6th September 1999

FIRST PACIFIC'S 1-H PROFIT DN 74% TO US$113 MLN DUE TO SLOWER PACE OF DISPOSALS; CONTRIBUTIONS FROM OPERATIONS UP 23% TO US$36 MLN

First Pacific reported today better performances in the year's first half by most of its activities, although lower one-time gains from the sale of non-core businesses caused attributable profit to decline 74 per cent to US$113.1 million.

Contributions from operations - which excludes gains registered from these disposals - rose 23 per cent to US$35.6 million.

Gains from the Group's disposal program, a central element in its ongoing efforts to refocus on fewer, larger businesses with dominant positions in their local markets, fell 77 per cent to US$148.2 million. These came from the dilution of its stake in Philippine cellular group Smart to accommodate NTT's increased holding in that company, as well as the sale of Guardforce, a Hong Kong-based security services business, and of Tuntex Communications, a Taiwan-based cellular operator.

The high water mark of the disposal program occurred in the comparative year-earlier period, when US$643.7 million of gains were recorded principally from the sale of Hagemeyer, a Dutch-based trading group which had been the Group's largest single largest business. Since the disposal program's inception in October 1997, asset sales worth more than US$2.7 billion have taken place, netting gains of US$860 million.

These proceeds, as well as those from new fund-raising exercises, have been used to pay down debt, to recapitalize remaining subsidiaries thus increasing the Group's holding in them, and to acquire two major new affiliates whose strong earnings potential has yet to be fully reflected in the Group's financial performance. Philippine Long Distance Telephone Company (PLDT) - 17 per cent of which was acquired in November 1998, corresponding to a 27 per cent voting interest - is still in the process of being restructured. And the Group's 40 per cent stake in PT Indofood Sukses Makmur will not be reflected in First Pacific's accounts until the transaction is closed.

Group turnover fell 73 per cent to US$612.9 million from US$2,284.5 million in the year earlier period, which contained US$1,680.1 million of turnover from Hagemeyer. PLDT is not reflected in turnover for the current period because the unit is classified as an associate rather than a subsidiary, as its ownership by the Group is below 50 per cent. However, turnover from ongoing operations increased 8 per cent.

Earnings per share fell 74 per cent to US4.73 cents. The proportion of earnings paid as dividends to shareholders was little changed at 31 per cent, toward the upper end of the Group's historic band of 25-35 per cent. This represents an interim dividend of US0.26 cent, or HK2.00 cents, compared with US0.32 cent, or HK2.50 cents a year earlier.

At the end of the first half, Group net debt improved to US$790.6 million from US$1,296.3 million at year end 1998 as a result of asset disposals and the raising of new equity. Gearing - the ratio of net debt to consolidated total equity - improved to 27 per cent from 59 per cent. Following the completion of the Indofood transaction, net debt will increase to US$1,211.7 million and gearing will rise to 46 per cent.

First Pacific's Managing Director Thomas Y. Yasuda said: "First Pacific is emerging from more than two years of restructuring as a stronger, more focused, more growth-oriented group. Just as our head office has restructured its investments to ensure that we are positioned for the regional recovery, our operating companies have, themselves, embarked on their own restructuring efforts.

"In our Consumer group, improved earnings were recorded at each operation. In Thailand, Berli Jucker is benefiting from its decision to refocus on packaging and consumer products, as well as its privatization of Thai Glass, its largest single business. Metro Pacific has made excellent progress in selling most of its consumer-related businesses at attractive prices so that it can focus on property activities. And Darya-Varia in Indonesia has consolidated its pharmaceutical production facilities, slimmed down its product line and embarked on a rebranding program - measures that have seen its market value rise more than six-fold since the start of the year.

