FIRST PACIFIC COMPANY LIMITED

(Incorporated in Bermuda with limited liability)

2003 Annual Results – Audited

FINANCIAL HIGHLIGHTS

- Turnover increased by 14.2 per cent to US$2,161.8 million (HK$16,862.0 million) from US$1,892.3 million (HK$14,759.9 million), reflecting an improvement in Indofood's sales performance and the appreciation of the rupiah.
- Profit attributable to ordinary shareholders increased by 103.2 per cent to US$81.5 million (HK$635.7 million) from US$40.1 million (HK$312.8 million).
- Excluding the effects of foreign exchange losses and non-recurring gains, recurring profit increased by 73.0 per cent to US$88.4 million (HK$689.5 million) from US$51.1 million (HK$398.6 million).
- Basic earnings per share increased by 101.6 per cent to US2.56 cents (HK19.97 cents) from US1.27 cents (HK9.91 cents).
- Net debt reduced by 20.1 per cent to US$907.7 million (HK$7,080.1 million) at 31 December 2003 from US$1,136.7 million (HK$8,866.3 million) at 31 December 2002 as a result of successful debt reduction efforts.
- Consolidated gearing ratio improved to 2.75 times at 31 December 2003, compared with 3.22 times at 31 December 2002.
- The Directors do not recommend the payment of a final dividend for 2003 (2002: Nil).

CONSOLIDATED PROFIT AND LOSS STATEMENT

For the year ended 31 December	**2003**	2002	**2003***	2002*
	US$m	US$m	**HK$m**	HK$m
Turnover – *Note 2*	**2,161.8**	1,892.3	**16,862.0**	14,759.9
Cost of sales	**(1,631.7)**	(1,420.9)	**(12,727.2)**	(11,083.0)
Gross profit	**530.1**	471.4	**4,134.8**	3,676.9
Distribution costs	**(172.3)**	(140.1)	**(1,343.9)**	(1,092.7)
Administrative expenses	**(138.1)**	(121.2)	**(1,077.2)**	(945.4)
Other operating income, net	**26.7**	6.9	**208.2**	53.8
Operating profit – *Note 3*	**246.4**	217.0	**1,921.9**	1,692.6
Share of profits less losses of associated companies	**65.0**	32.6	**507.0**	254.3
Net borrowing costs – *Note 4*	**(115.8)**	(109.0)	**(903.2)**	(850.2)
Profit before taxation	**195.6**	140.6	**1,525.7**	1,096.7
Taxation – *Note 5*	**(42.8)**	(56.2)	**(333.9)**	(438.4)
Profit after taxation	**152.8**	84.4	**1,191.8**	658.3
Outside interests	**(71.3)**	(44.3)	**(556.1)**	(345.5)
Profit attributable to ordinary shareholders – *Note 6*	**81.5**	40.1	**635.7**	312.8

Per share data	2003 US¢	2002 US¢	2003* HK¢	2002* HK¢
Basic earnings per share – *Note 7*	**2.56**	1.27	**19.97**	9.91

CONSOLIDATED BALANCE SHEET

At 31 December	2003 US$m	2002 US$m	2003* HK$m	2002* HK$m
Non-current assets				
Property and equipment	**719.6**	1,009.3	**5,612.9**	7,872.5
Associated companies	**8.0**	(24.5)	**62.4**	(191.1)
Long-term receivables and prepayments	**248.0**	265.3	**1,934.4**	2,069.4
Goodwill	**18.3**	19.3	**142.7**	150.5
Deferred tax assets	**7.5**	9.6	**58.5**	74.9
Restricted cash	**4.7**	–	**36.7**	–
	1,006.1	1,279.0	**7,847.6**	9,976.2
Current assets				
Cash and cash equivalents	**233.3**	203.3	**1,819.7**	1,585.7
Restricted cash and pledged deposits	**17.6**	22.9	**137.3**	178.6
Short-term investments	**77.0**	42.8	**600.6**	333.8
Accounts receivable, other receivables and prepayments – *Note 8*	**430.2**	389.0	**3,355.6**	3,034.3
Inventories	**309.6**	376.1	**2,414.9**	2,933.6
	1,067.7	1,034.1	**8,328.1**	8,066.0
Current liabilities				
Accounts payable, other payables and accruals – *Note 9*	**379.9**	381.2	**2,963.2**	2,973.4
Short-term borrowings	**207.4**	605.7	**1,617.7**	4,724.4
Provision for taxation	**36.8**	26.6	**287.1**	207.5
	624.1	1,013.5	**4,868.0**	7,905.3
Net current assets	**443.6**	20.6	**3,460.1**	160.7
Total assets less current liabilities	**1,449.7**	1,299.6	**11,307.7**	10,136.9
Equity capital and reserves				
Issued capital	**31.9**	31.9	**248.8**	248.8
Reserves	**(21.2)**	(103.1)	**(165.3)**	(804.2)
Shareholders' equity/(deficit)	**10.7**	(71.2)	**83.5**	(555.4)
Outside interests	**319.3**	424.1	**2,490.5**	3,308.0
Non-current liabilities				
Loan capital and long-term borrowings	**955.9**	757.2	**7,456.0**	5,906.2
Deferred liabilities and provisions	**88.7**	118.9	**691.9**	927.4
Deferred tax liabilities	**75.1**	70.6	**585.8**	550.7
	1,119.7	946.7	**8,733.7**	7,384.3
	1,449.7	1,299.6	**11,307.7**	10,136.9

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

	Issued capital US$m	Share premium US$m	Exchange reserve US$m	Revenue reserve US$m	Total US$m
Balance at 1 January 2002	31.4	908.7	(20.2)	(1,111.1)	(191.2)
Shares issued upon conversion of a Convertible Note	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	–	–	–	40.1	40.1
Balance at 31 December 2002	31.9	958.2	0.3	(1,061.6)	**(71.2)**
Net losses not recognized in the profit and loss statement – Exchange translation	–	–	(4.3)	–	**(4.3)**
Dilution of interests in a subsidiary and an associated company	–	–	0.5	4.2	**4.7**
Net profit for the year	–	–	–	81.5	**81.5**
Balance at 31 December 2003	**31.9**	**958.2**	**(3.5)**	**(975.9)**	**10.7**

	Issued capital HK$m*	Share premium HK$m*	Exchange reserve HK$m*	Revenue reserve HK$m*	Total HK$m*
Balance at 1 January 2002	244.9	7,087.9	(157.6)	(8,666.6)	(1,491.4)
Shares issued upon conversion of a Convertible Note	3.9	386.1	–	–	390.0
Net gains not recognized in the profit and loss statement – Exchange translation	–	–	156.8	–	156.8
Dilution of interests in a subsidiary and an associated company	–	–	3.1	73.3	76.4
Net profit for the year	–	–	–	312.8	312.8
Balance at 31 December 2002	248.8	7,474.0	2.3	(8,280.5)	**(555.4)**
Net losses not recognized in the profit and loss statement – Exchange translation	–	–	(33.5)	–	**(33.5)**
Dilution of interests in a subsidiary and an associated company	–	–	3.9	32.8	**36.7**
Net profit for the year	–	–	–	635.7	**635.7**
Balance at 31 December 2003	**248.8**	**7,474.0**	**(27.3)**	**(7,612.0)**	**83.5**

