30th March 1998

FIRST PACIFIC'S 1997 PROFIT ROSE 3.8% TO US$212 MILLION

First Pacific Company Limited reported today that its attributable profit rose 3.8 per cent in 1997 to US$212.0 million, as gains from property sales and exceptional items offset lower earnings from subsidiaries in the Philippines, Thailand and Indonesia which were affected by the region's economic crisis.

The Company also stated that it has largely completed its previously announced disposal program, yielding over US$2 billion which is being used to strengthen existing operations and acquire businesses in the region which can deliver superior investment returns. On a proforma basis, these sales have raised First Pacific's total equity by 150 per cent to US$2,820 million and fully eliminated consolidated net debt, compared with Group net borrowings of US$2,937 million at year-end 1997.

Group turnover rose 18.3 per cent to US$8,308.4 million. Attributable profit before exceptionals declined 17.6 per cent to US$166.2 million, equivalent to basic earnings per share of 7.04 US cents (54.91 HK cents), down 18.3 per cent. A final dividend of 1.03 US cents (8 HK cents) was declared, with a scrip dividend election, bringing the full year dividend to 2.19 US cents (17 HK cents), compared with 2.71 US cents (21 HK cents) a year earlier.

Basic earnings per share including exceptionals increased 2.9 per cent to 8.98 US cents (70.04 HK cents).

The Marketing & Distribution business registered modestly profit contribution, as Hagemeyer's strong contribution was offset by declines at Berli Jucker, Darya-Varia and Metro Pacific. In Telecommunications, growth in Smart Communications and a maiden contribution from Shenzhen Merchant Link were offset by a sharply lower contribution from Pacific Link, which was sold in December.

In the Property business, significant improvement came from First Pacific Davies - bolstered by property sales in Vietnam and Hong Kong - and the Fort Bonifacio project. In Banking, profit declined, reflecting moderate growth at First Pacific Bank but lower contributions from smaller banking activities.

Net exceptional profit increased to US$45.8 million from US$2.5 million. Within this were gains of US$248.8 million mainly from the sale of Pacific Link, as well as from the Company's reduced shareholdings in Smart Communications and Hagemeyer. Partially offsetting these were exceptional charges of US$203.0 million from reorganization costs, unrealized foreign exchange losses, the write-off of telecommunications development costs and provisions for investments.

The Asian economic crisis and attendant currency depreciations affected the Company in a number of ways. In the Profit & Loss Account, earnings denominated in regional currencies were worth US$50 million less when expressed in U.S. dollar terms; an exchange loss US$50.7 million was made related to unrealized foreign exchange losses on working capital borrowings; and slower economic growth resulted in reduced turnover. On the Balance Sheet, a US$457.9 million write-down against equity was made for the decline in the book value of investments when expressed in U.S. dollars. At current exchange rates for the peso, baht and rupiah, approximately US$120 million of this charge would be written back.

Commenting on the results, First Pacific's Managing Director Manuel V. Pangilinan said: "We have responded early and resolutely to the region's economic crisis by embarking on a major program of asset disposals. As a result, we now have one of the strongest balance sheets in the region, no net debt and substantial cash to invest in the Asian region. These changes are shaping First Pacific into a company that is better focused, better grounded and better able to take advantage of fresh opportunities that will arise in the region's new economic order.

"With the completion of the sale of Hagemeyer, we are nearing the culmination of the first phase of this process, which has crystallized significant value achieved over many years. Our shareholders have every right to be pleased with the cash returns that have been obtained - in the case of Pacific Link, an average of 23 per cent annually over nine years; and in the case of Hagemeyer, an average of 24 per cent annually over 15 years. The latter, I am pleased to say, repatriated to Hong Kong some US$1.7 billion, representing one of the most successful overseas investments ever for a local company, and will lead to an exceptional profit in 1998 of approximately US$640 million.

"Now, our top priority is to bolster our core businesses to ensure that they are sufficiently funded to reach their full potential as significant players in their key markets. This means strengthening their balance sheets, focusing their areas of operation on larger businesses and reducing costs wherever possible.

