FIRST PACIFIC COMPANY LIMITED

INTERIM REPORT 2003

Corporate Profile

First Pacific is a Hong Kong-based investment and management company with operations located in Southeast Asia. Its principal business interests relate to Telecommunications and Consumer Food Products.

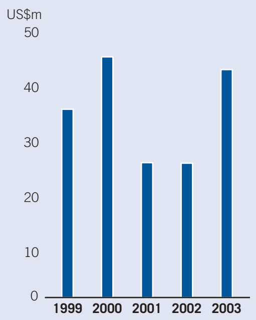
Listed in Hong Kong, First Pacific's shares are also available in the United States through American Depositary Receipts.

First Pacific's principal investments are summarized on inside back cover.

Contents

Half-Year Highlights

Contribution from operations

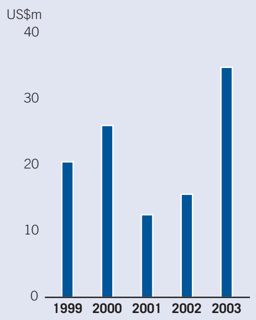


Financial summary

Six months ended 30 June US$ millions	2003	2002	change
Turnover	1,008.7	899.1	+12.2%
Contribution from operations	43.1	25.4	+69.7%
Recurring profit	34.8	15.6	+123.1%
Foreign exchange gains	1.9	11.2	-83.0%
Profit attributable to ordinary shareholders	36.7	26.8	+36.9%

US$ millions	At 30 June 2003	At 31 December 2002	change
Net current assets	235.6	20.6	+1,043.7%
Total assets	2,066.9	2,313.1	-10.6%
Net debt	869.8	1,062.7	-18.2%
Shareholders' deficit	(20.8)	(71.2)	-70.8%
Net assets[(i)]	312.3	352.9	-11.5%

Recurring profit



Per share data

Six months ended 30 June U.S. cents	2003	2002	change
Recurring profit	1.09	0.50	+118.0%
Basic earnings	1.15	0.85	+35.3%

Financial ratio

Times	At 30 June 2003	At 31 December 2002	change
Gearing ratio[(ii)]			
– Consolidated	2.79	3.01	-7.3%
– Company	0.09	0.15	-40.0%

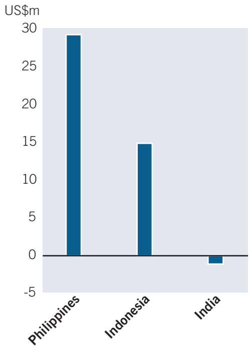
(i) Equivalent to the sum of shareholders' deficit and outside interests.

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

Review of Operations

During the period, the Group's operations improved their profit contribution by 70 per cent to US$43.1 million (1H02: US$25.4 million), while recurring profit improved by 123 per cent to US$34.8 million (1H02: US$15.6 million). Foreign exchange gains of US$1.9 million (1H02: US$11.2 million) were recorded. There follows a contribution summary.

Contribution by country



Contribution summary

	Turnover		Contribution to Group profit[i]	
Six months ended 30 June US$ millions	**2003**	**2002**	**2003**	**2002**
PLDT[ii]	–	–	33.7	17.4
Indofood	970.7	836.4	14.9	24.8
Metro Pacific	38.0	62.3	(4.4)	(15.1)
Escotel[ii]	–	–	(1.1)	0.6
From continuing businesses	1,008.7	898.7	43.1	27.7
From a disposed business[iii]	–	0.4	–	(2.3)
FROM OPERATIONS	1,008.7	899.1	43.1	25.4
Corporate overhead			(3.4)	(5.0)
Interest expense			(4.2)	(9.6)
Interest income			2.3	4.8
Other expenses			(3.0)	–
RECURRING PROFIT			34.8	15.6
Foreign exchange gains			1.9	11.2
PROFIT ATTRIBUTABLE TO ORDINARY SHAREHOLDERS[iv]			36.7	26.8

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

(ii) Associated companies.

(iii) Represents Infrontier Limited (Infrontier).

(iv) In 1H03, the Group's net non-recurring items were nil, which mainly comprised Metro Pacific's Pesos 0.4 billion (First Pacific's share: US$6.3 million) gains on dacion transactions and PLDT's Pesos 1.4 billion (First Pacific's share: US$6.3 million) manpower reduction costs.

