on adjusted NAV per share HK cents
PLDT	(5.7)	(1.42)
Indofood	(3.3)	(0.82)
Metro Pacific	(1.3)	(0.32)
Berli Jucker	(0.9)	(0.22)
Darya-Varia	(0.2)	(0.05)
Total(i)	**(11.4)**	**(2.83)**

(i) *The NAV of the Group's investment in Escotel is based on the historical U.S. dollar cost and accordingly any depreciation of the rupee would not affect the Company's adjusted NAV.*

(B) Group risk

First Pacific's policy is for each operating entity to borrow in local currencies where possible. However, it is often necessary for companies to borrow in U.S. dollars which results in a translation risk in their local currency results. A summary of consolidated net indebtedness by currency follows:

CONSOLIDATED NET INDEBTEDNESS BY CURRENCY

	US$ US$m	Peso US$m	Rupiah US$m	Baht US$m	Other(i) US$m	**Total US$m**
Consolidated						
Total borrowings	779.9	260.8	178.7	12.6	57.1	**1,289.1**
Cash and bank balances(ii)	(147.8)	(21.3)	(136.7)	(14.4)	(0.1)	**(320.3)**
Net indebtedness/(cash)	**632.1**	**239.5**	**42.0**	**(1.8)**	**57.0**	**968.8**
Representing:						
Head Office	242.8	-	-	-	(0.1)	**242.7**
Indofood	382.9	-	43.3	-	0.6	**426.8**
Berli Jucker	-	-	-	(1.8)	54.7	**52.9**
Darya-Varia	-	-	(1.3)	-	-	**(1.3)**
Infrontier	(1.4)	-	-	-	1.8	**0.4**
Metro Pacific	7.8	239.5	-	-	-	**247.3**
Net indebtedness/(cash)	**632.1**	**239.5**	**42.0**	**(1.8)**	**57.0**	**968.8**

Associated companies						
PLDT	2,893.5	230.2	-	-	156.7	**3,280.4**
Escotel	77.0	-	-	-	115.5	**192.5**

(i) For Berli Jucker and PLDT, "other" represents Japanese yen. For Escotel, "other" represents Indian rupee.
(ii) Includes pledged deposits.

During 2001, Indofood and Metro Pacific paid down their U.S. dollar denominated net indebtedness by US$34.5 million and US$59.1 million respectively in order to reduce their exposure to movements in exchange rates.

PLDT's U.S. dollar denominated net indebtedness decreased principally as a result of the deconsolidation of Piltel in June 2001 and increased utilization of peso borrowings to refinance U.S. dollar debt.

As a result of the relatively large unhedged U.S. dollar net indebtedness, particularly at PLDT, the Group's results are sensitive to fluctuations in U.S. dollar exchange rates. The following table illustrates the estimated impact, arising from unhedged U.S dollar net indebtedness, on the Group's reported profitability for a 1.0 per cent depreciation of the principal operating currencies of subsidiary and associated companies against the U.S. dollar. This does not reflect the indirect impact on the Group's operational results as a consequence of changes in local currency revenues and costs due to fluctuations in U.S. dollar exchange rates.

	Total US$ exposure US$m	Hedged amount[(i)] US$m	Unhedged amount US$m	Profit impact of 1% currency depreciation US$m	**Group profit impact[(ii)] US$m**
PLDT	2,893.5	(223.4)	2,670.1	(26.7)	**(4.4)**
Metro Pacific[(iii)]	97.8	(12.0)	85.8	(0.9)	**(0.5)**
Total Philippines	2,991.3	(235.4)	2,755.9	(27.6)	**(4.9)**
Indofood[(iii)]	472.6	(343.0)	129.6	(1.3)	**(0.4)**
Darya-Varia[(iii)]	8.8	-	8.8	(0.1)	**(0.1)**
Total Indonesia	481.4	(343.0)	138.4	(1.4)	**(0.5)**
Escotel (India)	77.0	(54.0)	23.0	(0.2)	**(0.1)**
Head Office[(iv)]	242.8	-	242.8	-	**-**
Infrontier	(1.4)	-	(1.4)	-	**-**
Total					**(5.5)**

(i) Excludes the impact of "natural hedges".
(ii) Net of tax effect.
(iii) Includes inter-company funding from Head Office of US$90.0 million for Metro Pacific and US$8.8 million for Darya-Varia, and premium payable on hedging contracts of US$89.7 million for Indofood.
(iv) As the Group reports its results in U.S. dollars, unhedged U.S. dollar debt at Head Office carries no exchange exposure.