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December	2003 US$m	2002 US$m	2003* HK$m	2002* HK$m
Operating profit	**246.4**	217.0	**1,921.9**	1,692.6
Depreciation	**54.5**	47.0	**425.1**	366.6
Foreign exchange losses/(gains), net	**10.8**	(10.7)	**84.2**	(83.5)
Loss on dilution of interests in a subsidiary and an associated company	**3.2**	4.2	**25.0**	32.8
Amortization of goodwill	**1.0**	0.4	**7.8**	3.1
Loss on sale of property and equipment	**0.6**	0.7	**4.7**	5.5
Increase in long-term receivables and prepayments	**(30.1)**	(28.4)	**(234.8)**	(221.5)
Payments in respect of deferred liabilities and provisions	**(8.3)**	(6.9)	**(64.7)**	(53.8)
Others	**(19.0)**	(17.0)	**(148.2)**	(132.6)
Operating profit before working capital changes	**259.1**	206.3	**2,021.0**	1,609.2
Increase in accounts receivable, other receivables and prepayments	**(69.5)**	(64.5)	**(542.1)**	(503.1)
Decrease/(increase) in inventories	**51.4**	(73.4)	**400.9**	(572.5)
Increase in accounts payable, other payables and accruals	**47.4**	0.6	**369.7**	4.7
Decrease in pledged deposits	**21.9**	23.3	**170.8**	181.7
Cash generated from operations+	**310.3**	92.3	**2,420.3**	720.0
Interest received	**21.5**	21.9	**167.7**	170.8
Interest paid	**(124.9)**	(114.7)	**(974.2)**	(894.7)
Tax paid	**(27.6)**	(23.5)	**(215.3)**	(183.3)
Net cash inflow/(outflow) from operating activities	**179.3**	(24.0)	**1,398.5**	(187.2)
Purchase of property and equipment	**(71.7)**	(87.2)	**(559.3)**	(680.1)
Disposal of subsidiary companies	**75.3**	(6.7)	**587.3**	(52.3)
Sale of property and equipment	**0.6**	8.0	**4.7**	62.4
Placement on short-term investments	**(15.8)**	(28.5)	**(123.2)**	(222.3)
Loans (to)/repaid by associated companies	**(14.2)**	7.3	**(110.7)**	56.9
Net cash outflow from investing activities	**(25.8)**	(107.1)	**(201.2)**	(835.4)
Proceeds of new borrowings	**448.5**	886.9	**3,498.3**	6,917.8
Shares issued to outside interests by a subsidiary company	**5.6**	20.4	**43.7**	159.1
Borrowings repaid	**(528.3)**	(809.4)	**(4,120.8)**	(6,313.3)
Dividends paid to outside interests by a subsidiary company	**(50.5)**	(13.2)	**(393.9)**	(102.9)
Increase in restricted cash	**(20.4)**	–	**(159.1)**	–
Payment in connection with the shares repurchased by a subsidiary company	**–**	(71.6)	**–**	(558.5)
Net cash (outflow)/inflow from financing activities	**(145.1)**	13.1	**(1,131.8)**	102.2
Net increase/(decrease) in cash and cash equivalents	**8.4**	(118.0)	**65.5**	(920.4)
Cash and cash equivalents at 1 January	**203.3**	310.1	**1,585.7**	2,418.8
Exchange translation	**21.6**	11.2	**168.5**	87.3
Cash and cash equivalents at 31 December	**233.3**	203.3	**1,819.7**	1,585.7
Representing				
Cash and cash equivalents	**233.3**	203.3	**1,819.7**	1,585.7

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

* *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. Change in accounting policy

In 2003, the Group has changed its accounting policy in respect of income taxes following the adoption of the revised Statement of Standard Accounting Practice (SSAP) 12 "Income Taxes" issued by the Hong Kong Society of Accountants, which is effective for accounting periods commencing on, or after, 1 January 2003. The revised SSAP 12 prescribes the accounting treatment for income taxes and requires the recognition of deferred tax liability for all taxable temporary differences, with limited exception; and deferred tax asset for all deductible temporary differences, with limited exception, if it is probable that a tax benefit will be realized. The adoption of the revised SSAP 12 has no significant effect on the Group's results or shareholders' equity.

2. Turnover and segmental information

For the year ended 31 December	2003 US$m	2002 US$m	2003* HK$m	2002* HK$m
Turnover				
Sale of goods and properties	**2,118.2**	1,843.5	**16,522.0**	14,379.3
Rendering of services	**43.6**	48.8	**340.0**	380.6
Total	**2,161.8**	1,892.3	**16,862.0**	14,759.9

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.

By principal business activities – 2003

	Telecom-munications US$m	Consumer Food Products US$m	Property and Transportation US$m	Discontinuing operations(i) US$m	Head Office US$m	2003 Total US$m	2003* Total HK$m
Profit and loss							
Segment revenue – turnover	–	2,090.1	71.7	–	–	**2,161.8**	**16,862.0**
Segment results/operating profit	–	210.1	62.1	–	(25.8)	**246.4**	**1,921.9**
Share of profits less losses of associated companies	51.6	(0.4)	20.1	(6.3)	–	**65.0**	**507.0**
Net borrowing costs						**(115.8)**	**(903.2)**
Profit before taxation						**195.6**	**1,525.7**
Taxation						**(42.8)**	**(333.9)**
Profit after taxation						**152.8**	**1,191.8**
Outside interests						**(71.3)**	**(556.1)**
Profit attributable to ordinary shareholders						**81.5**	**635.7**
Assets and liabilities							
Segment assets	–	1,749.7	159.8	–	71.8	**1,981.3**	**15,454.2**
Associated companies	114.3	2.4	24.5	(133.2)	–	**8.0**	**62.4**
Unallocated assets						**84.5**	**659.1**
Total assets						**2,073.8**	**16,175.7**
Segment liabilities	–	286.2	115.6	–	75.4	**477.2**	**3,722.2**
Unallocated liabilities						**1,266.6**	**9,879.5**
Total liabilities						**1,743.8**	**13,601.7**
Other information							
Capital expenditure	–	70.6	2.0	–	–	**72.6**	**566.3**
Depreciation and amortization	–	53.5	2.0	–	–	**55.5**	**432.9**
Other non-cash expenses	2.2	3.6	–	–	–	**5.8**	**45.3**

By principal geographical market – 2003

	The Philippines US$m	Indonesia US$m	Discontinuing operations(i) US$m	Head Office US$m	2003 Total US$m	2003* Total HK$m
Segment revenue – turnover	71.7	2,090.1	–	–	**2,161.8**	**16,862.0**
Segment assets	159.8	1,749.7	–	71.8	**1,981.3**	**15,454.2**
Associated companies	138.8	2.4	(133.2)	–	**8.0**	**62.4**
Unallocated assets					**84.5**	**659.1**
Total assets					**2,073.8**	**16,175.7**
Capital expenditure	2.0	70.6	–	–	**72.6**	**566.3**

By principal business activities – 2002

	Telecom-munications US$m	Consumer Food Products US$m	Property and Transportation US$m	Discontinuing/ disposed operations(i) US$m	Head Office US$m	2002 Total US$m	2002* Total HK$m
Profit and loss							
Segment revenue – turnover	–	1,777.3	114.6	0.4	–	1,892.3	14,759.9
Segment results/operating profit	(0.4)	217.8	10.2	(2.3)	(8.3)	217.0	1,692.6
Share of profits less losses of associated companies	39.7	(0.1)	(0.9)	(6.1)	–	32.6	254.3
Net borrowing costs						(109.0)	(850.2)
Profit before taxation						140.6	1,096.7
Taxation						(56.2)	(438.4)
Profit after taxation						84.4	658.3
Outside interests						(44.3)	(345.5)
Profit attributable to ordinary shareholders						40.1	312.8
Assets and liabilities							
Segment assets	–	1,659.9	588.2	–	37.1	2,285.2	17,824.6
Associated companies	80.4	2.6	28.9	(136.4)	–	(24.5)	(191.1)
Unallocated assets						52.4	408.7
Total assets						2,313.1	18,042.2
Segment liabilities	–	285.2	224.0	–	64.9	574.1	4,478.0
Unallocated liabilities						1,386.1	10,811.6
Total liabilities						1,960.2	15,289.6
Other information							
Capital expenditure	–	73.0	19.2	–	–	92.2	719.2
Depreciation and amortization	–	44.0	3.4	–	–	47.4	369.7
Other non-cash expenses	0.4	5.6	–	–	–	6.0	46.8

By principal geographical market – 2002

	The Philippines US$m	Indonesia US$m	Discontinuing/ disposed operations(i) US$m	Head Office US$m	2002 Total US$m	2002* Total HK$m
Segment revenue – turnover	114.6	1,777.3	0.4	–	1,892.3	14,759.9
Segment assets	588.2	1,659.9	–	37.1	2,285.2	17,824.6
Associated companies	109.3	2.6	(136.4)	–	(24.5)	(191.1)
Unallocated assets					52.4	408.7
Total assets					2,313.1	18,042.2
Capital expenditure	19.2	73.0	–	–	92.2	719.2

(i) Primarily represents Escotel Mobile Communications Limited (Escotel), a company operating in India.