PLDT

Philippine Long Distance Telephone Company (PLDT) 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 53.58 (1H02: Pesos 50.72) 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 are made to PLDT's reported peso results to ensure compliance with Hong Kong GAAP. An analysis of such adjustments follows.

Review of Operations

Pesos millions	2003	2002
Net income under Philippine GAAP(i)	1,780	2,708
Preference dividends(ii)	(785)	(813)
Net income attributable to common shareholders	995	1,895
Differing accounting treatments(iii)		
– Reclassification/reversal of non-recurring items	5,174	–
– Foreign exchange accounting	835	2,852
– Fair values on acquisition	–	1,400
– Piltel losses	(535)	(1,230)
– Others	381	218
Intragroup items(iv)	140	140
Adjusted net income under Hong Kong GAAP	6,990	5,275
Foreign exchange(v)	434	(1,652)
PLDT's net income as reported by First Pacific	7,424	3,623

US$ millions		
Net income at prevailing average rates for 2003: Pesos 53.58 and 2002: Pesos 50.72	138.6	71.4
Contribution to First Pacific Group profit, at an average shareholding of 2003: 24.3% and 2002: 24.4%	33.7	17.4

(i) PLDT has restated its net income for 1H02 from Pesos 2,755 million to Pesos 2,708 million after changing the revenue recognition policy for prepaid cards from sale to usage. As First Pacific has already adjusted for this in prior year's GAAP 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 usual, operating items. In order to illustrate underlying recurring operational results, such items are reallocated and presented separately. Adjustments for 1H03 of Pesos 5.2 billion principally relate to impairment provisions for satellite and other assets (Pesos 3.8 billion), which were fully provided by First Pacific in prior years, and manpower reduction costs (Pesos 1.4 billion).*
- *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 underlying operational results and profit contributions, exchange differences (net of related tax) are excluded and presented separately.

PLDT contributed a profit of US$33.7 million (1H02: US$17.4 million) to the Group, reflecting:

- strong growth in Wireless, principally Smart's revenues growing to Pesos 22.1 billion (US$412.5 million) (1H02: Pesos 14.5 billion; US$285.9 million) as its GSM subscribers reached 8.1 million (1H02: 5.3 million) and ARPU's remained healthy at about Pesos 563 (US$10.5) (1H02: Pesos 604; US$11.9). Smart continued to drive down subscriber acquisition costs to Pesos 1,075 (US$20.1) (1H02: Pesos 1,464; US$28.9) allowing its payback period for prepaid subscribers to improve to 1.3 months (1H02: 2.4 months) based on current ARPU levels;
- stable Fixed Line revenues at Pesos 22.9 billion (US$427.4 million) (1H02: Pesos 22.7 billion; US$447.6 million) and improved the ratio of fixed lines per employee to 200 as of 15 July 2003 (1H02: 165) as a result of PLDT's implementation of its manpower reduction programme;
- increased revenues contribution from Information and Communications Technology as ePLDT's revenues grew to Pesos 863 million (US$16.1 million) (1H02: Pesos 396 million; US$7.8 million), but continued to incur losses reflecting the start-up nature of this business; and
- significant improvement in consolidated free cash flow in 1H03 to Pesos 9.4 billion (US$175.5 million) (1H02: Pesos 4.2 billion; US$82.8 million) and was utilized by PLDT Fixed Line and Smart to reduce debt by Pesos 5.6 billion (US$104.5 million) and Pesos 3.2 billion (US$59.7 million), respectively.

Indofood

PT Indofood Sukses Makmur Tbk (Indofood) is the leading processed-foods group in Indonesia. 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 8,674 (1H02: Rupiah 9,505) 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 are made to Indofood's reported rupiah results to ensure compliance with Hong Kong GAAP. An analysis of such adjustments follows.