"Our Telecommunications activities are also moving ahead satisfactorily. While earnings at PLDT remained subdued, impressive strides have been made in reducing capital expenditure, cutting back operating costs and preparing for the entry of NTT as its strategic partner. Smart launched its new digital GSM service in April, and will soon be injected into PLDT for new shares. Escotel is poised to benefit from recent changes in India's telecommunications policy. And while our cellular activities in China are showing exceptional growth, China Unicom has initiated talks regarding compensation to First Pacific for terminating our ventures there.

"In Property, the Fort Bonifacio project has been gathering momentum steadily since the Philippine Stock Exchange's decision last December to relocate to the new city. First Pacific Davies is benefiting from cost cutting measures, the gradual recovery of the Hong Kong property market and its decision early in the Asian Crisis to take a 20 per cent stake in Savills. And in Banking, First Pacific Bank has carefully cut back its size and now enjoys one of the strongest liquidity levels and most stable deposit bases in the territory.

"After taking some of the boldest steps by any company in the region to address the Asian Crisis, our Group is now well positioned to prosper in the period ahead. Our objectives for the rest of the year are clear: We will focus on working to ensure PLDT's successful acquisition of Smart, and NTT entry into the business; on helping Indofood proceed with the sale of Bogasari and regionalizing its businesses; and on working with Berli Jucker to benefit from opportunities arising in Thailand," Mr. Yasuda concluded.

The following is a description of performances by each of the Group's operating companies:

CONSUMER

Berli Jucker Public Company, which serves as the Group's flagship in Thailand, saw its contribution rise 172 per cent to US$7.9 million, as revenue increased 16 per cent to US$147.4 million. The Packaging & Consumer Products group led the rebound, with strongly improved sales, especially of beer bottles and personal care products, as well as with wider margins, particularly in bottling activities due to lower energy costs, product mix and productivity improvements. Profit declined in the Technical Products & Engineering group due mainly to lower than anticipated production volumes and added steel importation costs at Thai Scandic Steel. Berli Jucker's overall contribution was enhanced by First Pacific raising its holding in the subsidiary to 83 per cent on average during the period from 66 per cent a year earlier, as well as by its privatization in July 1998 of Thai Glass.

Metro Pacific Corporation, which serves as First Pacific's flagship in the Philippines, saw losses from its consumer-products, packaging and transportation activities narrow 73 per cent to US$2.2 million. Revenue declined 1 per cent to US$71.0 million, as increased contributions from the full impact of the acquisition of Negros Navigation in April 1998 were eroded by the effect of the disposals of Holland Pacific Paper, a tissue-paper manufacturer, and Starpack, a flexible-packaging company. Operating margins were generally higher due to improved manufacturing efficiencies, particularly at packaging group Steniel. However, margins fell at Negros Navigation as its partial contribution in the year earlier period was made during the peak of the domestic travel season.

PT Darya-Varia Laboratoria, an Indonesian integrated pharmaceuticals group, achieved a 40 per cent rise in its contribution to US$2.1 million, despite continuing challenges presented by the difficult domestic operating environment. Revenue rose 77 per cent to US$21.1 million, reflecting significantly higher selling prices and a 26 per cent rise in the average value of the rupiah against the dollar. Gross margins declined, largely due to the fact that inventories in the year-earlier period were accumulated at a substantially lower cost base. Net borrowing costs dropped 90 per cent to US$0.2 million, as the company's average external debt level fell to US$1.2 million during the first half from US$38.4 million a year earlier.

TELECOMMUNICATIONS

Philippine Long Distance Telephone Company, the Philippines' largest fixed-line telephone company, contributed a profit of US$8.1 million, following the Group's US$759 million investment in the business in November 1998. Several key business indicators showed improvement: Fixed-line subscribers grew by 73,000 in the year's first six months to 1,670,000, after declining by 106,000 in the previous six months due to efforts to cut off non-paying accounts; capital expenditures fell 34 per cent to US$204.7 million, reflecting vigorous cost controls; and revenue from national long distance dialing rose 18 per cent. However, revenue from international calling fell 21 per cent, reflecting the worldwide trend of falling accounting rates, and days receivable before provisions rose to 221 from 193 at year end 1998, and increased to 175 from 159 after provisioning. The company's performance was impeded by continued weakness at its Piltel cellular subsidiary, which recorded a net loss of US$40.9 million compared with a net loss of US$2.7 million a year earlier reflecting lower revenues and higher depreciation charges.