3. Operating profit

For the year ended 31 December	2003 US$m	2002 US$m	2003* HK$m	2002* HK$m
Operating profit is stated after (charging)/crediting				
Cost of inventories sold	**(1,300.8)**	(1,139.2)	**(10,146.2)**	(8,885.8)
Depreciation	**(54.5)**	(47.0)	**(425.1)**	(366.6)
Operating lease rentals				
– Land and buildings	**(17.6)**	(9.6)	**(137.3)**	(74.9)
– Hire of plant and equipment	**(1.2)**	(1.0)	**(9.4)**	(7.8)
Net exchange (losses)/gains on monetary items	**(10.8)**	10.7	**(84.2)**	83.5
Loss on dilution of interests in a subsidiary and an associated company	**(3.2)**	(4.2)	**(25.0)**	(32.8)
Doubtful debt provisions	**(2.6)**	(1.8)	**(20.3)**	(14.0)
Auditors' remuneration				
– Audit services	**(1.0)**	(1.1)	**(7.8)**	(8.6)
– Other services	**(0.3)**	(0.1)	**(2.3)**	(0.8)
Amortization of goodwill (included in other operating income, net)	**(1.0)**	(0.4)	**(7.8)**	(3.1)
Loss on sale of property and equipment	**(0.6)**	(0.7)	**(4.7)**	(5.5)
Unrealized gains/(losses) on short-term investments	**1.8**	(0.9)	**14.0**	(7.0)

4. Net borrowing costs

For the year ended 31 December	2003 US$m	2002 US$m	2003* HK$m	2002* HK$m
Loan capital	**0.4**	3.0	**3.1**	23.4
Bank loans and other loans	**137.0**	124.2	**1,068.6**	968.8
Total interest expense	**137.4**	127.2	**1,071.7**	992.2
Other borrowing costs	**–**	3.7	**–**	28.8
Total borrowing costs	**137.4**	130.9	**1,071.7**	1,021.0
Less interest income	**(21.6)**	(21.9)	**(168.5)**	(170.8)
Net borrowing costs	**115.8**	109.0	**903.2**	850.2

5. Taxation

No Hong Kong profits tax (2002: Nil) has been provided as the Group had no estimated assessable profits (2002: Nil) 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.

For the year ended 31 December	2003 US$m	2002 US$m	2003* HK$m	2002* HK$m
Subsidiary companies				
Current taxation – Overseas	**36.5**	26.5	**284.7**	206.7
Deferred taxation – Overseas	**(1.6)**	23.4	**(12.4)**	182.5
Subtotal	**34.9**	49.9	**272.3**	389.2
Associated companies				
Current taxation – Overseas	**7.3**	2.8	**56.9**	21.9
Deferred taxation – Overseas	**0.6**	3.5	**4.7**	27.3
Subtotal	**7.9**	6.3	**61.6**	49.2
Total	**42.8**	56.2	**333.9**	438.4

The effective tax rate for 2003 was 21.9 per cent (2002: 40.0 per cent). The reduction in effective tax rate was principally due to reduced losses at Metro Pacific.

6. Profit attributable to ordinary shareholders

Profit attributable to ordinary shareholders includes US$17.3 million (HK$134.9 million) (2002: US$11.0 million; HK$85.8 million) net exchange losses that arose primarily on the translation of the unhedged U.S. dollar denominated borrowings of PLDT and Indofood and US$10.4 million (HK$81.1 million) (2002: Nil) of net non-recurring items, which comprise gains of US$16.8 million (HK$131.0 million) realized by Metro Pacific from various debt reduction and restructuring exercises, partly offset by PLDT's manpower reduction costs of US$6.4 million (HK$49.9 million).

Analysis of exchange losses

For the year ended 31 December	2003 US$m	2002 US$m	2003* HK$m	2002* HK$m
Exchange (losses)/gains				
– Subsidiary companies	**(10.8)**	10.7	**(84.2)**	83.5
– Associated companies	**(19.8)**	(20.4)	**(154.5)**	(159.2)
Subtotal	**(30.6)**	(9.7)	**(238.7)**	(75.7)
Attributable to taxation and outside interests	**13.3**	(1.3)	**103.8**	(10.1)
Total	**(17.3)**	(11.0)	**(134.9)**	(85.8)

Included within the profit attributable to ordinary shareholders is a loss of US$87.7 million (HK$684.1 million) (2002: US$0.3 million; HK$2.3 million) attributable to the Company primarily due to a provision of US$72.7 million (HK$567.1 million) (2002: Nil) on the investment in Escotel. Such provision has no impact to the Group.

7. Basic earnings per share

For the year ended 31 December	2003 U.S.	2002 U.S.	2003* HK	2002* HK
Basic earnings per share is based on				
– profit attributable to ordinary shareholders of ($m)	**81.5**	40.1	**635.7**	312.8
– and an average number of shares in issue of (millions)	**3,186.0**	3,152.2	**3,186.0**	3,152.2
resulting in basic earnings per share of (cents)	**2.56**	1.27	**19.97**	9.91

No diluted earnings per share for the years ended 31 December 2003 and 2002 have been presented as no diluting events existed in respect of the outstanding potential ordinary shares of the Company, a subsidiary and an associated company during these years.

8. Accounts receivable, other receivables and prepayments

Included in accounts receivable, other receivables and prepayments are trade receivables of US$227.1 million (HK$1,771.4 million) (2002: US$201.1 million; HK$1,568.6 million), with an ageing profile as below.

At 31 December	2003 US$m	2002 US$m	2003* HK$m	2002* HK$m
0 to 30 days	**192.2**	160.3	**1,499.2**	1,250.4
31 to 60 days	**13.7**	11.8	**106.9**	92.0
61 to 90 days	**6.5**	8.3	**50.7**	64.7
Over 90 days	**14.7**	20.7	**114.6**	161.5
Total	**227.1**	201.1	**1,771.4**	1,568.6

Indofood allows sub-distributors/wholesalers 60 days of credit, and other customers between 15-60 days of credit. Metro Pacific collects contract receivables related to property sales by installments over periods ranging between two to 10 years. The current portion of which is included above.

9. Accounts payable, other payables and accruals

Included in accounts payable, other payables and accruals are trade payables of US$213.7 million (HK$1,666.9 million) (2002: US$175.6 million; HK$1,369.7 million), with an ageing profile as below.

At 31 December	2003 US$m	2002 US$m	2003* HK$m	2002* HK$m
0 to 30 days	**188.7**	129.0	**1,471.9**	1,006.2
31 to 60 days	**8.2**	11.9	**64.0**	92.8
61 to 90 days	**3.5**	25.1	**27.3**	195.8
Over 90 days	**13.3**	9.6	**103.7**	74.9
Total	**213.7**	175.6	**1,666.9**	1,369.7

10. Contingent liabilities

At 31 December 2003, the Company had a guarantee of US$82.4 million (HK$642.7 million) (2002: US$92.6 million; HK$722.3 million) which relates to credit facilities extended to Escotel. The credit facilities are guaranteed by Escotel's shareholders on a pro-rata basis and, thus, represent the Group's 49 per cent share of Escotel's borrowings.

The non-compliance of certain covenants 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.

11. Employee information

The following information relates to the Head Office and its subsidiaries.

For the year ended 31 December	2003 US$m	2002 US$m	2003* HK$m	2002* HK$m
Employee remuneration (including Directors' remuneration)	**181.6**	151.1	**1,416.5**	1,178.6

Number of employees	2003	2002
At 31 December	**46,951**	44,820
Average for the year	**45,842**	46,422

In August 2003, the Company established a Remuneration Committee. The Committee will make recommendations to the Board regarding the remuneration of the Executive Directors, senior executives and the fees and emoluments of Non-executive Directors based on advises from compensation and benefits consultants.

12. Subsequent events

On 15 January 2004, the Group entered into a legally binding agreement with Idea Cellular Limited, one of the major mobile telecommunications operators in India, in respect of the Group's disposal of its entire 49 per cent interest in Escotel for an aggregate consideration of Rupees 700 million (US$15.4 million; HK$119.9 million). The anticipated completion of the disposal will not only improve the Group's working capital but also strengthen the financial position of the Company as a result of full release from the US$82.4 million (HK$642.7 million) guarantee obligations in respect of Escotel's credit facilities.

The Board is pleased to announce that at the Special General Meeting held this afternoon, the Company's shareholders have unanimously approved the Major Transaction relating to the First Pacific Group's disposal of its entire 49% interest in Escotel.

13. Comparative figures

Certain comparative figures have been reclassified to conform with the current year's presentation.

* *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.*

REVIEW OF OPERATIONS

Below is an analysis of results by individual company.