Rupiah billions	**2003**	**2002**
Net income under Indonesian GAAP	309	571
Differing accounting treatments[i]		
– Foreign exchange accounting	27	27
– Others	(35)	103
Adjusted net income under Hong Kong GAAP	301	701
Foreign exchange[ii]	(51)	(222)
Indofood's net income as reported by First Pacific	250	479

US$ millions		
Net income at prevailing average rates for 2003: Rupiah 8,674 and 2002: Rupiah 9,505	28.8	50.4
Contribution to First Pacific Group profit, at an average shareholding of 2003: 51.9% and 2002: 49.2%	14.9	24.8

(i) Differences in accounting treatment under Indonesian GAAP, compared with Hong Kong GAAP. The principal adjustments include:
- *Foreign exchange accounting: 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.*
- *Others: 1H03 includes Rupiah 24.2 billion write-off of capitalized bonds issuance costs. 1H02 includes a reversal of Rupiah 82.3 billion of over-accrued pension costs in prior years.*

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

Indofood contributed a profit of US$14.9 million (1H02: US$24.8 million) to the Group, reflecting:

- a moderate increase in sales revenues principally as a result of increased average selling prices of three principal businesses – Noodles, Flour, and Edible Oils & Fats;
- Indofood's rupiah gross profit increased 4.5 per cent to Rupiah 2.0 trillion (US$230.3 million), and the rupiah gross margin for the period was 23.7 per cent (1H02: 23.6 per cent);
- increased costs for fuel, and selling and promotion activities. Indofood's rupiah operating margin for the period was 10.3 per cent (1H02: 10.9 per cent);
- increased interest costs in rupiah terms due to the higher average net debt level as a result of increased borrowings for working capital and capital expenditure requirements; and
- during the first half of 2003, Indofood issued a Rupiah 1.5 trillion (US$181.1 million) five-year Rupiah-bonds to repay certain debts with high interest costs, which include Rupiah 1.2 trillion (US$143.4 million) and US$37.7 million over the period. The Financial Review section contains further information on Indofood's net debt.

As of 30 June 2003, Indofood completed 75 per cent of its employee stock ownership programme (ESOP). It had issued 228.9 million new shares in May 2002 for Phase I and 58.4 million new shares in May 2003 for Phase II. The ESOP covers 457.8 million shares, representing five per cent of Indofood's issued and paid-up capital when the programme was approved in May 2001. The implementation of the third phase, representing the remaining 25 per cent of the programme, will be completed in May 2004.

Metro Pacific

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

Metro Pacific's operations are principally denominated in pesos, which averaged Pesos 53.58 (1H02: Pesos 50.72) 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 are made to Metro Pacific's reported peso results to ensure compliance with Hong Kong GAAP. An analysis of such adjustments follows.

Pesos millions	2003	2002
Net profit/(loss) under Philippine GAAP	94	(8,076)
Differing accounting treatments(i)		
– Reclassification/reversal of non-recurring items	(421)	7,188
– Others	19	45
Adjusted net loss under Hong Kong GAAP	(308)	(843)
Foreign exchange(ii)	13	(105)
Metro Pacific's net loss as reported by First Pacific	(295)	(948)

US$ millions		
Net loss at prevailing average rates for 2003: Pesos 53.58 and 2002: Pesos 50.72	(5.5)	(18.7)
Contribution to First Pacific Group profit, at an average shareholding of 2003: 80.6% and 2002: 80.6%	(4.4)	(15.1)

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

- *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 1H03 of Pesos 0.4 billion principally relate to gains on dacion transactions. Adjustment for 1H02 to reverse Metro Pacific's impairment provision of Pesos 7.2 billion in respect of its investment in BLC. First Pacific has, through its 2001 impairment provisions, already fully provided against this asset.*

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

Metro Pacific contributed a reduced loss of US$4.4 million (1H02: US$15.1 million) to the Group, reflecting a significant decline in borrowing costs. By 30 June 2003, Metro Pacific had successfully repaid, reached agreements in principle or advanced discussions for 92.2 per cent, or Pesos 11.9 billion (US$221.6 million), of the total outstanding debts of Pesos 12.9 billion (US$240.2 million) at parent company level. Metro Pacific continues its effort on debt restructuring and improving the operations of Landco, PPT and Nenaco.

Escotel

Escotel Mobile Communications Limited (Escotel) is a GSM cellular telephone services provider based in New Delhi that commenced operations in 1996. Escotel operates in three circles: Uttar Pradesh (West), Haryana and Kerala.

Escotel's operations are principally denominated in rupees, which averaged Rupees 47.29 (1H02: Rupees 48.81) to the U.S. dollar.