"Another priority will be to continue to identify new investment opportunities within the region. We intend to take as long as is necessary to acquire the right companies that offer the best fit for First Pacific at the right price. We will be a disciplined investor seeking quality companies that can continue to generate the same quality returns as those maturing investments that no longer fit our profile.

"In geographic terms, our search is concentrating with special consideration on Hong Kong/China, Indonesia, the Philippines and Thailand - where we have significant experience and local knowledge. In making our investment decisions, we will of course be mindful of the uncertainties prevailing in the region and properly discount for the risks involved. I wish to stress that no acquisitions are imminent at this point and we will not be drawn into commenting on any specific possibility until it is necessary to issue a formal statement."

Commenting on First Pacific's prospects, Mr. Pangilinan added: "The current year will be one of transition, and may well be the most important in our 17-year history. While management stays focused on strengthening current businesses and identifying new assets of the highest quality to take us to the next stage of growth, our 1998 recurrent earnings will likely be below those achieved in 1997. I am fully confident, however, that we have taken the right steps to create a new First Pacific that will stand among the region's strong, diversified companies by the turn of the century."

In **Marketing & Distribution**, contribution to profit before exceptionals decreased 4.6 per cent to US$103.1 million, as turnover increased 16.5 per cent to US$7,273.7 million. Within the segment:

- **Hagemeyer N.V.**, a Dutch-based trading group, saw its contribution rise 23.6 per cent to US$82.8 million, on revenue growth of 27.0 per cent to US$5,863.7 million. The company achieved strong results, benefiting from healthy organic growth and the addition of a number of new businesses. Despite the decline of the guilder against the dollar, Hagemeyer's contribution was supported by hedging and First Pacific's increased shareholding in the company to 39.7 per cent from 38.1 per cent. The business was sold for net proceeds of US$1.7 billion, which were received on 25th March 1998.

- **Tech Pacific International Limited**, an Australian-based distributor of computer-related goods and mobile telecommunications equipment, saw its contribution decline 16.8 per cent to US$17.8 million as revenue fell 10.4 per cent to US$865.6 million, reflecting only nine months' contribution prior to its injection into Hagemeyer, effective 1st October 1997. While the region's economic slowdown affected sales, particularly in Indonesia and Thailand, it experienced good growth in profit and revenue due to strong underlying organic growth, improved market share and the addition of products from new vendors.

- **Berli Jucker Public Company Limited**, a Thai-based conglomerate, decreased its contribution by 18.3 per cent to US$10.3 million, as revenue fell 17.1 per cent to US$330.2 million. In the face of exceptionally difficult operating conditions, the company outperformed most of its competitors, reflecting prudent management policies. Sales at its glass-container business declined marginally but profitability was cut by higher baht costs for dollar-denominated inputs. The consumer products area generally held up well due to its focus on mass-market products which are less vulnerable to economic cycles. The company's performance was helped by its decision before the baht's depreciation to hedge the majority of its U.S. dollar exposure and by its lack of exposure to the property sector.

- **PT Darya-Varia Laboratoria**, a leading Indonesian pharmaceuticals group, saw its contribution decline 88.9 per cent to US$0.7 million, as revenue fell 19.0 per cent to US$68.6 million. Reflecting extensive dislocation throughout Indonesia's economy, the company suffered its first sales decline in its 21-year history, while gross margins in rupiah terms declined to 46.3 per cent from 49.1 per cent. Efforts focused on continuing the integration of Manufacturing activities into a single site and rationalizing its product portfolio. Distribution activities suffered from reduced orders from retail outlets. The installation of a new management team and continuing integration position the company to benefit once the economy stabilizes.

- **Metro Pacific Corporation**, the Group's Philippine flagship, recorded a loss of US$8.5 million from its Consumer Products and Packaging activities, as turnover declined 19.3 per cent to US$145.6 million. The company suffered from lower retail spending and the effects of substantially higher interest rates and the lower peso. Most Consumer Products activities increased market share but suffered from higher interest and sales expenses. Mixed results were achieved at its packaging operation, as the corrugated-carton business suffered from market over-capacity but its flexible and rigid-flexible packaging arms turned in improved performances.