Contribution Summary

For the year ended 31 December	Turnover 2003 US$m	Turnover 2002 US$m	Contribution to Group profit[(i)] 2003 US$m	Contribution to Group profit[(i)] 2002 US$m
PLDT[(ii)]	**–**	–	**76.7**	48.8
Indofood	**2,090.1**	1,777.3	**40.2**	37.7
Metro Pacific	**71.7**	114.6	**(9.5)**	(18.7)
From continuing businesses	**2,161.8**	1,891.9	**107.4**	67.8
From discontinuing and disposed businesses[(iii)]	**–**	0.4	**0.6**	(2.2)
From operations	**2,161.8**	1,892.3	**108.0**	65.6
Head Office items:				
– Corporate overhead			**(8.6)**	(9.0)
– Net interest expense			**(7.2)**	(6.3)
– Other (expenses)/income			**(3.8)**	0.8
Recurring profit			**88.4**	51.1
Foreign exchange losses			**(17.3)**	(11.0)
Non-recurring items[(iv)]			**10.4**	–
Profit attributable to ordinary shareholders			**81.5**	40.1

(i) After taxation and outside interests, where appropriate.

(ii) Associated company.

(iii) Represents Escotel.

(iv) 2003's non-recurring gains of US$10.4 million (2002: Nil) comprise gains of US$16.8 million realized by Metro Pacific from various debt reduction and restructuring exercises, partly offset by PLDT's manpower reduction costs of US$6.4 million.

During the year, the Group's turnover increased by 14.2 per cent, to US$2,161.8 million (2002: US$1,892.3 million), reflecting improved underlying performances. First Pacific's continuing business interests improved their performance in 2003, recording profit contributions totaling US$107.4 million (2002: US$67.8 million), an increase of 58.4 per cent. Corporate overhead declined 4.4 per cent, to US$8.6 million, as cost cutting initiatives took effect. Recurring profit improved to US$88.4 million, from US$51.1 million in 2002, and the Group recorded higher foreign exchange losses on its unhedged U.S. dollar denominated borrowings, largely due to a weaker peso. First Pacific recorded an attributable profit for 2003 of US$81.5 million, a 103.2 per cent improvement over 2002's attributable profit of US$40.1 million.

The Group's operating results are denominated in local currencies – principally the peso and rupiah – which are translated and consolidated to provide the Group's U.S. dollar denominated results. The performance of these currencies, against the U.S. dollar, is summarized below.

Closing	**2003**	2002	1 year change
Peso	**55.49**	53.18	-4.2%
Rupiah	**8,465**	8,950	+5.7%

Average	**2003**	2002	1 year change
Peso	**54.38**	51.64	-5.0%
Rupiah	**8,572**	9,265	+8.1%

In 2003, the Group recorded net exchange losses of US$17.3 million on unhedged U.S. dollar loans principally as a result of depreciation of the peso. The exchange losses may be further analysed as follows:

	2003 **US$m**	2002 US$m
PLDT	**(13.7)**	(12.0)
Indofood	**(3.8)**	3.8
Others	**0.2**	(2.8)
Total	**(17.3)**	(11.0)

PLDT

PLDT is a telecommunications provider in the Philippines. Through its three principal business groups – Wireless (principally through wholly-owned subsidiary Smart Communications, Inc. (Smart)); Fixed Line (principally through PLDT); and Information and Communications Technology (principally through wholly-owned subsidiary ePLDT) – PLDT offers a wide range of telecommunications services across the Philippine's most extensive fiber optic backbone, cellular, fixed line, internet and satellite networks.

PLDT's operations are principally denominated in pesos, which averaged Pesos 54.38 (2002: 51.64) to the U.S. dollar. Its financial results are prepared under Philippine GAAP and reported in pesos. First Pacific's financial results are prepared under Hong Kong GAAP and reported in U.S. dollars. Accordingly, certain adjustments need to be made to PLDT's reported peso results to ensure compliance with Hong Kong GAAP. An analysis of these adjustments follow:

	2003 **Pesos mln**	2002 Pesos mln
Net income under Philippine GAAP[i]	**11,182**	3,003
Preference dividends[ii]	**(1,751)**	(1,683)
Net income attributable to common shareholders	**9,431**	1,320
Differing accounting treatments[iii]		
– Reclassification/reversal of non-recurring items	**5,694**	4,110
– Fair values on acquisition	**–**	3,475
– Foreign exchange accounting	**(519)**	(146)
– Others	**(792)**	(1,262)
Intragroup items[iv]	**300**	275
Adjusted net income under HK GAAP	**14,114**	7,772
Foreign exchange losses[v]	**3,056**	2,546
PLDT's net income as reported by First Pacific	**17,170**	10,318
	US$m	US$m
Net income at prevailing average rates for 2003: Pesos 54.38 and 2002: Pesos 51.64	**315.7**	200.0
Contribution to First Pacific Group profit, at an average shareholding of 2003: 24.3% and 2002: 24.4%	**76.7**	48.8

(i) PLDT has restated its net income for 2002 from Pesos 3,118 million to Pesos 3,003 million after changing the accounting policy for pre-operating expenses from capitalization and amortization to immediate write-off. As First Pacific has already adjusted for this in prior years' adjustments, no further adjustment is required.

(ii) First Pacific presents net income after deduction of preference dividends.

(iii) Differences in accounting treatment under Philippine GAAP, compared with Hong Kong GAAP. The principal adjustments include:

- *Reclassification/reversal of non-recurring items: Certain items, through occurrence or size, are not considered recurring, operating items which are reallocated and presented separately. In 2003, impairment provisions for satellite and other assets (Pesos 4.3 billion), which were fully provided by First Pacific in prior years, were reversed and manpower reduction costs (Pesos 1.4 billion) were excluded and presented separately as a non-recurring item.*

- *Foreign exchange accounting: Under Philippine GAAP, PLDT is permitted to capitalize and amortize exchange differences. Hong Kong GAAP requires the recognition of such differences, even though unrealized, in the profit and loss statement. The adjustment reverses the amortization of PLDT's capitalized foreign exchange differences, as the originating exchange difference has already been written off by First Pacific.*

- *Fair values on acquisition: First Pacific made certain fair value adjustments at the time of its acquisition of PLDT, such that certain PLDT assets are held at different values in First Pacific's accounts. Accordingly, the adjustment reverses the depreciation on assets that First Pacific has already written down. Such assets were fully depreciated by PLDT in 2002.*

(iv) These are standard consolidation adjustments to ensure that transactions between Group companies are eliminated to present the Group as a single economic entity.

(v) To illustrate the underlying operational results and profit contributions, exchange differences (net of related tax) are excluded and presented separately.

An analysis of PLDT's contribution to the First Pacific Group, adjusted for Hong Kong GAAP and translated into U.S. dollars, follows.

	Turnover			Profit		
	2003 US$m	2002 US$m	% change	**2003 US$m**	2002 US$m	% change
Fixed Line	**842.8**	881.5	-4.4	**268.1**	372.4	-28.0
Wireless	**926.6**	652.8	+41.9	**330.4**	181.4	+82.1
Information and Communications Technology	**27.7**	18.2	+52.2	**(2.5)**	(10.4)	-76.0
Total	**1,797.1**	1,552.5	+15.8			
Operating profit				**596.0**	543.4	+9.7
Share of profits less losses of associates				**(0.2)**	(1.0)	-80.0
Net borrowing costs				**(200.8)**	(262.1)	-23.4
Profit before taxation				**395.0**	280.3	+40.9
Taxation				**(46.0)**	(49.0)	-6.1
Profit after taxation				**349.0**	231.3	+50.9
Outside interests				**(1.7)**	0.4	–
Profit for the year				**347.3**	231.7	+49.9
Preference share dividends				**(31.6)**	(31.7)	-0.3
Profit attributable to ordinary shareholders				**315.7**	200.0	+57.9

PLDT recorded a contribution of US$76.7 million (2002: US$48.8 million) to the Group, up 57.2 per cent year on year, while consolidated turnover reached a record US$1.8 billion in 2003 (2002: US$1.6 billion), largely driven by PLDT's successful wireless businesses.

PLDT continued to ride the Philippines' cellular popularity wave in 2003, driven by the innovative product and service offerings of Smart. By end-2003, total cellular subscribers of Smart and Talk 'N Text, combined, had surged 50.6 per cent to 12.9 million compared with 8.6 million in 2002. Fixed Line, meanwhile, held steady with 2.1 million subscribers (2002: 2.1 million). Fixed Line headcount reduced by 15.7 per cent during the year to 10,230 versus 12,131 in 2002, as a result of continued focus on cost containment.

PLDT Company's deleveraging targets were reached as total debt was reduced to US$2.4 billion compared with US$2.6 billion at the end of 2002. Having achieved First Pacific's turnaround targets for PLDT, PLDT announced on 19 February 2003 that President and CEO Manuel V. Pangilinan would assume Chairmanship of the company, to be succeeded by Napoleon L. Nazareno, who would become concurrent president of both Smart Communications and PLDT.