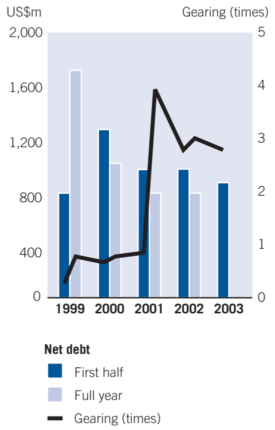
Escotel contributed a loss of US$1.1 million (1H02: profit of US$0.6 million) to the Group as a result of intensified competition from new operators, and pressure on tariffs due to introduction by the regulators of new caller party pay tariff regime. A five per cent increase in the subscriber base to 600,000 subscribers during the period was offset by the decline in ARPU to Rupees 361 (US$7.6) from Rupees 508 (US$10.4). The network expansion programme enlarges Escotel's network capacity to 1.3 million subscribers.

Liquidity and financial resources

Net debt and gearing

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

Net debt and gearing



Consolidated

	At 30 June 2003			At 31 December 2002		
US$ millions	Net debt[(i)]	Net assets/ (liabilities)	Gearing (times)	Net debt[(i)]	Net assets	Gearing (times)
Head Office	91.5	808.0	0.09x	152.1	726.5	0.15x
Indofood	642.6	532.7	1.21x	676.9	463.8	1.46x
Metro Pacific	135.7	(56.2)	–	233.7	139.0	1.68x
Consolidated before goodwill reserve	869.8	1,284.5	0.68x	1,062.7	1,329.3	0.80x
Goodwill reserve	–	(972.2)	–	–	(976.4)	–
Consolidated after goodwill reserve	869.8	312.3	2.79x	1,062.7	352.9	3.01x

Associated

	At 30 June 2003			At 31 December 2002		
US$ millions	Net debt	Net assets/ (liabilities)	Gearing (times)	Net debt	Net assets/ (liabilities)	Gearing (times)
PLDT	2,765.0	1,672.9	1.65x	2,964.7	1,678.4	1.77x
Escotel	172.3	(87.9)	–	183.8	(36.3)	–

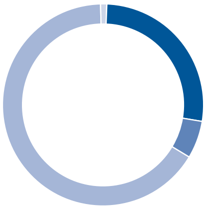
(i) Includes pledged deposits and excludes inter-company debt.

- Head Office gearing decreased as a result of a partial repayment of its bank loan with the proceeds from Metro Pacific's repayment of the Larouge loan.
- Indofood gearing declined as profits and a stronger rupiah enhanced net assets.
- Metro Pacific's net debt decreased and changed from positive net assets position to net liabilities position mainly because of the deconsolidation of BLC.
- PLDT's gearing declined as free cash flows reduced net debt.

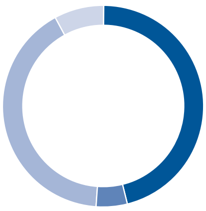
Maturity profile

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

Maturity profile of consolidated debt 30 June 2003



Maturity profile of consolidated debt 31 December 2002



Consolidated

US$ millions	At 30 June 2003	At 31 December 2002
Within one year	303.6	531.7
One to two years	65.2	106.7
Two to five years	733.9	586.2
Over five years	8.1	64.3
TOTAL	1,110.8	1,288.9

The lengthening of the debt maturity profile principally reflects First Pacific's US$80 million prepayment of its bank loan and a lengthening of the profile of Indofood's debt during the period. 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$181.1 million) five-year Rupiah-bonds.

Associated

	PLDT		Escotel	
US$ millions	At 30 June 2003	At 31 December 2002	At 30 June 2003	At 31 December 2002
Within one year	436.6	374.9	41.8	30.6
One to two years	504.1	470.7	64.3	54.6
Two to five years	1,209.4	1,416.6	66.5	100.1
Over five years	822.0	907.0	–	–
TOTAL	2,972.1	3,169.2	172.6	185.3

Charges on group assets

At 30 June 2003, certain bank loans and other borrowings were secured by the Group's property and equipment, accounts receivable and inventories equating to a net book value of US$61.8 million (31 December 2002: US$95.0 million). Apart from these, the Head Office's US$107.4 million bank loan was principally secured by the Group's interests in Indofood, PLDT and Metro Pacific of 51.5 per cent, 15.8 per cent and 80.6 per cent, respectively.

On 29 July 2003, following the refinancing of the US$107.4 million bank loan by the issuance of bonds in the amount of US$115 million, which are secured by the Group's 51.5 per cent interest in Indofood, the charges against the Group's investments in PLDT and Metro Pacific were released.

