FIRST PACIFIC

FIRST PACIFIC COMPANY LIMITED

(Incorporated in Bermuda with limited liability)

ANNOUNCEMENT

FIRST PACIFIC COMPANY LIMITED TO RECORD ASSET IMPAIRMENT PROVISIONS

First Pacific announces that it is to record asset impairment provisions totaling US$1.7 billion (HK$13.2 billion). In accordance with First Pacific's prudent and conservative approach to financial reporting, First Pacific regularly reviews the book values of its portfolio of assets against market values, discounted cash flows and other accepted methods of financial valuation. In conducting such a review for the purposes of preparing the Company's financial statements for the year ended 31st December, 2001, the Board has taken the view that, at this point in time, it would be prudent to revise downwards the book values of its investments.

Based on preliminary calculations, it is estimated that a US$1.7 billion (HK$13.2 billion) provision, comprising impairments relating to goodwill arising on acquisitions of US$858 million (HK$6.7 billion), foreign exchange of US$270 million (HK$2.1 billion) and net tangible assets of US$565 million (HK$4.4 billion), should be recorded in the Group's financial statements for the year ended 31st December, 2001.

The proposed provisions, which are non-cash in nature, ensure that First Pacific's financial statements better reflect the estimated values of its underlying investments at 31st December, 2001. The provisions affect neither First Pacific's sound financial position nor the long-term growth and value potential of its principal investments. The proposed provisions, which are subject to external audit, will be recorded in the 2001 financial statements as an "unusual" charge to the profit and loss account.

Background

In accordance with its accounting policies, First Pacific undertakes an annual year-end review of each of its investments. This review assesses whether the book values of First Pacific's investments, as stated in its financial statements, continue to be appropriate by comparison to the estimated values attributed to these same investments as at 31st December, 2001. Such values are estimated by the directors of First Pacific within the context of prevailing circumstances and by reference, where appropriate, to the present value of future cash flows for each investment, and/or to likely disposal values. To the extent that book values exceed estimated values, First Pacific prudently effects impairment provisions where it is considered that such differences in value are unlikely to be recovered in the near term. Such provisions are recorded within the financial statements as an “unusual” charge to the profit and loss account. This accounting treatment is consistent with Hong Kong GAAP, including SSAP 31 on Impairment of Assets.

Rationale for and calculation of proposed impairment provisions

First Pacific’s reporting currency is the U.S. dollar and, accordingly, all investments and transactions are recorded in U.S. dollars in First Pacific’s financial statements.

First Pacific’s principal investments are located in the Philippines and Indonesia, with such investments having been effected in local currencies and recorded in U.S. dollar equivalents calculated at the then prevailing rates. The significant depreciation of the peso and the rupiah against the U.S. dollar since the acquisition of First Pacific’s principal investments in BLC (through MPC in 1995), PLDT (1998) and Indofood (1999) has reduced the value of these investments when expressed in U.S. dollars. First Pacific’s investments in MPC (since 1986) and in PLDT (since 1998) were made at weighted average exchange rates of Pesos 33 and Pesos 41 to the U.S. dollar respectively, while its investments in Indofood (since 1999) were made at a weighted average exchange rate of Rupiah 8,330 to the U.S. dollar. This compares with the close of business exchange rates on 31st December 2001 of Pesos 51.6 to the U.S. dollar and Rupiah 10,400 to the U.S. dollar.

Furthermore, the country risks associated with the Philippines and Indonesia have adversely affected equity values in these countries and, as a result of these prevailing circumstances, the estimated values of First Pacific’s investments in PLDT and Indofood are significantly below book acquisition values. In addition to country risk factors, MPC’s investment in BLC has been significantly and adversely affected by the protracted decline in the Philippine property market.

Due to the prolonged and continued negative sentiment in relation to these countries, there does not appear to be any near-term prospect of a significant increase in values. Accordingly, the above factors have resulted in the Board determining that asset impairment provisions be made against the book value of First Pacific’s investments in the Philippines and Indonesia.

Based on preliminary calculations, by reference to market and by comparison to the results of discounted cash flow valuations, it is estimated that provisions totaling US$1.7 billion (HK$13.2 billion) should be recorded in the Group’s financial statements for the year ended 31st December, 2001.

In keeping with First Pacific’s prudent and conservative approach to financial reporting, the proposed provisions have the effect of writing down investments to the lower end of their respective estimated value ranges. Calculations to determine the estimated value of PLDT and Indofood, based on the present value of future cash flows, indicate per share values in the following ranges:

PLDT:	Pesos 700 (US$13.6; HK$105.8) to Pesos 1,000 (US$19.4; HK$151.2)
Indofood:	Rupiah 1,200 (US$0.12; HK$0.9) to Rupiah 1,600 (US$0.15; HK$1.2)

The proposed provisions are detailed below. All financial information provided below is provided as at 31st December, 2001 and on a consolidated basis.

