1st March 1999

FIRST PACIFIC'S 1998 PROFIT UP 70%TO US$361 MLN REFLECTING GAINS MADE THROUGH GROUP'S TRANSFORMATION

First Pacific reported today that its attributable profit rose 70.0 per cent last year to US$360.5 million, helped by exceptional gains achieved through its far-reaching restructuring program from the sale of its Dutch-based subsidiary, Hagemeyer, and a number of other non-core businesses.

The program, which has continued into the current year, has led to First Pacific's transformation into a strongly capitalized management group with investments focused on a select number of Asian blue chip companies which dominate their home markets, or are poised to do so. These businesses position the Group to benefit from the next stage in the region's economic development.

Attributable profit before exceptionals fell 75.6 per cent to US$40.5 million, as earnings per share declined by a corresponding 75.7 per cent, to US1.71 cents. The decline reflects lower contributions from each of the Group's four business areas due to the regional recession and diminished contributions from companies that have been divested, as well as conservative provisioning. Turnover fell 65.2 per cent to US$2,894.4 million, largely reflecting disposals.

Exceptional profit rose approximately sevenfold to US$320 million (US$317.3 million before tax and outside interests). The gain resulted from profit of US$646.7 million from disposals, which was offset both by transfers of US$192.5 million from the goodwill reserve (US$167.2 million of which was made in the first half relating to investments in Indonesia) and by provisions of US$136.9 million (US$69.1 million of which was taken in the first half). The provisions relate principally to the Group's China telecom operations, as well as to assets in the Philippines, Thailand and Indonesia.

The proportion of earnings paid as dividends to shareholders rose to 34 per cent from 31 per cent, near the upper end of the Group's historic band of 25-35 per cent. This represents a final dividend of US0.26 cent, or HK2.0 cents, pushing the full-year dividend to US0.58 cent, or HK4.5 cents, compared with US2.19 cents or HK17.0 cents a year earlier.

First Pacific's restructuring program, launched in the initial stage of the Asian crisis, has involved the divestment of three companies through year-end 1998 to raise more than US$2.1 billion.

From these proceeds, US$502 million was used to pay down head office net debt to US$408 million from US$880 million. A further US$815 million was used to recapitalize remaining subsidiaries, strengthening them at a time when the competition was at its most vulnerable while increasing the Group's investment in these businesses. Additionally, some US$909 million cash, plus a further US$135 million in shares, was committed to acquire significant investments in PLDT, the Philippines' leading telecoms group, and Indofood, Indonesia's largest food processing company.

Since the start of the new year, two further affiliates were divested for a total of US$193 million, with the cash received thus far going to reduce head office net debt to US$280 million. In addition, the Group has agreed to sell down 22 per cent its holding in Smart, reducing its stake to 52 per cent, which will raise a further US$214 million.

First Pacific's Executive Chairman Manuel Pangilinan said: "First Pacific has emerged from the most challenging year in its history as a stronger, better capitalized, more focused company. I am unaware of any business that has acted with such resolve and discipline in addressing the new realities of the region. We have sold seven companies over the last 16 months, paid down substantial debt and created a new platform for growth in the next business cycle.

"Our benchmark in normal times, recurrent earnings, declined to a disappointing level amid the worst operating conditions in decades. However, in these exceptional times, we have served our shareholders by acting decisively to crystallize values achieved over the last decade and a half. We, consequently, believe that the Group's performance during this period of transformation is best judged by earnings on a recurrent, as well as non-recurrent, basis.

"Our disposals have proceeded in the following order:

- In October 1997, Tech Pacific, an Australian distributor of IT equipment, was injected into Hagemeyer for US$250 million in shares, crystallizing an annualized cash return of 20 per cent over 10 years.

- In December 1997, Pacific Link, a Hong Kong cellular company, was divested for US$341 million, crystallizing an annualized cash return of 23 per cent over 10 years.

- In March 1998, Hagemeyer, a Dutch-based trading group, was divested for US$1.7 billion, crystallizing an annualized cash return of 24 per cent over 15 years.

- In April 1998, United Commercial Bank, of California, was sold for US$18 million, crystallizing an annualized cash return of 19 per cent over 13 years.

- In January 1999, Tuntex Telecommunications, a Taiwan cellular operator, was sold for US$73 million, crystallizing an annualized cash return of 40 per cent over two years.

- In February 1999, the Group agreed to sell 22 per cent of its holding in Philippine cellular carrier Smart, crystallizing an annualized cash return of 58 per cent over six years.