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, the principal components of the Company's adjusted net asset value (NAV) relate to investments denominated in peso or rupiah. Accordingly, any change in these currencies, against their respective 30 June 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.

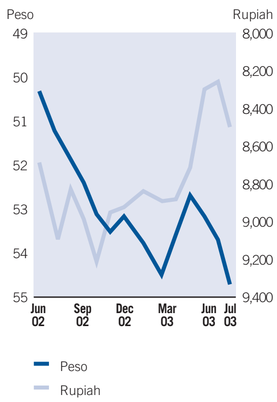
Company	Effect on adjusted NAV[i] US$m	Effect on adjusted NAV per share HK cents
PLDT	4.34	1.06
Indofood	4.51	1.10
Metro Pacific	1.06	0.26
TOTAL	**9.91**	**2.42**

(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 result in U.S. dollar. The changes of these currencies against the U.S. dollar is summarized below.

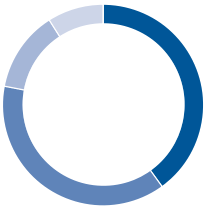
Peso and Rupiah closing rates against the U.S. dollar



Closing:	At 30 June 2003	At 31 December 2002	Six months change	At 30 June 2002	One year change
Peso	53.71	53.18	-1.0%	50.33	-6.3%
Rupiah	8,285	8,950	8.0%	8,713	5.2%

Average:	Six months ended 30 June 2003	12 months ended 31 December 2002	Six months change	Six months ended 30 June 2002	One year change
Peso	53.58	51.64	-3.6%	50.72	-5.3%
Rupiah	8,674	9,265	6.8%	9,505	9.6%

Analysis of total borrowings by currency



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$ millions	US$	Peso	Rupiah	HK$	Total
Total borrowings	417.6	141.4	444.4	107.4	**1,110.8**
Cash and cash equivalents(i)	(39.4)	(5.9)	(194.9)	(0.8)	**(241.0)**
NET DEBT	**378.2**	**135.5**	**249.5**	**106.6**	**869.8**
Representing:					
Head Office	(14.9)	(0.2)	–	106.6	**91.5**
Indofood	393.1	–	249.5	–	**642.6**
Metro Pacific	–	135.7	–	–	**135.7**
NET DEBT	**378.2**	**135.5**	**249.5**	**106.6**	**869.8**

Associated

US$ millions	US$	Peso	Yen	Rupee	Total
PLDT	2,544.8	49.0	171.2	–	**2,765.0**
Escotel	69.6	–	–	102.7	**172.3**

(i) Includes 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.

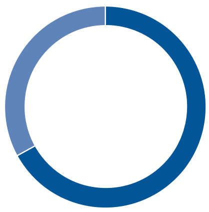
US$ millions	Total US$ exposure	Hedged amount(i)	Unhedged amount(i)	Profit effect of 1% currency change	Group profit effect(ii)
PLDT	2,544.8	(867.5)	1,677.3	16.8	**2.8**
Indofood	393.1	(310.0)	83.1	0.8	**0.3**
Escotel	69.6	(39.5)	30.1	0.3	**0.1**
Head Office(iii)	(14.9)	–	(14.9)	–	**–**
TOTAL	**2,992.6**	**(1,217.0)**	**1,775.6**	**17.9**	**3.2**

(i) Excludes the effect of "natural hedges".
(ii) Net of tax effect.
(iii) As the Group reports its results in U.S. dollars, unhedged HK 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.

Interest rate profile



Consolidated

US$ millions	Fixed interest rate borrowings	Variable interest rate borrowings	Cash and cash equivalents[i]	Net debt
Head Office	–	107.4	(15.9)	**91.5**
Indofood[ii]	333.0	528.9	(219.3)	**642.6**
Metro Pacific	36.4	105.1	(5.8)	**135.7**
CONSOLIDATED	**369.4**	**741.4**	**(241.0)**	**869.8**

Associated

US$ millions	Fixed interest rate borrowings	Variable interest rate borrowings	Cash and cash equivalents	Net debt
PLDT	1,944.1	1,028.0	(207.1)	**2,765.0**
Escotel	128.9	43.7	(0.3)	**172.3**

(i) Includes pledged deposits.