As at 31st December, 2001 US$ million	**Pre-adjusted book value**[7]	**Provision**	**Adjusted book value**	**Market value**[1]
Impairment provisions				
MPC [2]	842	(744)	98	87
PLDT[3]	1,122	(563)	559	334
Indofood[3]	793	(286)	507	264
Escotel[4]	(9)	–	(9)	n/a
Infrontier	4	–	4	n/a
Metrosel[5]	–	–	–	n/a
	2,752	(1,593)	1,159	
Provisions for other exposures[6]		(100)		
		(1,693)		

As at 31st December, 2001 HK$ million	**Pre-adjusted book value**[7]	**Provision**	**Adjusted book value**	**Market value**[1]
Impairment provisions				
MPC [2]	6,568	(5,803)	765	679
PLDT[3]	8,752	(4,391)	4,361	2,605
Indofood[3]	6,185	(2,231)	3,954	2,059
Escotel[4]	(70)	–	(70)	n/a
Infrontier	31	–	31	n/a
Metrosel[5]	–	–	–	n/a
	21,466	(12,425)	9,041	
Provisions for other exposures[6]		(780)		
		(13,205)		

(1) Market value is based on the closing prices of the listed shares of MPC, PLDT and Indofood on their respective stock exchanges on 31st December, 2001. Escotel, Infrontier and Metrosel are not listed.

(2) Adjusted book value represents US$90 million/HK$702 million of loan, and US$8 million/HK$63 million of accrued interest due from MPC.

(3) Adjusted book value represents Pesos 700/share and Rupiah 1,200/share for PLDT and Indofood, respectively.

(4) The negative book value represents the amount by which the share of post-acquisition losses of US$72 million/HK$562 million exceeds the investment cost of US$63 million/HK$492 million.

(5) Full impairment provision made in 1998.

(6) General risk, including provision for the potential effect of further depreciation in the peso and the rupiah.

(7) Representing acquisition cost plus the Company's attributable share of post-acquisition reserves.

The proposed provisions, which relate principally to the Group's Philippine investments and are **subject to external audit**, will be recorded in the 2001 financial statements as an "unusual" charge to the profit and loss account of approximately US$1.7 billion (HK$13.2 billion). The US$1.7 billion (HK$13.2 billion) provision comprises impairments relating to goodwill of US$858 million (HK$6.7 billion), foreign exchange of US$270 million (HK$2.1 billion) and net tangible assets (principally development properties) of US$565 million (HK$4.4 billion).

Pro forma impact of proposed impairment provisions

Pro-forma figures are based on the reported position at 30th June 2001 after reflecting the impairment provisions but excluding transactions in the period 1st July to 31st December 2001. The pro-forma impact of the proposed provisions on the Company shareholders' equity and consolidated shareholders' equity would be as follows:

US$ million	Company	Consolidated					
		Share capital and premium	Revenue reserve	Exchange reserve	Sub-total (before goodwill)	Goodwill reserve	Total
Shareholders' equity							
At 30 June 2001	2,487	941	1,658	(385)	2,214	(1,897)	317
Impairment provisions	(1,631)	–	(1,693)	270	(1,423)	858	(565)
Pro-forma at 31 December 2001	856	941	(35)	(115)	791	(1,039)	(248)
Number of ordinary shares in issue (millions)	3,140						

HK$ million	Company	Consolidated					
		Share capital and premium	Revenue reserve	Exchange reserve	Sub-total (before goodwill)	Goodwill reserve	Total
Shareholders' equity							
At 30 June 2001	19,399	7,340	12,932	(3,003)	17,269	(14,797)	2,472
Impairment provisions	(12,722	-	(13,205)	2,106	(11,099)	6,692	(4,407)
Pro-forma at 31 December 2001	6,677	7,340	(273)	(897)	6,170	(8,105)	(1,935)
Number of ordinary shares in issue (millions)	3,140						

On a pro-forma basis, the impact on Company shareholders' equity would be a reduction of approximately US$1.6 billion (HK$12.7 billion) to approximately US$856 million (HK$6.7 billion) at 31st December 2001.

Consolidated shareholders' equity on a pro-forma basis would be reduced by approximately US$565 million (HK$4.4 billion) to approximately US$(248) million (HK$(1.9) billion) at 31st December 2001, net of goodwill of approximately US$1.0 billion (HK$8.1 billion) which has been eliminated against reserves in prior years.

Impact on First Pacific

The provisions represent accounting adjustments to better align First Pacific's book values of its investments with market-implied values at this point in time.

In keeping with First Pacific's prudent and conservative approach to financial reporting, provisions made are sufficient to reduce investment values to the lower end of their respective valuation ranges. Accordingly, the revised valuations reflect neither the inherent value of First Pacific's significant shareholdings in these investments nor the potential for long-term value development, and do not acknowledge the anticipated improvement in sentiment in the Philippine and Indonesian markets. The provisions are non-cash in nature and should have no impact on the fundamentally sound financial position of First Pacific.