Wireless

Smart's exceptional growth translated into equally impressive results - wireless turnover reached US$926.6 million in 2003 versus US$652.8 million in 2002, an increase of 41.9 per cent. The significant driver of growth was the introduction of an innovative "over-the-air" electronic airtime credit loading facility - "Smart Load". In December 2003, Smart also introduced "Pasa Load" (the term "pasa" means "transfer" in the vernacular), a derivative service of "Smart Load" which allows prepaid subscribers to transfer credits to other prepaid subscribers. These two new services have made reloading of airtime credits more convenient for, and accessible to, prepaid subscribers. Through "Smart Load" and "Pasa Load", prepaid subscribers can reload in smaller denominations ranging from as low as US$0.036 (Pesos 2) to US$3.68 (Pesos 200). By the end of 2003, over 10 million prepaid customers of Smart and Talk 'N Text were reloading "over the air". The availability to transfer lower denomination credits also reduced prepaid churn rates, which dropped to 2.9 per cent (2002: 3.2 per cent).

The increasing popularity of lower denomination credits marginally reduced cellular ARPUs, however, efficient cost-containment resulted in a 25.7 per cent reduction in blended pre-paid and post-paid subscriber acquisition costs, thereby reducing the payback period on acquisition costs to about two months. Wireless capital expenditure meanwhile increased 50.5 per cent to US$207.9 million (2002: US$138.1 million) as Smart extended its nationwide coverage. At present Smart's wireless network including 32 switching facilities and 3,904 base relay stations ensures coverage reaches 86% per cent of the Philippines' 82 million population.

Smart paid a cash dividend to PLDT in the amount of US$114.0 million in 2003, representing a 100 per cent dividend payout of its 2002 net income. It is expected that such dividend payments will increase in coming years, as Smart continues its earnings growth momentum.

Fixed Line

Fixed Line turnover declined a slight 4.4 per cent to US$842.8 million (2002: US$881.5 million) due to the continuing preference of consumers for mobile, data and other non-voice communications. While fixed line subscribers have remained relatively constant at the 2 to 2.1 million level for the past several years, management has been able to extract increased cost-savings, accelerate debt reduction and create value-added revenue drivers, to improve the financial position of Fixed Line.

Fixed line international long distance revenues increased (2003: US$230.7 million; 2002: US$206.1 million) despite a drop in billed minutes, principally due to an increase in termination rates with overseas carriers, while moderate increase in fixed line data and other network revenues (2003: US$106.7 million; 2002: US$106.1 million) was due to the growth of DSL consumer and other corporate data services.

Phase Two of Fixed Line's liability management program was completed during the course of the year, with the paydown of US$180 million in debt and reducing Fixed Line's debt balance to US$2.4 billion as of end 2003. Fixed Line management remains wholly focused on meeting the targets of its liability management program, as well as further reducing costs and increasing productivity.

Information and Communications Technology

ePLDT, the Information and Communications Technology unit of PLDT, realized substantial growth of 52.2 per cent in dollar terms, with turnover reaching US$27.7 million compared with US$18.2 million in 2002. ePLDT's growth is underpinned by the success of its Vocativ and Parlance call centers, which have a combined 1,700 employees servicing U.S. customer relationship management accounts. ePLDT management anticipates a significant growth of its call center business in 2004, along with increased service offerings and subscriptions from its VITRO data center, the Philippines' first fully protected network operation center (NOC).

Outlook

The Philippines has consistently defied conventional assumptions regarding cellular penetration; with growth rates set to accelerate over the short term, PLDT's wireless brands intend to more aggressively capture new users as well as increase data and non-voice revenues from current ones. Fixed Line meanwhile seeks to continue achieving targets of its liability management program, while seeking to reduce costs further. Substantial growth opportunities exist in the Information and Communications Technology realm and ePLDT is expected to capitalize on the growing interest of overseas locators presently seeking backroom call center operations in the Philippines.

Further information on PLDT can be found at www.pldt.com.ph

INDOFOOD

Indofood is the leading processed-foods group in Indonesia. It is based in Jakarta, and is listed on the Jakarta and Surabaya Stock Exchanges. Noodles, Flour and Edible Oils & Fats are the principal businesses of Indofood. It also has interests in Distribution, Food Seasonings, Baby Foods and Snack Foods businesses.

Indofood's operations are principally denominated in rupiah, which averaged Rupiah 8,572 (2002: 9,265) to the U.S. dollar. Its financial results are prepared under Indonesian GAAP and reported in rupiah. First Pacific's financial results are prepared under Hong Kong GAAP and reported in U.S. dollars. Accordingly, certain adjustments need to be made to Indofood's reported rupiah results to ensure compliance with Hong Kong GAAP. An analysis of these adjustments follows.

	2003 Rupiah bln	2002 Rupiah bln
Net income under Indonesian GAAP	**603**	803
Differing accounting treatments[i]		
– Foreign exchange accounting	**54**	54
– Others	**(62)**	(3)
Adjusted net income under HK GAAP	**595**	854
Foreign exchange losses/(gains)[ii]	**71**	(152)
Indofood's net income as reported by First Pacific	**666**	702
	US$m	US$m
Net income at prevailing average rates for 2003: Rupiah 8,572 and 2002: Rupiah 9,265	**77.7**	75.8
Contribution to First Pacific Group profit, at an average shareholding of 2003: 51.7% and 2002: 49.8%	**40.2**	37.7

(i) Differences in foreign exchange accounting treatment under Indonesian GAAP, compared with Hong Kong GAAP. The adjustment relates to the reversal of the amortization of foreign exchange losses that were previously capitalized by Indofood on certain fixed assets under construction.

(ii) To illustrate the underlying operational results and profit contributions, exchange differences (net of related tax) are excluded and presented separately.

An analysis of Indofood's contribution to the First Pacific Group, adjusted for Hong Kong GAAP and translated into U.S. dollars, follows.

	Turnover			**Profit**		
	2003 US$m	2002 US$m	% change	**2003 US$m**	2002 US$m	% change
Noodles	**702.9**	624.5	+12.6	**103.8**	111.1	-6.6
Flour	**710.0**	639.7	+11.0	**52.2**	38.2	+36.6
Edible Oils & Fats	**630.2**	616.6	+2.2	**53.2**	43.6	+22.0
Others	**298.8**	253.5	+17.9	**16.3**	11.5	+41.7
Inter-segment elimination	**(251.8)**	(357.0)	-29.5	**–**	–	–
Total	**2,090.1**	1,777.3	+17.6			
Operating profit				**225.5**	204.4	+10.3
Share of profits less losses of associates				**(0.4)**	(0.1)	+300.0
Net borrowing costs				**(93.4)**	(68.5)	+36.4
Profit before taxation				**131.7**	135.8	-3.0
Taxation				**(40.5)**	(47.4)	-14.6
Profit after taxation				**91.2**	88.4	+3.2
Outside interests				**(51.0)**	(50.7)	+0.6
Contribution to Group profit				**40.2**	37.7	+6.6

Indofood recorded a contribution of US$40.2 million (2002: US$37.7 million) to the Group, increased 6.6 per cent year on year. The increase reflects the 8.1 per cent appreciation of Rupiah/US$ average exchange rate to 8,572 from 9,265, partly offset by increased borrowing costs as a result of additional borrowings to finance working capital and higher proportion of rupiah borrowings at higher interest costs relative to the company's U.S. debt borrowings. During 2003, Indofood's average net debt level stood at US$732.1 million as compared to US$608.9 million in 2002.

2003 was a challenging year for Indofood's primary businesses of Noodles, Flour and Edible Oils & Fats. The entry of lower-priced products and aggressive promotions by competitors has intensified the competitive environment; towards the end of 2003 management began to undertake a comprehensive strategic and business review with the goal of implementing structural improvements in 2004.

Noodles

Noodles is the largest of Indofood's operating divisions and accounted for 33.2 per cent (2002: 34.6 per cent) of Indofood's 2003 turnover. Indofood's primary noodle product is its hugely-popular soup-style instant noodles. Indofood sells over 100 varieties of noodle products, covering every taste and dietary requirement, including stir-fry, air-dried snack and egg noodles, in addition to seasonal and limited-run varieties. Among the most popular brands produced include Indomie and Supermi.

Average selling price per pack rose 3.9 per cent last year to Rupiah 579 (U.S. 6.8 cents) (2002: Rupiah 557; U.S. 6.0 cents) although volumes were flat at 9.8 billion packs, largely due to the aggressive entry of lower-priced competitors. Higher selling and promotion costs, due to the launch of several higher-end multipack varieties impacted operating profit which decreased by 6.6 per cent.