Smart Communications, Inc., the Philippines' largest cellular telephone company, achieved a 56 per cent rise in its contribution to US$10.3 million, as turnover grew 18 per cent to US$132.1 million. Subscribers to its analogue-based ETACS system rose 7 per cent from 31st December 1998 to 848,000, helped by a marked rise in the percentage of pre-paid customers, who now constitute 41 per cent of the subscriber base compared with 28 per cent at the start of the year. Average revenue per subscriber edged down to US$20 from US$22 a year earlier, reflecting lower usage. The company's digital GSM service, marketed under the brand Smart Gold, was launched in April and ended the half with more than 15,000 subscribers and average revenue per customer of US$42. Fixed-line customers rose 6 per cent to 114,000, although average subscriber revenue declined to US$20 from US$23.

Escotel Mobile Communications Limited, which provides GSM services in the Indian states of Uttar Pradesh (West), Haryana and Kerala, contributed a loss of

US$6.7 million, 15 per cent narrower than a year earlier. The company enhanced its standing as the largest cellular provider in each of its markets, as subscribers rose to 73,000 from 67,000 at 31st December 1998 and average monthly subscriber revenue increased to US$19 from US$18. Margins also improved, helped by lower operating expenses due to reduced network, installation and marketing expenses, as well as lower exchange losses as the rupee's rate of decline against the dollar slowed.

Shenzhen Merchant Link Communications Company Limited and **Fujian Telecom Limited**, ventures with China Unicom which provide cellular phone services in the Greater Shenzhen area and in Fujian province, respectively, contributed profit of US$5.0 million, up nearly four-fold from US$1.3 million a year earlier. Excellent subscriber growth continued to be achieved by both ventures, although average subscriber revenue declined reflecting the addition of mass market customers who use their phones less frequently. In Greater Shenzhen subscribers rose 42 per cent in the first half to 188,000, while average monthly subscriber revenues declined 24 per cent to US$21. In Fujian, subscribers increased more than 150 per cent to 111,000, while average monthly subscriber revenues declined 45 per cent to US$11. Although operating prospects for both operations are healthy, the Group is engaging in discussions with China Unicom regarding compensation terms that would be acceptable to both parties if the cooperative agreements are terminated.

PT Metro Selular Nusantara, which provides cellular services in Central and East Java, was accounted for as an investment due to the Group's lack of significant influence in the business. Subscriber numbers fell to 27,000 from 30,000 at year end 1998, reflecting Indonesia's severe economic difficulties, while average monthly subscriber revenues declined slightly to US$12 from US$13.

PROPERTY

Bonifacio Land Corporation, the main force behind efforts to develop the former Fort Bonifacio military camp into a new central business hub for Metro Manila, saw its contribution decline 9 per cent to US$4.1 million, as turnover dipped 13 per cent to US$78.2 million, reflecting a scheduled slowdown in the rate of the project's completion, which is its basis for booking revenue. Good progress continued to be achieved in building the horizontal infrastructure of the project's first phase, which was 76 per cent complete at the end of the half compared with 67 per cent at year end 1998. It is scheduled to be 87 per cent finished at year end 1999. Five residential towers are currently above 30 storeys on the site, and work is commencing on a sixth tower, on a 576-unit middle-class condominium leasehold development called Bonifacio Ridge, as well as on a retail and entertainment complex of approximately 100,000 square meters.

Landco Pacific Corporation, a Philippine property developer operating outside the Metro Manila area, contributed a loss of US$0.3 million, compared with a profit US$0.1 million a year earlier, reflecting lower sales due to the sluggish property market.