- In February 1999, Guardforce, a Hong Kong-based security group, was sold for US$120 million, crystallizing an annualized cash return of 19 per cent over six years.

"Following these disposals and our program of debt repayment and investments, a new First Pacific has taken shape. It is built on a platform of blue-chip companies that are well poised to benefit from the region's ultimate economic recovery. These currently include PLDT and Smart, which are the leading players in the Philippine telecoms sector; Berli Jucker, which is one of Thailand's best capitalized companies; Fort Bonifacio, whose effort to develop a new hub for Metro Manila is building momentum; and, when the transaction closes, Indofood, Indonesia's leading processed-foods group. In addition, we will continue to own smaller companies which we intend to expand to significant size or, in time, sell.

"Looking ahead, it is difficult to be optimistic about the region over the shorter term. Economic growth remains weak, consumers are extremely cautious and credit is tight. However, in the longer term, we have every reason to remain positive about Asia and its growth prospects. Reform is proceeding, economies are beginning to heal and we are perhaps a year or so away from seeing the region return to a path of steady growth. First Pacific has taken the right steps to ensure that it will be a key beneficiary of this ultimate recovery," Mr. Pangilinan concluded.

CONSUMER
Metro Pacific Corporation, the Group's Philippine flagship, saw losses from its consumer-products, packaging and transportation activities widen 83.5 per cent to US$15.6 million, hurt by higher finance charges. Turnover grew 2.7 per cent to US$149.6 million, and increased 40.0 per cent in pesos. Consumer-product activities performed well, helped by strong sales at Metrolab, which produces skin-care products, and at Metro Bottled Water, the country's leading bottled-water brand. Packaging activities improved revenues and profitability, despite continued stiff competition in its main markets. While Negros Navigation, its domestic shipping line which was acquired in April, increased revenue, losses were incurred due to higher operating costs and finance charges.

Berli Jucker Public Company Limited, a conglomerate that serves as First Pacific's flagship in Thailand, contributed US$9.1 million, down 11.7 per cent from a year earlier, equivalent to a 12.5 per cent rise in baht terms, in the face of difficult operating conditions. Turnover fell 22.4 per cent to US$256.3 million and was off 1.7 per cent in baht terms. Bolstered by a THB4 billion rights issue, the company benefited from reduced financing costs and the privatization of Thai Glass, its largest single business. While overall margins declined modestly, Consumer Products activities, which are relatively well insulated against downturns in retail spending, fared well, and improved profits were achieved by its Technical Products & Engineering group. Packaging activities suffered from higher costs of imported raw materials, although the performance improved in the fourth quarter.

PT Darya-Varia Laboratoria, an Indonesian integrated pharmaceuticals group, recorded a nearly fourfold rise in its contribution to US$2.7 million, up 13-fold in rupiah terms. Turnover fell 57.4 per cent to US$29.2 million, but rose 45.8 per cent in rupiah terms. The performance partly reflected lower borrowing costs after First Pacific injected US$16 million into the business. Despite turbulence in the Indonesian economy, the company's gross profit margin strengthened to 48 per cent from 46 per cent, due to strict cost controls, rationalizing its product line and improved monitoring of market trends, which strengthened management's ability to guide its pricing policies. Staffing levels were cut by approximately one-quarter to 1,900.

Hagemeyer N.V., a Dutch trading group, contributed profit of US$17.5 million on turnover of US$1,680.1 million, prior to its disposal in late March 1998. The sale represents the cornerstone in First Pacific's strategy to crystallize shareholder value and position itself to benefit from opportunities arising in Asia.

TELECOMMUNICATIONS
Smart Communications, Inc., the Philippines' premier integrated telecoms company, contributed US$17.9 million, up 53.0 per cent and up 109.8 per cent in peso terms,

partially reflecting First Pacific increasing its stake in the business to 64.8 per cent from 51.9 per cent, as well as strict cost controls. Turnover grew 6.1 per cent to US$241.3 million and was up 44.6 per cent in pesos, helped by a 27 per cent rise in cellular subscribers to 791,000, which was eroded by a moderate decline in average revenue per subscribers. Customer growth in its fixed-line business rose slower than expected, to 108,000 from 85,000, impeded by poor interconnect with PLDT, prior to First Pacific's investment in that company. Minutes of IDD usage logged through its international gateway facility rose to 10 million from 6.5 million.