Indofood has strong potential to enter the regional noodle markets; current exports represent only two per cent of revenues yet reach over 40 countries, including Australia, Saudi Arabia, Malaysia and the Netherlands. In its domestic markets division management seeks to increase consumption in low noodle consuming regions.

A more focused and consumer-driven Noodles marketing campaign will also be launched in 2004, with the goal of building greater loyalty for certain brands and eventually rationalizing the division's stock-keeping unit (SKU) diversity.

Flour

Bogasari Flour Mills accounted for 28.2 per cent (2002: 29.4 per cent) of Indofood's 2003 turnover, and improved 11.0 per cent over the previous year in US$ terms. The increase in revenues to US$710.0 million (2002: US$639.7 million) reflects an average increase in selling prices of 7.0 per cent per kilogram, to Rupiah 2,385 (U.S. 27.8 cents) versus Rupiah 2,230 (U.S. 24.1 cents) per kilogram in 2002.

Sales volume reduced 4.6 per cent during the year, to 2,240 thousand tons versus 2,347 thousand tons, due mainly to the entry of lower-priced imported breakbulk and finished wheat products. This has the effect of offsetting the higher selling and promotion costs, due mainly to the introduction of an innovative scheme to promote downstream small and medium enterprise bulk flour purchases, and improved rupiah operating margins, to 7.6 per cent (2002: 6.9 per cent).

Early success of the small and medium enterprise downstream promotion campaign will provide the basis for a concerted national rollout in 2004, to enhance consumer equity for Bogasari's Cakra Kembar, Kunci Biru and Segitiga Biru brands.

Edible Oils & Fats

Indofood's **Cooking Oil and Fats** division is among the largest producers of cooking oil, margarine and shortening in Indonesia, offering a wide range of both branded (Bimoli, Sunrise, Delima, Cornola among others) and non-branded products to both consumer and institutional customers throughout the country. In 2003, Edible Oils & Fats contributed 24.3 per cent of Indofood's turnover (2002: 21.8 per cent).

Sales revenues increased 2.2 per cent in US$ terms but decreased 5.4 per cent in rupiah terms. The reduction in rupiah sales was principally due to the **Trading** division, which saw volumes fall to 1,019 thousand tons compared with 1,266 thousand tons in 2002. Rupiah gross margins improved to 15.8 per cent (2002: 13.2 per cent), due to increased selling prices across all divisions, partly offset by the effect of higher raw material costs of crude palm oil and copra.

The aggressive entry of lower-priced competitors in the branded cooking oil market during 2003 is expected to put margins under pressure throughout 2004. Division management is presently conducting appropriate market research in an effort to launch an aggressive promotional drive in response to competition.

Others

Others refers to Distribution, Food Seasonings, Baby Foods and Snack Foods, which collectively improved sales performance by 17.9 per cent in US$ terms, to US$298.8 million, equivalent to 9.0 per cent in rupiah terms. The improved performance was mainly driven by the Baby Foods division, which introduced a premium line of baby food products in late 2003. Baby-aid related product sales drove increased volumes by 86.9 per cent, though average selling prices declined.

Other operations reported both lower sales and lower volume turnover except for Distribution, whose business benefited from increased Noodles sales. Rupiah operating margins slightly improved over previous year to 5.3 per cent (2002: 3.6 per cent).

Outlook

Given the increased competition from both foreign and domestic processed foods companies, Indofood management anticipates that its strategic business review in early 2004 should result in new initiatives aimed at increasing productivity, reducing costs and improving organic growth. International growth is intended to emerge as a significant future revenue driver, and steps will be taken in 2004 to build a foundation for a sustained international foods business.

Further information on Indofood can be found at www.indofood.co.id

METRO PACIFIC

Metro Pacific is based and listed in Manila. Its property businesses include Landco Pacific Corporation (Landco), Pacific Plaza Towers and Costa de Madera Corp., while its transportation business includes listed shipping subsidiary Negros Navigation Company (Nenaco).

Metro Pacific's operations are principally denominated in pesos, which averaged Pesos 54.38 (2002: 51.64) to the U.S. dollar. Its financial results are prepared under Philippine GAAP and reported in pesos. First Pacific's financial results are prepared under Hong Kong GAAP and reported in U.S. dollars. Accordingly, certain adjustments need to be made to Metro Pacific's reported peso results to ensure compliance with Hong Kong GAAP. An analysis of these adjustments follows.

	2003 Pesos mln	2002 Pesos mln
Net profit/(loss) under Philippine GAAP	**57**	(11,713)
Differing accounting treatments[i]		
– Reclassification/reversal of non-recurring items	**(537)**	10,640
– Others	**(168)**	(132)
Adjusted net loss under Hong Kong GAAP	**(648)**	(1,205)
Foreign exchange losses[ii]	**6**	8
Metro Pacific's net loss as reported by First Pacific	**(642)**	(1,197)
	US$m	US$m
Net loss at prevailing average rates for 2003: Pesos 54.38 and 2002: Pesos 51.64	**(11.8)**	(23.2)
Contribution to First Pacific Group profit, at an average shareholding of 2003: 80.6% and 2002: 80.6%	**(9.5)**	(18.7)

(i) Differences in accounting treatment under Philippine GAAP, compared with Hong Kong GAAP. The principal adjustments include:

- *Reclassification/reversal of non-recurring items: Certain items, through occurrence or size, are not consider usual, operating items. In order to illustrate underlying recurring operational results, such items are reallocated and presented separately. Adjustments for 2003 of Pesos 0.5 billion principally relate to Pesos 1.1 billion gains realized from various debt reduction and restructuring exercises, partly offset by Pesos 0.6 billion impairment provisions in respect of its various assets. The impairment provision made in 2003 was fully provided by First Pacific in prior years.*

(ii) To illustrate the underlying operational results and profit contributions, exchange differences (net of related tax) are excluded and presented separately.

An analysis of Metro Pacific's contribution to the First Pacific Group, adjusted for Hong Kong GAAP and translated into U.S. dollars, follows.

	Turnover			Profit		
	2003 US$m	2002 US$m	% change	**2003 US$m**	2002 US$m	% change
Property						
– Landco	**12.7**	12.6	+0.8	**2.8**	2.1	+33.3
– Pacific Plaza Towers	**12.3**	4.4	+179.5	**(0.5)**	(0.6)	-16.7
– Bonifacio Land Corporation	**3.1**	51.6	-94.0	**(0.7)**	2.9	–
Subtotal	**28.1**	68.6	-59.0	**1.6**	4.4	-63.6
Nenaco	**43.6**	46.0	-5.2	**4.5**	7.3	-38.4
Corporate overhead	**–**	–	–	**(0.9)**	(1.1)	-18.2
Total	**71.7**	114.6	-37.4			
Operating profit				**5.2**	10.6	-50.9
Share of profits less losses of associates				**(1.5)**	(0.9)	+66.7
Net borrowing costs				**(16.0)**	(35.2)	-54.5
Loss before taxation				**(12.3)**	(25.5)	-51.8
Taxation				**(0.1)**	2.1	–
Loss after taxation				**(12.4)**	(23.4)	-47.0
Outside interests				**2.9**	4.7	-38.3
Group share of loss				**(9.5)**	(18.7)	-49.2

Metro Pacific contributed a loss of US$9.5 million in 2003, a significant 49 per cent reduction on 2002's loss of US$18.7 million.

Following the repayment of the Larouge Loan to First Pacific in April 2003, Metro Pacific management devoted the balance of the year to examining and identifying opportunities to improve operating revenues. Landco continued to perform in 2003 and engaged in strategic landbanking activities to provide for future development and growth. They are also presently finalizing the development plan for the 10-hectare site it owns which is located in the Bonifacio Global City.

Nenaco was confronted by a challenging competitive environment, one in which security and economic uncertainty contributed to lower passenger traffic and freight shipments. Management continued to focus on debt reduction and cost-containment.

Outlook

Following the success of various debt reduction and restructuring exercises, Metro Pacific management will now be free to refocus on enhancing the profitability of all its operations.

Further information on Metro Pacific can be found at www.metropacific.com

ESCOTEL

Escotel Mobile Communications Limited (Escotel) is based in New Delhi, India and provides GSM cellular telephone services in Uttar Pradesh (West), Haryana and Kerala.

Escotel made a profit contribution of US$0.6 million (2002: US$0.1 million) to the Group. The subscriber base grew by 45.3 per cent to 826,000 which improved the EBITDA by 23.1 per cent to Rupees 1.6 billion (US$35.1 million) from Rupees 1.3 billion (US$26.8 million). However, the increase in depreciation, network and subscriber expenses eroded the operating profit.