In **Telecommunications**, profit contribution declined 38.1 per cent to US$39.5 million, as revenues grew 11.8 per cent to US$436.4 million. The total number of cellular subscribers increased 74.6 per cent to more than 1,025,000 from 587,000 a year earlier.

- **Pacific Link Communications Limited**, which operates a cellular phone service in Hong Kong, saw its contribution decline 39.9 per cent to US$34.9 million, as revenue fell 17.1 per cent to US$209.0 million. In the face of fierce competition, the company struggled with a shortage of handsets early in the year and declining market share. These were addressed by mid-year when a new management team was installed, a successful marketing campaign was launched and the PCS service was implemented. The business was sold in December.

- **Smart Communications, Inc.**, a leading integrated telecoms company in the Philippines, contributed US$11.7 million, up 23.2 per cent, as revenue increased 70.5 per cent to US$227.4 million. Growth in its cellular business was underpinned by vigorous marketing and a strong nationwide technical infrastructure, which helped the company capture 75 per cent of all new cellular customers, making it the largest cellular operator with a year-end market share of over 50 per cent and 623,000 subscribers, far exceeding the full-year target of 500,000. Good progress was achieved in developing its fixed-line network which had more than 85,000 subscribers at year-end, compared with under 2,500 a year earlier. The International Gateway Facility recorded 6.5 million minutes of outgoing calls, up from 3.5 million. In 1998, cellular subscribers are expected to exceed 750,000 and fixed-line subscribers should reach 170,000.

- In China, **Shenzhen Merchant Link** contributed a profit of US$1.6 million, following its commercial launch in September 1996, helped by strong demand for cellular service and encouraging average revenue per subscriber. The network's expansion in April to the nearby cities of Dongguan and Huizhou should see total subscribers rise to approximately 90,000 at year-end 1998 from 33,000 at year-end 1997. **Fujian Telecom** contributed a loss of US$0.1 million after commencing operations in November 1996, impeded by difficulties in establishing interconnection which slowed subscriber take-up. The completion of a formal agreement with the local partner, China Unicom, is expected to push subscribers to 39,000 at year-end 1998 from 23,000 at year-end 1997.

- **Escotel Mobile Communications Limited**, which in August 1997 commercially launched cellular services in the Indian states of Uttar Pradesh (West), Haryana and Kerala, contributed a loss of US$6.9 million. While demand for phones in India has been slower than initially anticipated due to the challenging regulatory environment and unresolved interconnect issues, the company's strong management team and marketing expertise have given it an average market share of 70 per cent. In 1998, subscribers numbers are expected to rise to about 90,000 from 37,000 at year-end 1997. Profitability is expected to be achieved by late 1999 or shortly thereafter.

- **PT Metro Selular Nusantara**, which provides mobile cellular services in central and eastern Java in Indonesia, contributed a loss of US$1.7 million, following the Group's entry into the business in November 1996. While market share generally held steady, customer take-up has been substantially slower than anticipated due to the economic crisis. The company's focus will be on upgrading its customer-service and billing systems. Meaningful subscriber forecasts are difficult in the current economic climate.

- **Tuntex Telecommunications**, which provides cellular service in central and southern Taiwan, did not yield a return as it was commercially launched only in late December. Nearly 2,500 subscribers were added a week in 1998's first quarter, bringing the total to 31,000. This is expected to rise by year-end 1998 to 125,000, buoyed by strong pent-up demand.

In **Property**, profit contribution increased 58.6 per cent to US$56.3 million, as turnover rose 75.5 per cent to US$470.6 million. Within the segment:

- **First Pacific Davies Holdings Limited**, a Hong Kong-based property and integrated services group, saw its contribution rise 43.8 per cent to US$38.1 million, as revenue grew 37.6 per cent to US$359.6 million. Profits of US$23.4 million were realized from the sale of the company's interests in the Saigon Center in Vietnam and in Island Dyeing and Printing Company Limited in Hong Kong. Property services achieved satisfactory profits, bolstered by the strength of the territory's property market until the fourth quarter when demand fell sharply. Business services registered mixed results, with progress in the security and sports-management operations and disappointing performances in the catering and medical fields.