Escotel Mobile Communications Limited which provides GSM services in the Indian states of Uttar Pradesh (West), Haryana and Kerala, saw its loss widen to US$13.5 million from the previous year's US$6.9 million which included only five months of contribution. The loss stemmed from high costs in all areas, particularly in the network, marketing and operating fields, while average revenue per subscriber remained depressed reflecting the weak demand and regulatory difficulties that currently characterize the Indian cellular market. Subscriber growth was disappointing, rising to 68,000 from 37,000, and average revenues remained low, but the company remained the largest cellular provider in each of its markets.

Shenzhen Merchant Link Communications Company Limited, which is licensed to provide cellular services in the Greater Shenzhen area, and **Fujian Telecom Limited**, which serves Fujian province, saw their contribution rise 40.0 per cent to US$2.1 million, helped by the sharp growth of China's telecoms market. The Shenzhen business's customer base rose fourfold to 132,000, with average revenues falling only moderately, as service was expanded from Shenzhen to the nearby cities of Dongguan and Huizhou. In Fujian, subscriber numbers nearly doubled to 44,000 as average customer revenue declined modestly, reflecting continued difficulties in establishing interconnection with the local fixed-line network, which has since improved. Significant provisions were taken for these businesses as their future is unclear pending China's decision on the status of foreign companies in cellular ventures.

PT Metrosel Selular Nusantara, which provides cellular services in Central and East Java, contributed a loss of US$0.7 million, compared with a loss of US$1.7 million a year earlier, equivalent to a widening by 42.4 per cent in rupiah terms. Subscriber numbers fell to 30,000 from 39,000, reflecting Indonesia's severe economic difficulties. In keeping with the Group's prudent accounting policies, a provision of US$147 million was taken in the first half covering its total investment in the business.

PROPERTY

Bonifacio Land Corporation, the private sector group behind developing the former Fort Bonifacio military camp into the Philippines' first city of the 21st century, saw its contribution fall 68.8 per cent to US$4.8 million, equivalent to a 57.0 per cent decline in peso terms. The weaker performance reflects increased finance charges, as well as provisions of US$41 million (P1.7 billion) taken at the operating company level for returned lots. Good progress was achieved in building the key infrastructure of the project's first phase which is now 67 per cent complete, compared with 45 per cent a year earlier. The development's first commercial property, an entertainment complex, was opened in the second half, construction of three luxury condominium projects is proceeding well and the Philippine Stock Exchange has formally agreed to unify its two trading floors at the site in 2004.

Landco Pacific, Inc. and others saw their contribution fall 42.9 per cent to US$1.6 million, equivalent to a fall of 23.0 per cent in local terms. Turnover grew more than seven-fold to US$26.8 million and more than nine-fold in peso terms, reflecting strong growth at Pacific Plaza Towers, a 393-unit luxury condominium rising at Fort Bonifacio. Landco Pacific suffered from high interest expenses, and weak demand in the market outside Metro Manila for properties and club shares.

First Pacific Davies Holdings Limited, which provides fully integrated property services, contributed US$5.5 million, down from US$38.1 million a year earlier when two development properties in Vietnam and Hong Kong were sold at a profit of US$23.4 million. Turnover fell 21.4 per cent to US$282.6 million, reflecting the poor state of the overall market. Guardforce, its regional security business, performed well, helped by the diversification of its security operation, as well as its blue-chip clients who maintained high security standards despite the crisis, while the property services business suffered from the weakness of the region's real estate market.

BANKING

First Pacific Bank, which provides commercial banking services through 25 branches across Hong Kong, recorded a 73.7 per cent fall in its contribution to US$5.9 million, as turnover fell 33.4 per cent to US$85.1 million. Net interest income declined 32 per cent reflecting higher funding costs, as the net interest margin narrowed to 1.99 per cent from 2.8 per cent. Non-interest income declined 38.3 per cent, and operating costs fell at a somewhat slower 16.4 per cent. Specific loan provisions rose eight-fold to HK$240 million, although general provisions of HK$63 million were released due to a reduction in the bank's loan portfolio.

PDCP Bank, a Metro Pacific affiliate, saw its contribution fall to a loss of US$1.0 million from a profit of US$0.3 million, reflecting the extremely difficult Philippine banking environment. While interest income rose moderately and operating expenses declined, the loss stemmed from higher cost of funds and provisioning for possible loan losses. In response, the bank cut staffing levels 20 per cent to approximately 800 and closed 10 of its 71 branches.