On 15 January 2004, First Pacific entered into a legally binding agreement with Idea Cellular Limited in respect of the sale of First Pacific's entire 49 per cent interest in Escotel for a consideration of Rupees 700 million (US$15.4 million).

Upon completion of this transaction, First Pacific will record a gain on disposal of approximately US$20 million for the financial year ending 31 December 2004.

Further information on Escotel can be found at www.escotelmobile.com

2003 GOALS: REVIEW

FIRST PACIFIC

- Reduce costs and increase recurrent cash flows at Head Office.
  Achieved. Overhead expenses have declined by 4.4 per cent and Indofood dividend increased by 17.5 per cent.

- Refinance or repay US$100 million debt, which matures in December 2003, with longer-term funding.
  Achieved. Successfully refinanced by issuing a US$115 million three-year bond in July 2003.

PLDT

- Improve share price performance.
  Achieved. Share price increased more than 2.5 times from Pesos 270 at 31 December 2002 to Pesos 970 at 31 December 2003.

- Generate sufficient free cash flow at the PLDT level and increase dividend payout from Smart, to enable PLDT to further reduce debts.
  Achieved. Free cash flow at the PLDT level improved 24.5 per cent to Pesos 11.5 billion (US$211.5 million) including Pesos 6.2 billion (US$114.0 million) dividends from Smart (representing 100 per cent of its 2002 net income) in 2003. PLDT company alone reduced debts by US$180 million in 2003.

- Smart to increase overall level of revenues, EBITDA and profits.
  Achieved. Smart reported record earnings in 2003. Smart's revenues, EBITDA and profits improved by 51.0 per cent to Pesos 49.9 billion (US$0.9 billion), by 77.1 per cent to Pesos 31.8 billion (US$0.6 billion) and by 161.5 per cent to Pesos 16.1 billion (US$0.3 billion), respectively.

INDOFOOD

- Strengthen cash flows.
  Achieved. Operating cash flows improved significantly, increased to Rupiah 1.5 trillion (US$0.2 billion) from negative Rupiah 0.3 trillion (US$27.2 million).

- Build and develop brands.
  In progress. Continue to further strengthening the existing brands.

- Complete the second phase (114.5 million shares) of the employee stock ownership program.
  Partially achieved. The second phase was 51 per cent subscribed by the employees with 58.4 million new shares issued in May 2003.

- Improve share price performance.
  Achieved. Share price increased by 33 per cent to Rupiah 800 per share during the year.

- Maintain dividend payout of 30 per cent.
  Achieved. Thirty per cent payout in respect of 2002 earnings.

METRO PACIFIC

- Conclude debt reduction program
  Substantially achieved. Successfully repaid, reached agreements in principle or advanced discussions for approximately 94 per cent, or Pesos 12.1 billion (US$218.1 million), of the outstanding debts at parent company level.

- Conclude Banco de Oro's purchase of First e-Bank's banking business, as well as certain assets and liabilities.
  Achieved. The transfer of First e-Bank's banking business was completed and First e-Bank was renamed Prime Media Holdings.

- Improve profitability at Landco and Nenaco.
  Substantially achieved. Metro Pacific and subsidiary management continue to work together to improve operational and financial performance.

GOALS FOR 2004

First Pacific

- Continue to explore value-enhancing and expansion opportunities in the region, primarily on telecom and consumer food products
- Further strengthening the corporate governance practices
- Conclude disposal of interest in Escotel

PLDT

- Sustain earnings growth momentum of PLDT Group driven by Smart, stability of PLDT Fixed Line and improved profits of ePLDT
- Continue to maximize cash flows for debt reduction
- Be in a position to restore dividends to common shareholders in 2005

Indofood

- Maintain market leadership position
- Continue to focus on branded products, grow revenue through domestic, regional and international business development
- Redevelop business strategy with reorganized management teams

Metro Pacific

- Substantially complete development plans for Metro Pacific's property portfolio, in particular the 10-hectare property in the Bonifacio Global City
- Enhance and expand Landco offerings while improving profitability
- Enhance profitability and service quality of Nenaco and to seek strategic investor

FINANCIAL REVIEW

LIQUIDITY AND FINANCIAL RESOURCES

NET DEBT AND GEARING

An analysis of net debt and gearing for consolidated and associated companies follows.

CONSOLIDATED

At 31 December	Net debt[i] 2003 US$m	Net assets/ (liabilities) 2003 US$m	Gearing[ii] 2003 times	Net debt[i] 2002 US$m	Net assets/ (liabilities) 2002 US$m	Gearing[ii] 2002 times
Head Office	**96.9**	**813.4**	**0.10x**	152.1	726.5	0.15x
Indofood	**713.3**	**521.5**	**1.37x**	750.9	463.8	1.62x
Metro Pacific	**97.5**	**(32.7)**	**–**	233.7	139.0	1.68x
Consolidated before goodwill reserve	**907.7**	**1,302.2**	**0.70x**	1,136.7	1,329.3	0.86x
Goodwill reserve	**–**	**(972.2)**	**–**	–	(976.4)	–
Consolidated after goodwill reserve	**907.7**	**330.0**	**2.75x**	1,136.7	352.9	3.22x
ASSOCIATED						
PLDT	**2,532.9**	**1,710.8**	**1.48x**	2,964.7	1,678.4	1.77x
Escotel	**161.8**	**(93.9)**	**–**	183.8	(36.3)	–

(i) Includes restricted cash and pledged deposits.

(ii) Calculated as net debt divided by net assets.

- Head Office gearing decreased as a result of a partial repayment of a bank loan with the proceeds from Metro Pacific's sale of equity interest in BLC.

- Indofood gearing declined as profits and a stronger rupiah enhanced net assets.

- Metro Pacific's net debt decreased principally as a result of deconsolidation of BLC and other settlements through transfer of property assets to creditors. Metro Pacific changed from positive net assets position to net liabilities position mainly because of the deconsolidation of BLC.

- PLDT's gearing declined as strong free cash flows were used to reduce debts.

MATURITY PROFILE

The maturity profile of consolidated debt and associated companies' debt follows.

CONSOLIDATED

At 31 December	2003 US$m	2002 US$m
Within one year	**207.4**	605.7
One to two years	**209.6**	106.7
Two to five years	**703.3**	586.2
Over five years	**43.0**	64.3
TOTAL	**1,163.3**	1,362.9

The lengthening of the debt maturity profile principally reflects Head Office's repayment/refinancing of its US$187.4 million short-term bank loan and a lengthening of the profile of Indofood's debt during the year. In particular, US$39.2 million of Indofood's short-term debts with high interest costs were refinanced through a Rupiah 1.5 trillion (US$177.2 million) five-year Rupiah-bonds.

ASSOCIATED

	PLDT		Escotel	
At 31 December	2003 US$m	2002 US$m	2003 US$m	2002 US$m
Within one year	**466.3**	374.9	**63.2**	30.6
One to two years	**543.3**	470.7	**68.5**	54.6
Two to five years	**1,098.9**	1,416.6	**31.6**	100.1
Over five years	**771.6**	907.0	**–**	–
TOTAL	**2,880.1**	3,169.2	**163.3**	185.3

CHARGES ON GROUP ASSETS

At 31 December 2003, certain bank loans and other borrowings were secured by the Group's property and equipment, accounts receivables and inventories equating to a net book value of US$89.3 million (2002: US$95.0 million). Apart from these, the Head Office's US$113.0 million Bonds and US$55.0 million bank loan were principally secured by the Group's 51.5 per cent and 14.0 per cent interests in Indofood and PLDT, respectively.

FINANCIAL RISK MANAGEMENT

FOREIGN CURRENCY RISK

(A) Company risk

As the Head Office debt is currently denominated in U.S. dollars, foreign currency risk relates mainly to the receipt of cash dividends and to the translation of non-U.S. dollar denominated investments in subsidiary and associated companies.

The Company actively reviews the potential benefits of hedging based on forecast dividend flows. However, the Company does not actively seek to hedge risks arising on the translation of foreign currency denominated investments due to the non-cash nature of such investments and the high costs associated with such hedging. Accordingly, First Pacific is exposed to the impact of foreign currency fluctuations on the translated U.S. dollar value of its foreign currency denominated investments.

With the exception of the Head Office and Escotel, the principal components of the Company's adjusted net asset value (NAV) relate to investments denominated in the peso or rupiah. Accordingly, any change in these currencies, against their respective 31 December 2003 exchange rates, would have an effect on the Company's NAV in U.S. dollar terms.