Pacific Plaza Towers, which is building a two-tower 53-storey landmark residential complex in Fort Bonifacio, **and others** saw their contribution doubled to US$2.5 million, as turnover grew 335 per cent to US$17.4 million. Construction on the towers has reached 46 floors and remains on track to be topped out by year end, with full completion anticipated by the third quarter of 2000. A total of 203 of the project's 393 units were sold or reserved at the half, compared with 139 a year earlier and 143 at year-end 1998.

First Pacific Davies Holdings Limited, which provides fully integrated property services in a number of key Asian markets, contributed US$4.1 million, compared with US$0.5 million a year earlier. Turnover fell 33 per cent to US$94.2 million, reflecting the disposal of its Guardforce security-services subsidiary in February 1999, as part of its effort to refocus on its core businesses. The company's profit growth stemmed from improvement in its Hong Kong agency business, which included securing long-term leasing contracts for such clients as Deutsche Bank and Goldman Sachs, as well as enhanced cost controls at its property management business and a larger contribution from Savills plc, its 20 per cent held UK property affiliate. Both companies now operate under the FPDSavills brand.

BANKING

First Pacific Bank, which operates 24 branches providing retail and commercial banking services across Hong Kong, saw its contribution fall 79 per cent to US$1.7 million, as turnover declined 12 per cent to US$42.0 million. Net interest income declined 11 per cent to US$34.6 million, despite a rise in net interest margins to 2.4 per cent from 2.1 per cent due to a 21 per cent fall in average loan balances to US$2.0 billion. Non-interest income declined 16 per cent due to diminished commercial banking fees. Cost controls led to operating expenses declining 2 per cent to US$24.6 million, while provisions for bad and doubtful debts grew nine-fold to US$13.1 million, reflecting the territory's difficult commercial environment.

Telecoms Subscriber Data

Condensed Consolidated Profit and Loss Statement

Condensed Consolidated Balance Sheet

Telecoms Subscriber Data

		Number of subscribers			
		31st July 1999	30th June 1999	31st Dec 1998	30th June 1998
PLDT/Piltel	**-cellular:**	415,000	415,000	377,000	286,000
	-fixed line:	1,692,000	1,670,000	1,597,000	1,703,000
Smart	**-cellular:**	876,000	863,000	791,000	717,000
	-fixed line:	110,000	114,000	108,000	106,000
Escotel		80,000	73,000	67,000	55,000
Shenzhen Merchant Link		207,000	188,000	132,000	50,000
Fujian Telecom		131,000	111,000	44,000	24,000
Metrosel		28,000	27,000	30,000	35,000
Total		**3,539,000**	**3,461,000**	**3,146,000**	**2,976,000**

CONDENSED CONSOLIDATED PROFIT AND LOSS STATEMENT

for the six months ended 30th June (In millions)	**1999 US$**	1998 US$	**1999 HK$**	1998 HK$
Turnover	**612.9**	2,284.5	**4,780.6**	17,819.1
Cost of sales	**(331.4)**	(1,908.8)	**(2,584.9)**	(14,888.6)
Gross profit	**281.5**	375.7	**2,195.7**	2,930.5
Other operating income	**187.2**	666.8	**1,460.2**	5,201.0
Distribution costs	**(16.7)**	(15.6)	**(130.3)**	(121.7)
Administrative expenses	**(103.5)**	(141.9)	**(807.3)**	(1,106.8)
Other operating expenses	**(158.3)**	(305.5)	**(1,234.7)**	(2,382.9)
Operating profit	**190.2**	579.5	**1,483.6**	4,520.1
Net borrowing costs	**(37.3)**	(55.4)	**(290.9)**	(432.1)
Share of profits less losses of associated companies	**18.7**	4.5	**145.8**	35.1
Profit before taxation	**171.6**	528.6	**1,338.5**	4,123.1
Taxation	**(28.3)**	(23.7)	**(220.7)**	(184.9)
Profit after taxation	**143.3**	504.9	**1,117.8**	3,938.2
Outside interests	**(30.2)**	(69.3)	**(235.6)**	(540.5)
Profit attributable to ordinary shareholders	**113.1**	435.6	**882.2**	3,397.7
Ordinary share dividends proposed	**(7.5)**	(7.7)	**(58.5)**	(60.1)
Retained profit for the period	**105.6**	427.9	**823.7**	3,337.6