(ii) In January 2003, Indofood entered into an interest rate swap agreement with a bank which effectively changed its US$280 million Euro-bonds from fixed interest rate (10.375 per cent) to variable interest rate (LIBOR+7.39 per cent).

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

US$ millions	Variable interest rate borrowings	Profit effect of 1% change in interest rates	Group profit effect[i]
PLDT	1,028.0	10.3	**1.7**
Indofood	528.9	5.3	**1.9**
Metro Pacific	105.1	1.0	**0.6**
Escotel	43.7	0.4	**0.1**
Head Office	107.4	1.1	**1.1**
TOTAL	**1,813.1**	**18.1**	**5.4**

(i) Net of tax effect.

Equity market risk

As the majority of the Company's investments are listed, the Company is exposed to fluctuations in the equity market values of such investments. In addition, the value of the Company's investments may be impacted by sentiment towards specific countries.

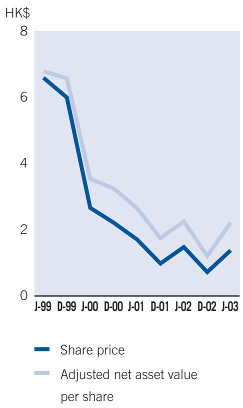
First Pacific's listed investments are located in the Philippines and Indonesia. Accordingly, in addition to operating factors within the Company's control, the Company also has an equity market risk in respect of general investor sentiment towards these countries. Changes in the stock market indices of the Philippines and Indonesia, during the first half of 2003, is summarized as follows:

	Philippines Composite Index	Jakarta Composite Index
At 31 December 2002	1,018.4	425.0
At 30 June 2003	1,222.8	505.5
Increase during first half of 2003	20.1%	19.0%

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.

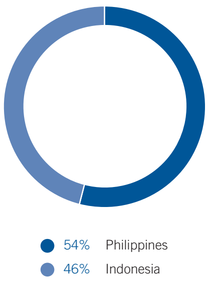
Share price vs adjusted net asset value per share



US$ millions	Basis	At 30 June 2003 Adjusted NAV	At 30 June 2003 Invested Capital[(i)]	At 31 December 2002 Adjusted NAV
PLDT	(ii)	433.8	1,240.7	209.3
Indofood	(ii)	451.0	706.6	294.7
Metro Pacific	(ii)	106.1	648.8	45.1
HEAD OFFICE				
– Net debt		(91.5)	(91.5)	(152.1)
– Receivable	(iii)	–	–	90.0
TOTAL VALUATION	(iv)	899.4	2,504.6	487.0
NUMBER OF ORDINARY SHARES IN ISSUE (millions)		3,186.0	3,186.0	3,186.0
Value per share				
– U.S. dollar		0.28	0.79	0.15
– HK dollars		2.20	6.13	1.19
Company's closing share price (HK$)		1.36	1.36	0.70
Share price discount to HK$ value per share (%)		38.2	77.8	41.2

(i) Before impairment provisions effected in 2001.
(ii) Adjusted NAV is based on quoted share prices applied to the Company's economic interest.
(iii) Represents the inter-company loan to Metro Pacific.
(iv) No value has been attributed to the Group's investment in Escotel, Mobile-8 and Infrontier.

Adjusted net asset value by country 30 June 2003



Employee information

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

Six months ended 30 June US$ millions	2003	2002
EMPLOYEE REMUNERATION (INCLUDING DIRECTORS' REMUNERATION)		
Basic salaries	61.0	50.9
Bonuses	7.3	7.5
Benefits in kind	11.5	12.1
Pension contribution	2.2	1.1
TOTAL	82.0	71.6

	2003	2002
NUMBER OF EMPLOYEES		
– At 30 June	44,490	48,500
– Average for the period	44,515	47,045

For details regarding the Group's remuneration policies for Directors and senior executives, please refer to page 26 of First Pacific's 2002 Annual Report.