United Commercial Bank, which operates 27 retail branches in California contributed US$5.3 million before it was divested in late April in line with the Group's focus on Asian activities, compared with the US$3.4 million it earned in 1997.

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1998 ANNUAL RESULTS

SEGMENTAL REVIEW OF BUSINESSES

(US$ millions)	Turnover 1998	Turnover 1997	Profit after taxation 1998	Profit after taxation 1997	Contribution to profit for the year[1] 1998	Contribution to profit for the year[1] 1997
Consumer						
Metro Pacific[2]	**149.6**	145.6	**(27.0)**	(12.9)	**(15.6)**	(8.5)
Berli Jucker	**256.3**	330.2	**14.2**	23.2	**9.1**	10.3
Darya-Varia Laboratoria	**29.2**	68.6	**2.6**	1.2	**2.7**	0.7
Hagemeyer[3]	**1,680.1**	5,863.7	**44.3**	225.0	**17.5**	82.8
Tech Pacific[3]	**-**	865.6	**-**	17.8	**-**	17.8
Sub-total	**2,115.2**	7,273.7	**34.1**	254.3	**13.7**	103.1
Telecommunications						
Smart	**241.3**	227.4	**24.2**	17.7	**17.9**	11.7
Philippine Long Distance Telephone	**-**	-	**-**	-	**-**	-
Escotel	**-**	-	**(13.5)**	(6.9)	**(13.5)**	(6.9)
Shenzhen Merchant Link and Fujian Telecom	**-**	-	**2.1**	1.5	**2.1**	1.5
Metrosel	**-**	-	**(0.7)**	(1.7)	**(0.7)**	(1.7)
Pacific Link[3]	**-**	209.0	**-**	51.3	**-**	34.9
Sub-total	**241.3**	436.4	**12.1**	61.9	**5.8**	39.5
Property						
Bonifacio Land[2]	**143.4**	107.2	**36.7**	53.6	**4.8**	15.4
Landco Pacific and others[2]	**26.8**	3.8	**3.2**	4.7	**1.6**	2.8
First Pacific Davies	**282.6**	359.6	**5.4**	39.0	**5.5**	38.1
Sub-total	**452.8**	470.6	**45.3**	97.3	**11.9**	56.3
Banking						
First Pacific Bank[4]	**85.1**	127.7	**14.0**	52.0	**5.9**	22.4
PDCP Bank[2]	**-**	-	**(1.2)**	0.4	**(1.0)**	0.3
United Commercial Bank[3]	**-**	-	**5.3**	3.4	**5.3**	3.4
Sub-total	**85.1**	127.7	**18.1**	55.8	**10.2**	26.1
Contribution from operations	**2,894.4**	8,308.4	**109.6**	469.3	**41.6**	225.0
Corporate overhead			**(14.8)**	(10.1)	**(14.8)**	(10.1)
Net finance income/(charges)						
- bank deposits less loans			**22.1**	(28.9)	**22.1**	(28.9)
- guaranteed convertible bonds[5]			**(8.4)**	(19.8)	**(8.4)**	(19.8)
Profit after taxation before exceptional items			**108.5**	410.5	**40.5**	166.2
Exceptional items[6]			**319.0**	(9.4)	**320.0**	45.8
Profit after taxation			**427.5**	401.1		
Profit attributable to ordinary shareholders					**360.5**	212.0

(1) Contribution to Group profit 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 Consumer, relate solely to its Consumer Products and Packaging manufacturing and Transportation businesses.

(3) Apart from Pacific Link being disposed of by 31st December 1997, all other disposals occurred during 1998.

(4) Turnover represents net interest income, fees, commissions and other revenues.

(5) Includes US$6.2 million interest expense and US$15.0 million redemption premium, partly offset by a US$12.8 million gain arising on the redemption of bonds at less than face value.