The following table illustrates the estimated effect on the Company's adjusted NAV for a one per cent change of the peso and rupiah against the U.S. dollar.

Company	Effect on adjusted NAV(i) US$m	Effect on adjusted NAV per share HK cents
PLDT	7.2	1.77
Indofood	4.2	1.02
Metro Pacific	0.7	0.18
TOTAL	**12.1**	**2.97**

(i) Adjusted NAV is based on quoted share prices applied to the Company's economic interest.

(B) Group risk

The Group's operating results are denominated in local currencies, principally the peso and rupiah, which are translated and consolidated to give the Group's results in U.S. dollars.

NET DEBT BY CURRENCY

It is often necessary for operating entities to borrow in U.S. dollars, which results in the risk of a translation impact on local currency results. A summary of consolidated and associated companies' net debt by currency follows.

CONSOLIDATED

	US$ US$m	Peso US$m	Rupiah US$m	Yen US$m	Rupee US$m	Others US$m	**Total US$m**
Total borrowings	572.3	101.8	488.9	–	–	0.3	**1,163.3**
Cash and cash equivalents[(i)]	(92.9)	(4.5)	(151.5)	–	–	(6.7)	**(255.6)**
NET DEBT	479.4	97.3	337.4	–	–	(6.4)	**907.7**
Representing:							
Head Office	103.8	(0.2)	–	–	–	(6.7)	**96.9**
Indofood	375.6	–	337.4	–	–	0.3	**713.3**
Metro Pacific	–	97.5	–	–	–	–	**97.5**
NET DEBT	479.4	97.3	337.4	–	–	(6.4)	**907.7**
ASSOCIATED							
PLDT	2,426.1	(86.7)	–	193.5	–	–	**2,532.9**
Escotel	63.1	–	–	–	98.7	–	**161.8**

(i) Includes restricted cash and pledged deposits.

As a result of unhedged U.S. dollar net debt, the Group's results are sensitive to fluctuations in U.S. dollar exchange rates. The following table illustrates the estimated effect on the Group's reported profitability for a one per cent change in the principal operating currencies of subsidiary and associated companies. This does not reflect the indirect effect of fluctuating exchange rates on input costs at the operating company level.

	Total US$ exposure US$m	Hedged amount US$m	Unhedged amount US$m	Profit effect of 1% currency change US$m	**Group profit effect[(i)] US$m**
PLDT	2,426.1	983.1	1,443.0	14.4	**2.4**
Indofood	375.6	310.0	65.6	0.7	**0.2**
Escotel	63.1	20.7	42.4	0.4	**0.1**
Head Office[(ii)]	103.8	–	103.8	–	**–**
TOTAL	**2,968.6**	**1,313.8**	**1,654.8**	**15.5**	**2.7**

(i) Net of tax effect.

(ii) As the Group reports its results in U.S. dollars, unhedged U.S. dollar debt at the Head Office does not give rise to any significant exchange exposure.

INTEREST RATE RISK

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

CONSOLIDATED

	Fixed interest rate borrowings US$m	Variable interest rate borrowings US$m	Cash and cash equivalents[(i)] US$m	**Net debt US$m**
Head Office[(ii)]	167.4	–	(70.5)	**96.9**
Indofood[(iii)]	325.3	568.8	(180.8)	**713.3**
Metro Pacific	25.7	76.1	(4.3)	**97.5**
CONSOLIDATED	518.4	644.9	(255.6)	**907.7**
ASSOCIATED				
PLDT	1,860.3	1,019.8	(347.2)	**2,532.9**
Escotel	123.6	39.7	(1.5)	**161.8**

(i) Includes restricted cash and pledged deposits.

(ii) In September 2003, a wholly-owned subsidiary of the Company entered into an interest rate swap agreement which effectively changed its US$55.0 million bank loan from a LIBOR-based variable interest rate to fixed interest rate.

(iii) In January 2003, Indofood entered into an interest rate swap agreement which effectively changed its US$280.0 million Eurobonds from fixed interest rate to a LIBOR-based variable interest rate.

The following table illustrates the estimated effect on the Group's reported profitability for a one per cent change in average annual interest rates.

	Variable interest rate borrowings US$m	Profit effect of 1% change in interest rates US$m	**Group profit effect(i) US$m**
Indofood	568.8	5.7	**2.1**
Metro Pacific	76.1	0.8	**0.4**
PLDT	1,019.8	10.2	**1.7**
Escotel	39.7	0.4	**0.1**
TOTAL	**1,704.4**	**17.1**	**4.3**

(i) Net of tax effect.

ADJUSTED NET ASSET VALUE PER SHARE

There follows a calculation of the Group's underlying worth, as assessed by calculating the adjusted NAV of each of the Group's listed investments based on quoted share prices applied to the Company's economic interest.

At 31 December		**2003**		2002
	Basis	**Adjusted NAV US$m**	**Invested capital(i) US$m**	Adjusted NAV US$m
PLDT		**720.7**	**1,240.7**	209.3
Indofood		**415.5**	**706.6**	294.7
Metro Pacific		**75.7**	**648.8**	45.1
Escotel	*(ii)*	**15.4**	**79.7**	15.4
Head Office				
– Net debt		**(96.9)**	**(96.9)**	(152.1)
– Receivable	*(iii)*	**–**	**–**	90.0
TOTAL VALUATION	*(iv)*	**1,130.4**	**2,578.9**	502.4
NUMBER OF ORDINARY SHARES IN ISSUE (millions)		**3,186.0**	**3,186.0**	3,186.0
Value per share				
– U.S. dollar		**0.35**	**0.81**	0.16
– HK dollars		**2.77**	**6.31**	1.23
Company's closing share price (HK$)		**1.69**	**1.69**	0.70
Share price discount to HK$ value per share (%)		**39.0**	**73.2**	43.1

(i) Before impairment provisions effected in 2001.

(ii) Adjusted NAV is based on consideration (before expenses) for the proposed sale of the Group's entire 49 per cent interest in Escotel to Idea Cellular Limited.

(iii) Represents the inter-company loan to Metro Pacific.

(iv) No value has been attributed to the Group's investment in Mobile-8 and Infrontier.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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.

On 29 July 2003, CAB Holdings Limited (CAB), a wholly-owned subsidiary of the Company, completed an issue of US$115 million in principal amount of secured bonds (the Bonds). The Bonds, listed in the Singapore Exchange Securities Trading Limited, bear interest at the rate of 8.25 per cent per annum payable six month in arrear, mature on 29 July 2006 at their aggregate principal amount, and are secured by the Group's 51.5 per cent interest in Indofood held by CAB.

In February 2003, under its Employee Stock Ownership Program, Indofood granted 228,900 options to qualified employees to purchase up to 114.5 million ordinary shares at an exercise price of Rupiah 825 per share. During the year, 116,739 of these options were exercised by the employees and Indofood issued 58.4 million new ordinary shares. The remaining 112,161 options were canceled on 15 May 2003 when they expired.

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.

COMPLIANCE WITH CODE OF BEST PRACTICE

The Company has complied throughout the year 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 (the Listing Rules) issued by The Stock Exchange of Hong Kong Limited (the Stock Exchange).

In compliance with the additional requirement of the Stock Exchange to its Code of Best Practice, the Company in 1998 established an Audit Committee, which is currently composed of two Independent Non-executive Directors. Reporting to the Board of Directors, the Audit Committee reviews matters within the purview of audit, such as Financial Statements and internal control, to protect the interests of the Company's shareholders. The Audit Committee meets regularly with the Company's external auditors to discuss the audit process and accounting issues.

AUDIT OPINION

The auditors have expressed an unqualified opinion on the Group's financial statements for the year ended 31 December 2003 in their report dated 1 March 2004.

REVIEW STATEMENT BY THE AUDIT COMMITTEE

The Audit Committee has reviewed the 2003 annual results, including the accounting principles and practices adopted by the Group.

EARLY ADOPTION OF NEW DISCLOSURE REQUIREMENTS

The Company has chosen to early adopt the new disclosure requirements in respect of the annual results announcement as set out in the revised Listing Rules paragraph 45 of Appendix 16.

FINAL DIVIDEND

The Directors do not recommend the payment of a final dividend for 2003 (2002: Nil).

ANNUAL REPORT

The 2003 Annual Report will be sent to shareholders around the end of March 2004.

On behalf of the Board of Directors
First Pacific Company Limited
Manuel V. Pangilinan
Managing Director and Chief Executive Officer

1 March 2004