Condensed consolidated profit and loss statement

Six months ended 30 June US$ millions	Notes	(Unaudited) 2003	2002
TURNOVER	2	1,008.7	899.1
Cost of sales		(768.2)	(676.5)
GROSS PROFIT		240.5	222.6
Distribution costs		(74.0)	(70.2)
Administrative expenses		(68.0)	(47.2)
Other operating income, net		20.8	32.2
OPERATING PROFIT	2,3	119.3	137.4
Share of profits less losses of associated companies		38.9	11.0
Net borrowing costs	4	(60.1)	(51.1)
PROFIT BEFORE TAXATION		98.1	97.3
Taxation	5	(20.9)	(38.0)
PROFIT AFTER TAXATION		77.2	59.3
Outside interests		(40.5)	(32.5)
PROFIT ATTRIBUTABLE TO ORDINARY SHAREHOLDERS	6	36.7	26.8
BASIC EARNINGS PER SHARE (U.S. cents)	7	1.15	0.85

The accompanying notes form an integral part of these Condensed Interim Financial Statements.

Condensed consolidated balance sheet

US$ millions	Notes	(Unaudited) At 30 June 2003	(Audited) At 31 December 2002
NON-CURRENT ASSETS			
Property and equipment	9	730.0	1,009.3
Associated companies	10	33.2	(24.5)
Long-term receivables, prepayments and deferred tax assets		252.9	274.9
Goodwill		18.8	19.3
		1,034.9	1,279.0
CURRENT ASSETS			
Cash and cash equivalents		238.8	203.3
Pledged deposits	14(b)	2.2	22.9
Short-term investments		53.9	42.8
Accounts receivable, other receivables and prepayments	11	368.7	389.0
Inventories		368.4	376.1
		1,032.0	1,034.1
CURRENT LIABILITIES			
Accounts payable, other payables and accruals	12	467.0	455.2
Short-term borrowings		302.8	531.7
Provision for taxation		26.6	26.6
		796.4	1,013.5
NET CURRENT ASSETS		235.6	20.6
TOTAL ASSETS LESS CURRENT LIABILITIES		1,270.5	1,299.6
EQUITY CAPITAL AND RESERVES			
Issued capital		31.9	31.9
Reserves		(52.7)	(103.1)
Shareholders' deficit		(20.8)	(71.2)
OUTSIDE INTERESTS		333.1	424.1
NON-CURRENT LIABILITIES			
Loan capital and long-term borrowings		808.0	757.2
Deferred liabilities and provisions	13	84.1	118.9
Deferred taxation		66.1	70.6
		958.2	946.7
		1,270.5	1,299.6

The accompanying notes form an integral part of these Condensed Interim Financial Statements.

On behalf of the Board of Directors

Manuel V. Pangilinan
MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER

Edward A. Tortorici
EXECUTIVE DIRECTOR

18 August 2003

Condensed consolidated statement of changes in shareholders' deficit

US$ millions	Issued capital	Share premium	Exchange reserve	Revenue reserve	(Unaudited) Total
Balance at 1 January 2002	31.4	908.7	(20.2)	(1,111.1)	(191.2)
Net gains not recognized in the profit and loss statement					
– Exchange translation	–	–	37.1	–	37.1
Dilution of interest in a subsidiary company	–	–	0.4	9.3	9.7
Net profit for the period	–	–	–	26.8	26.8
BALANCE AT 30 JUNE 2002	31.4	908.7	17.3	(1,075.0)	(117.6)
Balance at 1 January 2003	31.9	958.2	0.3	(1,061.6)	**(71.2)**
Net gains not recognized in the profit and loss statement					
– Exchange translation	–	–	9.0	–	**9.0**
Dilution of interests in a subsidiary and an associated company	–	–	0.5	4.2	**4.7**
Net profit for the period	–	–	–	36.7	**36.7**
BALANCE AT 30 JUNE 2003	31.9	958.2	9.8	(1,020.7)	**(20.8)**

The accompanying notes form an integral part of these Condensed Interim Financial Statements.