(6) For presentation purposes, net 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	**1998**	1997	**1998***	1997*
(In millions)	**US$**	US$	**HK$**	HK$
Turnover	**2,894.4**	8,308.4	**22,576.3**	64,805.5
Cost of sales	**(2,278.1)**	(6,977.9)	**(17,769.2)**	(54,427.6)
Administration and other costs	**(396.0)**	(677.9)	**(3,088.8)**	(5,287.6)
Operating profit	**220.3**	652.6	**1,718.3**	5,090.3
Share of profits less losses of associated companies	**(1.4)**	38.5	**(10.9)**	300.3
Exceptional items	**317.3**	(16.7)	**2,474.9**	(130.3)
Net borrowing costs	**(85.9)**	(172.2)	**(670.0)**	(1,343.1)
Profit before taxation	**450.3**	502.2	**3,512.3**	3,917.2
Taxation	**(22.8)**	(101.1)	**(177.8)**	(788.6)
Profit after taxation	**427.5**	401.1	**3,334.5**	3,128.6
Outside interests	**(67.0)**	(189.1)	**(522.6)**	(1,475.0)
Profit attributable to ordinary shareholders	**360.5**	212.0	**2,811.9**	1,653.6
Ordinary share dividends paid and proposed	**(13.8)**	(51.9)	**(107.6)**	(404.8)
Retained profit for the year	**346.7**	160.1	**2,704.3**	1,248.8

Per share	**1998**	1997	**1998***	1997*
(In cents)	**US¢**	US¢	**HK¢**	HK¢
Dividends	**0.58**	2.19	**4.50**	17.00
Earnings				
Basic	**15.21**	8.98	**118.64**	70.04
Diluted	**15.12**	8.89	**117.94**	69.34
Basic excluding net exceptional items	**1.71**	7.04	**13.34**	54.91
Diluted excluding net exceptional items	**1.70**	6.99	**13.26**	54.52

CONSOLIDATED BALANCE SHEET				
As at 31st December	**1998**	1997	**1998***	1997*
(In millions)	**US$**	US$	**HK$**	HK$
Assets				
Current assets				
Cash and bank balances	**272.8**	313.4	**2,127.8**	2,444.5
Short-term investment	**33.9**	-	**264.5**	-
Accounts receivable and prepayments	**538.2**	2,333.2	**4,198.0**	18,199.0
Inventories	**96.9**	1,051.5	**755.8**	8,201.7
	941.8	3,698.1	**7,346.1**	28,845.2
Assets, other than property and equipment, attributable to Banking operations	**3,030.3**	3,853.0	**23,636.3**	30,053.4
Long-term assets				
Property and equipment	**3,064.6**	3,139.8	**23,903.9**	24,490.4
Associated companies	**273.3**	108.4	**2,131.7**	845.5
Long-term investments	**19.8**	151.9	**154.4**	1,184.8
Long-term receivables	**316.5**	435.1	**2,468.7**	3,393.8
	3,674.2	3,835.2	**28,658.7**	29,914.5
Total assets	**7,646.3**	11,386.3	**59,641.1**	88,813.1
Liabilities and equity				
Current liabilities				
Accounts payable and accruals	**406.4**	1,689.6	**3,169.9**	13,178.9
Short-term borrowings	**633.6**	1,370.9	**4,942.1**	10,693.0
Provision for taxation	**7.8**	68.6	**60.8**	535.1
Dividends	**6.2**	24.4	**48.4**	190.3
	1,054.0	3,153.5	**8,221.2**	24,597.3
Liabilities attributable to Banking operations	**2,793.2**	3,616.3	**21,787.0**	28,207.1
Long-term liabilities and provisions				
Loan capital and long-term borrowings	**935.5**	1,879.6	**7,296.9**	14,660.9
Deferred liabilities and provisions	**666.3**	838.3	**5,197.1**	6,538.7
	1,601.8	2,717.9	**12,494.0**	21,199.6
Total liabilities	**5,449.0**	9,487.7	**42,502.2**	74,004.0
Equity				
Share capital	**23.8**	23.7	**185.7**	184.9
Share premium	**458.9**	458.7	**3,579.4**	3,577.9
Revenue and other reserves	**1,305.4**	871.2	**10,182.1**	6,795.3
Shareholders' equity before goodwill reserve	**1,788.1**	1,353.6	**13,947.2**	10,558.1
Goodwill reserve	**(976.0)**	(1,289.1)	**(7,612.8)**	(10,055.0)
Shareholders' equity	**812.1**	64.5	**6,334.4**	503.1
Outside interests	**1,385.2**	1,834.1	**10,804.5**	14,306.0
Total equity	**2,197.3**	1,898.6	**17,138.9**	14,809.1
Total liabilities and equity	**7,646.3**	11,386.3	**59,641.1**	88,813.1
Shares in issue on 31st December (millions)	**2,376**	2,367	**2,376**	2,367

** 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, except in the case of dividends per share, which are based upon the exchange rate at 31st December 1998 of 7.7455 Hong Kong dollars to one United States dollar.*