First Pacific's principal investments retain their excellent potential for growth and continue to successfully contend with difficult operating environments as Southeast Asian economies remain weak and negative sentiment prevails. In this regard,

- Indofood continues to deliver strong, recurring cash flows sufficient to meet its own funding and capital expenditure requirements. In addition to resuming dividend payments, Indofood is progressing its share buy back program and has already bought back 2 per cent of its issued shares;

- PLDT is effecting measures taken to improve PLDT's financial position, while nurturing and developing diversified revenues to sustain and generate future revenues and cash flows;

- MPC has committed to reducing its overall levels of debt and, in tandem with other on-going initiatives, is continuing negotiations to sell its interest in BLC, together with First Pacific's secured interest, in order to achieve this objective, and

- Infrontier is tailoring its range of products and services to maximise revenue growth while minimising its funding requirements.

In addition, First Pacific continues to review its strategic investments in Escotel and Metrosel. Escotel, now cash flow break-even, has secured approximately 8 per cent of the overall Indian cellular market having garnered more than 450,000 subscribers, while the Company will continue its efforts to derive value from Metrosel's cellular licence in Indonesia.

At the end of 2001, First Pacific held cash in excess of US$210 million (HK$1.6 billion) and had zero bank debt. Subsequent to the 2001 year-end, First Pacific initiated the early repayment of its convertible bonds, originally issued in the principal amount of US$350 million (HK$2.7 billion), funded through a combination of cash and bank debt. Subsequent to providing for the full settlement of its convertible bonds, First Pacific will hold cash in excess of US$50 million (HK$390 million) and bank debt of US$190 million (HK$1.5 billion).

Notwithstanding the need for prudent provisioning at this time, First Pacific will continue to channel its management efforts into developing strong fundamentals, within each of its investments, in the pursuit of long-term value enhancement that is at least comparable to the average annualized cash return of 15 per cent achieved on past investments.

Definitions

In this Announcement, unless the context otherwise requires, the following expressions have the following meanings:-

"BLC"	Bonifacio Land Corporation is a 55.0 per cent shareholder in a joint venture project with the Philippine Government that commenced, in 1995, the re-development of a 155-hectare portion of a new Metro Manila central business district (namely the "Bonifacio Global City"), that previously was a Philippine military base. MPC holds a 69.6 per cent interest in BLC and, accordingly, BLC is accounted for as a subsidiary of the Company;
"Board"	the board of directors of First Pacific;
"Escotel"	Escotel Mobile Communications Limited, which is based in New Dehli, provides GSM cellular telephone services in Uttar Pradesh (West), Haryana and Kerala. The Group holds a 49.0 per cent attributable economic interest in Escotel and, accordingly, Escotel is accounted for as an associated company of First Pacific;
"First Pacific" or "the Company"	First Pacific Company Limited;
"Group"	First Pacific and its subsidiaries;
"Hong Kong GAAP"	Hong Kong generally accepted accounting principles, as embodied in Statements of Standard Accounting Practice issued by the Hong Kong Society of Accountants;
"Indofood"	P.T. Indofood Sukses Makmur Tbk, which is based in Jakarta and listed on the Jakarta and Surabaya Stock Exchanges, is Indonesia's leading processed-foods group. The Group holds a 48.7 per cent attributable economic interest in Indofood, which is accounted for as a subsidiary of the Company;
"Infrontier"	Infrontier Limited, a wholly-owned subsidiary of First Pacific, which is headquartered in Hong Kong and is a business solutions provider offering supply chain management and wireless applications in hosted and traditional environments;
"Metrosel"	PT Metro Selular Nusantara, which is based in Surabaya, is licensed to provide mobileK'llular services in central and east Java. The Group holds a 35.0 per cent attributable economic interest in Metrosel and, accordingly, Metrosel is accounted for as an associated company of First Pacific;
"MPC"	Metro Pacific Corporation, which is based and listed in Manila, principally holds property assets in the Philippines. The Group holds an aggregate direct and indirect attributable economic interest of 80.6 per cent and, accordingly, MPC is accounted for as a subsidiary of the Company, and

"PLDT"	Philippine Long Distance Telephone Company, which is based and listed in Manila, is the leading supplier of domestic and international telecommunications services in the Philippines. The Group holds an aggregate direct and indirect attributable economic interest of 24.5 per cent. and PLDT is accounted for as an associated company of First Pacific.

Unless stated otherwise, values are as at 31st December, 2001. Translations of values have been made on an approximate basis at the approximate closing rates on 31st December, 2001 of US$1 = HK$7.8 = Pesos 51.6 = Rupiah 10,400. Percentages, and figures expressed in billions and millions, have been rounded.

By Order of the Board
FIRST PACIFIC COMPANY LIMITED
Ronald A. Brown
Executive Director and Company Secretary

Hong Kong, 31st January, 2002

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