Per share data	**1999 US¢**	1998 US¢	**1999 HK¢**	1998 HK¢
Dividend	**0.26**	0.32	**2.00**	2.50
Earnings				
- Basic	**4.73**	18.40	**36.89**	143.52
- Diluted	**4.67**	18.29	**36.43**	142.66
- Basic excluding unusual items	**0.85**	1.00	**6.63**	7.80
- Diluted excluding unusual items	**0.85**	1.00	**6.63**	7.80

CONDENSED CONSOLIDATED BALANCE SHEET

as at 30th June (In millions)	1999 US$	1998 US$	1999 HK$	1998 HK$
ASSETS				
Non-current assets				
Property and equipment	**3,097.3**	2,797.4	**24,158.9**	21,819.7
Associated companies	**371.8**	67.0	**2,900.1**	522.6
Long-term investments	**21.9**	50.5	**170.8**	393.9
Long-term receivables	**292.5**	374.5	**2,281.5**	2,921.1
	3,783.5	3,289.4	**29,511.3**	25,657.3
Assets, other than property and equipment, attributable to Banking operations	**2,866.3**	3,451.0	**22,357.1**	26,917.8
Current assets				
Cash and cash equivalents	**394.4**	1,106.5	**3,076.3**	8,630.7
Short-term investments	**-**	69.3	**-**	540.5
Accounts receivable and prepayments	**622.8**	496.6	**4,857.8**	3,873.5
Inventories	**88.0**	103.9	**686.5**	810.4
	1,105.2	1,776.3	**8,620.6**	13,855.1
Total assets	**7,755.0**	8,516.7	**60,489.0**	66,430.2
EQUITY AND LIABILITIES				
Equity capital and reserves				
Share capital	**26.5**	23.7	**206.7**	184.9
Share premium	**658.7**	458.9	**5,137.9**	3,579.4
Revenue and other reserves	**1,463.5**	1,300.3	**11,415.3**	10,142.3
Shareholders' equity before goodwill reserve	**2,148.7**	1,782.9	**16,759.9**	13,906.6
Goodwill reserve	**(937.0)**	(394.8)	**(7,308.6)**	(3,079.5)
Shareholders' equity	**1,211.7**	1,388.1	**9,451.3**	10,827.1
Outside interests	**1,730.0**	1,336.7	**13,494.0**	10,426.3
Non-current liabilities				
Loan capital and long-term borrowings	**836.3**	979.6	**6,523.1**	7,640.9
Deferred liabilities and provisions	**622.2**	722.1	**4,853.2**	5,632.4
Deferred taxation	**12.8**	13.8	**99.8**	107.6
	1,471.3	1,715.5	**11,476.1**	13,380.9
Liabilities attributable to Banking operations	**2,624.0**	3,206.1	**20,467.2**	25,007.6

Current liabilities				
Accounts payable and accruals	**352.1**	355.4	**2,746.4**	2,772.1
Short-term borrowings	**348.7**	475.9	**2,719.9**	3,712.0
Provision for taxation	**9.7**	6.9	**75.6**	53.8
Dividends	**7.5**	32.1	**58.5**	250.4
	718.0	870.3	**5,600.4**	6,788.3
Total liabilities	**4,813.3**	5,791.9	**37,543.7**	45,176.8
Total equity and liabilities	**7,755.0**	8,516.7	**60,489.0**	66,430.2
Shares in issue on 30th June (millions)	**2,649**	2,369	**2,649**	2,369