- **Bonifacio Land Corporation**, which is developing the landmark Fort Bonifacio project in Metro Manila, saw its contribution rise 202.0 per cent to US$15.4 million. The project, in which Metro Pacific raised its stake during the year to approximately 60 per cent from 40 per cent, continues to proceed along the master development plan, with good headway being made on its horizontal infrastructure. Five vertical developments are currently taking shape on the site.

- **Landco Pacific Corporation**, a Philippine developer of high-end residential and resort communities outside Metro Manila, saw its contribution fall 45.5 per cent to US$1.2 million. Although the company was protected by many of the problems experienced by its competitors due to its low land costs and diligent market research, profitability declined due to higher interest costs and slower-than-expected sales.

In **Banking**, contribution to profit decreased 2.6 per cent to US$26.1 million from US$26.8 million on revenue growth of 5.5 per cent to US$127.7 million from US$121.1 million. Within the segment:

- **First Pacific Bank**, which operates a 27-branch retail network in Hong Kong, saw its contribution rise 7.7 per cent to US$22.4 million, as turnover grew 5.5 per cent to US$127.7 million. The effect of strong lending growth and improved fees and commissions was somewhat offset by the narrowing of interest margins to 2.8 per cent from 3.2 per cent. Assets rose 15.4 per cent to US$4.0 billion and customer advances and trade bills rose 30.1 per cent to US$2.9 billion. The cost-to-income ratio edged up to 45.0 per cent from 43. 2 per cent.

- **United Commercial Bank**, (formerly called United Savings Bank) which operates 27 retail branches in California, reported a profit of US$9.3 million, compared with US$1.3 million a year earlier, but its contribution decreased 32.0 per cent to US$3.4 million due to the release of a provision in 1996. Its performance was bolstered by the strength of the California economy and its increased focus on prime-rate based lending and improved technology. Assets rose 5.9 per cent to US$1.6 billion. The efficiency ratio improved to 66.4 per cent from 76.5 per cent.

- **PDCP Bank**, a Metro Pacific affiliate which operates 71 retail branches in the Philippines, saw profit fall 70.0 per cent to US$0.3 million from US$1.0 million, reflecting increased costs associated with its recent expansion. Assets rose 30.5 per cent to US$354.0 million.

	Number of cellular subscribers		
	March 1998	**Year-end 1997**	**Year-end 1996**
Smart Communications	664,000	623,000	310,000
Escotel	45,000	37,000	6,000
Metrosel	40,000	39,000	22,000
Shenzhen Merchant Link	37,000	33,000	7,000
Fujian Telecom	24,000	23,000	1,000
Tuntex	31,000	2,000	*
Pacific Link	-	268,000	241,000
Total	**841,000**	**1,025,000**	**587,000**