INTEREST RATE RISK

The Company and the majority of its operating entities are exposed to changes in interest rates to the extent that they impact the cost of variable rate borrowings. An analysis of consolidated net indebtedness and interest rate profile, together with details for associated companies, follows:

	Fixed interest borrowings US$m	Variable interest borrowings US$m	Cash and bank balances[(i)] US$m	**Net indebtedness/ (cash) US$m**
Consolidated				
Head Office	317.9	-	(75.2)	**242.7**
Indofood	239.1	389.7	(202.0)	**426.8**
Berli Jucker	0.6	66.7	(14.4)	**52.9**
Darya-Varia[(ii)]	0.2	-	(1.5)	**(1.3)**
Infrontier	1.8	-	(1.4)	**0.4**
Metro Pacific[(ii)]	84.3	188.8	(25.8)	**247.3**
Consolidated net indebtedness	643.9	645.2	(320.3)	**968.8**
Associated companies				
PLDT	2,278.9	1,119.7	(118.2)	**3,280.4**
Escotel	28.8	166.7	(3.0)	**192.5**

(i) Includes pledged deposits.

(ii) Excludes inter-company funding from Head Office of US$8.8 million for Darya-Varia and US$90.0 million for Metro Pacific.

As a result of variable interest rate debt at a number of operating companies, the Group's results are sensitive to fluctuations in interest rates. The following table illustrates the estimated impact on the Group's reported profitability of a 1.0 per cent increase in average annual interest rates for those entities which hold variable interest rate debt.

	Variable interest borrowings US$m	Profit impact of 1% increase in interest rates US$m	**Group profit impact[(i)] US$m**
Indofood	389.7	(3.9)	**(1.3)**
Berli Jucker	66.7	(0.7)	**(0.4)**
Metro Pacific	188.8	(1.9)	**(1.0)**
PLDT	1,119.7	(11.2)	**(1.9)**
Escotel	166.7	(1.7)	**(0.8)**
Total			**(5.4)**

(i) Net of tax effect.

Employee information

	2001	2000

	US$m	US$m
Remuneration	74.5	113.2
Average number of employees for the period	50,274	50,030

For details regarding the Group's remuneration policies for Directors and Senior Executives, please refer to Note 31 on page 87 of the 2000 Annual Report.

REVIEW STATEMENT BY THE AUDIT COMMITTEE

In accordance with the requirements of paragraph 39 of Appendix 16 of the Listing Rules, the Audit Committee has reviewed the unaudited Condensed Interim Financial Statements for the six months ended 30 June 2001, including the accounting principles and practices adopted by the Group. The Audit Committee has also discussed auditing, internal control and financial reporting matters with the Company's management and its external auditors. The Company's external auditors were engaged by the Audit Committee to perform a review of the unaudited Condensed Interim Financial Statements for the six months ended 30 June 2001.

INTERIM DIVIDEND

The Board do not recommend the payment of an interim dividend in 2001 (2000 interim dividend: US0.13 cent or HK1.00 cent, payable in scrip with a cash option, per ordinary share).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

No purchase, sale or redemption of any of First Pacific Company's listed securities has been made by the Company or any of its subsidiary companies during the period.

COMPLIANCE WITH CODE OF BEST PRACTICE

None of the Directors of the Company is aware of any information that would reasonably indicate that the Company has, during the period, not been in compliance with the Company's Code of Best Practice, which incorporates the items set out in Appendix 14 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited.

INTERIM REPORT

An Interim Report will be sent to shareholders on or about the 6 September 2001.

By Order of the Board
Manuel V. Pangilinan
Executive Chairman
3 September 2001

Please also refer to the published version of this announcement in the South China Morning Post and Hong Kong Economic Journal.