*Not available as network launched on 20-12-97

REVIEW OF BUSINESSES

(In US$ millions)	Turnover 1997	Turnover 1996	Profit after taxation 1997	Profit after taxation 1996	Contribution to profit for the year[1] 1997	Contribution to profit for the year[1] 1996
Marketing and Distribution						
Hagemeyer	5,863.7	4,616.1	225.0	187.9	82.8	67.0
Tech Pacific	865.6	966.5	17.8	21.4	17.8	21.4
Berli Jucker	330.2	398.2	23.2	31.4	10.3	12.6
Darya-Varia	68.6	84.7	1.2	12.4	0.7	6.3
Metro Pacific[2]	145.6	180.4	(12.9)	(0.6)	(8.5)	0.8
Sub-total	7,273.7	6,245.9	254.3	252.5	103.1	108.1
Telecommunications						
Pacific Link	209.0	252.2	51.3	88.6	34.9	58.1
Smart	227.4	133.4	17.7	13.7	11.7	9.5
Shenzhen & Fujian ventures	-	-	1.5	-	1.5	-
Escotel	-	-	(6.9)	-	(6.9)	-
Metrosel	-	-	(1.7)	-	(1.7)	-
IndoLink	-	4.9	-	(5.6)	-	(3.8)
Sub-total	436.4	390.5	61.9	96.7	39.5	63.8
Property						
First Pacific Davies	359.6	261.4	39.0	27.5	38.1	26.5
Bonifacio Land	107.2	-	53.6	7.9	15.4	5.1
Landco Pacific and others	3.8	6.8	4.7	6.5	2.8	3.9
Sub-total	470.6	268.2	97.3	41.9	56.3	35.5
Banking						
First Pacific Bank	127.7	121.1	52.0	47.5	22.4	20.8
United Commercial Bank	-	-	3.4	5.0	3.4	5.0
PDCP Bank	-	-	0.4	1.5	0.3	1.0
Sub-total	127.7	121.1	55.8	54.0	26.1	26.8
Contribution from operations	8,308.4	7,025.7	469.3	445.1	225.0	234.2
Corporate overhead and finance charges[3]			(58.8)	(32.5)	(58.8)	(32.5)
Profit after taxation before exceptional items			410.5	412.6	166.2	201.7
Exceptional items[4]			(9.4)	(16.1)	45.8	2.5
Profit after taxation			401.1	396.5		
Profit attributable to ordinary shareholders					212.0	204.2

(1) Contribution to profit for the year represents profit after taxation, after outside interests and before net exceptional items.
(2) For presentation purposes, the results of Metro Pacific's Telecommunications, Property and Banking interests are included within Telecommunications (Smart), Property (Bonifacio Land and Landco Pacific) and Banking (PDCP Bank), respectively. The results of Metro Pacific, under Marketing & Distribution, relate solely to its Consumer Products and Packaging manufacturing businesses.
(3) 1996 includes US$0.5 million of convertible participating certificate dividends.
(4) For presentation purposes, exceptional items included within profit attributable to ordinary shareholders have been adjusted for related tax and outside interests.

CONSOLIDATED PROFIT AND LOSS STATEMENT

For the year ended 31st December (In millions)	1997 US$	1996 US$	1997 HK$	1996 HK$
Turnover	8,308.4	7,025.7	64,805.5	54,800.5
Cost of sales	(6,977.9)	(5,770.6)	(54,427.6)	(45,010.7)
Administration and other costs	(677.9)	(688.5)	(5,287.6)	(5,370.3)
Operating profit	652.6	566.6	5,090.3	4,419.5
Share of profits less losses of associated companies	38.5	59.8	300.3	466.4
Exceptional items	(16.7)	(15.8)	(130.3)	(123.2)
Net borrowing costs	(172.2)	(118.6)	(1,343.1)	(925.1)
Profit before taxation	502.2	492.0	3,917.2	3,837.6
Taxation	(101.1)	(95.5)	(788.6)	(744.9)
Profit after taxation	401.1	396.5	3,128.6	3,092.7
Outside interests	(189.1)	(192.3)	(1,475.0)	(1,499.9)
Profit attributable to ordinary shareholders	212.0	204.2	1,653.6	1,592.8
Ordinary share dividends paid and proposed	(51.9)	(64.1)	(404.8)	(500.0)
Retained profit for the year	160.1	140.1	1,248.8	1,092.8

Earnings per share (In cents)		1997 US	1996 US	1997 HK	1996 HK
Earnings	- Basic	8.98	8.73	70.04	68.09
	- Fully diluted	8.89	8.59	69.34	67.00
	- Basic excluding net exceptional items	7.04	8.62	54.91	67.24
	- Fully diluted excluding net exceptional items	6.99	8.49	54.52	66.22

CONSOLIDATED BALANCE SHEET **As at 31st December** (In millions)	**1997** **US$**	1996 US$	**1997** **HK$**	1996 HK$
Assets				
Current assets				
Cash and bank balances	**313.4**	203.5	**2,444.5**	1,587.3
Accounts receivable and prepayments	**2,333.2**	1,806.1	**18,199.0**	14,087.6
Inventories	**1,051.5**	1,040.9	**8,201.7**	8,119.0
	3,698.1	3,050.5	**28,845.2**	23,793.9
Assets, other than property and equipment, attributable to banking operations	**3,853.0**	3,331.9	**30,053.4**	25,988.8
Long-term assets				
Property and equipment	**3,139.8**	1,495.8	**24,490.4**	11,667.2
Associated companies	**108.4**	496.4	**845.5**	3,871.9
Long-term investments	**151.9**	43.0	**1,184.8**	335.4
Long-term receivables	**435.1**	74.2	**3,393.8**	578.8
	3,835.2	2,109.4	**29,914.5**	16,453.3
Total assets	**11,386.3**	8,491.8	**88,813.1**	66,236.0
Liabilities and equity				
Current liabilities				
Accounts payable and accruals	**1,689.6**	1,609.3	**13,178.9**	12,552.5
Short-term borrowings	**1,370.9**	1,204.2	**10,693.0**	9,392.8
Provision for taxation	**68.6**	26.8	**535.1**	209.0
Dividends	**24.4**	36.6	**190.3**	285.5
	3,153.5	2,876.9	**24,597.3**	22,439.8
Liabilities attributable to banking operations	**3,616.3**	3,205.5	**28,207.1**	25,002.9
Long-term liabilities and provisions				
Loan capital and long-term borrowings	**1,879.6**	1,024.1	**14,660.9**	7,988.0
Deferred liabilities and provisions	**838.3**	255.2	**6,538.7**	1,990.5
	2,717.9	1,279.3	**21,199.6**	9,978.5
Total liabilities	**9,487.7**	7,361.7	**74,004.0**	57,421.2
Equity				
Share capital	**23.7**	23.6	**184.9**	184.1
Share premium	**458.7**	458.1	**3,577.9**	3,573.2
Revenue and other reserves	**871.2**	967.9	**6,795.3**	7,549.6
Shareholders' equity before goodwill reserve	**1,353.6**	1,449.6	**10,558.1**	11,306.9
Goodwill reserve	**(1,289.1)**	(1,249.6)	**(10,055.0)**	(9,746.9)
Shareholders' equity	**64.5**	200.0	**503.1**	1,560.0
Outside interests	**1,834.1**	930.1	**14,306.0**	7,254.8
Total equity	**1,898.6**	1,130.1	**14,809.1**	8,814.8
Total liabilities and equity	**11,386.3**	8,491.8	**88,813.1**	66,236.0
Shares in issue on 31st December (millions)	**2,367**	2,358	**2,367**	2,358

PROFORMA CONSOLIDATED BALANCE SHEET

A proforma consolidated balance sheet for 1997, after receipt of proceeds from the disposals of Pacific Link and Hagemeyer, is set out below.

(In millions)	**Proforma** **US$**	1997 US$	**Proforma** **HK$**	1997 HK$
Assets				
Cash and bank balances	**1,504.9**	313.4	**11,738.2**	2,444.5
Other assets	**7,873.0**	11,072.9	**61,409.4**	86,368.6
Total assets	**9,377.9**	11,386.3	**73,147.6**	88,813.1
Liabilities and equity				
Borrowings	**1,503.9**	3,250.5	**11,730.4**	25,353.9
Other liabilities	**5,054.1**	6,237.2	**39,422.0**	48,650.1
Total liabilities	**6,558.0**	9,487.7	**51,152.4**	74,004.0
Equity				
Shareholders' equity	**1,485.5**	64.5	**11,586.9**	503.1
Outside interests	**1,334.4**	1,834.1	**10,408.3**	14,306.0
Total equity	**2,819.9**	1,898.6	**21,995.2**	14,809.1
Total liabilities and equity	**9,377.9**	11,386.3	**73,147.6**	88,813.1
Gearing (times)	**-**	1.55	**-**	1.55