Condensed consolidated cash flow statement

Six months ended 30 June US$ millions	(Unaudited) 2003	2002
OPERATING PROFIT	119.3	137.4
Foreign exchange gains, net	(9.8)	(18.7)
Losses on dilution of interests in a subsidiary and an associated company	3.2	0.6
Depreciation	26.8	26.8
Payments in respect of deferred liabilities and provisions	(5.8)	–
Loss on sale of property and equipment	0.9	0.3
Decrease/(increase) in working capital[(i)]	58.0	(48.6)
Others	(24.2)	(25.8)
Net cash inflow generated from operations	168.4	72.0
Interest received	9.9	12.4
Interest paid	(66.0)	(40.0)
Tax paid	(16.4)	(18.7)
NET CASH INFLOW FROM OPERATING ACTIVITIES	95.9	25.7
Purchase of property and equipment and others	(40.7)	(56.2)
Sale of businesses, property and equipment and others	75.7	2.0
Loans (to)/repaid by associated companies	(11.0)	0.6
NET CASH INFLOW/(OUTFLOW) FROM INVESTING ACTIVITIES	24.0	(53.6)
Net borrowings repaid	(102.0)	(118.5)
Payment in connection with the shares repurchased by a subsidiary company	–	(35.3)
Shares issued to outside interests by a subsidiary company	5.6	19.9
Dividends paid to outside interests by a subsidiary company	–	(0.9)
NET CASH OUTFLOW FROM FINANCING ACTIVITIES	(96.4)	(134.8)
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	23.5	(162.7)
Cash and cash equivalents at 1 January	203.3	310.1
Exchange translation	12.0	14.6
CASH AND CASH EQUIVALENTS AT 30 JUNE	238.8	162.0
REPRESENTING		
Cash and cash equivalents	238.8	162.0

(i) Changes in working capital are stated excluding movements due to disposals of subsidiary companies.

The accompanying notes form an integral part of these Condensed Interim Financial Statements.

Notes to the Condensed Interim Financial Statements

1. Basis of preparation

The Condensed Interim Financial Statements have been prepared in accordance with Hong Kong Statement of Standard Accounting Practice (SSAP) No. 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants (HKSA) and the disclosure requirements of the Rules Governing the Listing of Securities (the Listing Rules) on The Stock Exchange of Hong Kong Limited (the Stock Exchange). The Condensed Interim Financial Statements are prepared on a basis consistent with the accounting policies adopted in the Group's 2002 audited Financial Statements except that the Group has changed its accounting policy in respect of deferred taxation following its adoption of the revised SSAP 12 "Income Taxes" issued by the HKSA 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 exceptions; and deferred tax asset for deductible temporary differences 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' deficit.

The Condensed Interim Financial Statements are unaudited but have been reviewed by the Audit Committee and the Group's external auditors.

2. Segmental information

Segmental information, relating to the Group's principal business activities and geographical markets, follows. Analysis by business activities 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

Six months ended 30 June US$ millions	Telecom- munications	Consumer Food Products	Property and Transportation	Head Office	2003 Total
PROFIT AND LOSS					
Segment revenue – turnover	–	970.7	38.0	–	1,008.7
Segment results/operating profit	–	105.2	34.0	(19.9)	119.3
Share of profits less losses of associated companies	18.1	(0.2)	21.0	–	38.9
Net borrowing costs					(60.1)
Profit before taxation					98.1
Taxation					(20.9)
Profit after taxation					77.2
Outside interests					(40.5)
Profit attributable to ordinary shareholders					36.7
OTHER INFORMATION					
Capital expenditure	–	35.8	2.5	–	38.3
Depreciation and amortization	–	25.9	1.4	–	27.3
Other non-cash expenses	–	2.2	–	–	2.2

By principal geographical markets – 2003

Six months ended 30 June US$ millions	Philippines	Indonesia	2003 Total
Turnover	38.0	970.7	1,008.7
Capital expenditure	2.5	35.8	38.3

By principal business activities – 2002

Six months ended 30 June US$ millions	Telecom- munications	Consumer Food Products	Property and Transportation	Discontinued operation(i)	Head Office	2002 Total
PROFIT AND LOSS						
Segment revenue – turnover	–	836.4	62.3	0.4	–	899.1
Segment results/operating profit	–	131.6	25.3	(2.3)	(17.2)	137.4
Share of profits less losses of associated companies	20.6	0.1	(9.7)	–	–	11.0
Net borrowing costs						(51.1)
Profit before taxation						97.3
Taxation						(38.0)
Profit after taxation						59.3
Outside interests						(32.5)
Profit attributable to ordinary shareholders						26.8
OTHER INFORMATION						
Capital expenditure	–	45.3	17.8	–	–	63.1
Depreciation	–	22.6	4.2	–	–	26.8
Other non-cash expenses	–	1.9	–	–	–	1.9

By principal geographical markets – 2002

Six months ended 30 June US$ millions	Philippines	Indonesia	Discontinued operation(i)	2002 Total
Turnover	62.3	836.4	0.4	899.1
Capital expenditure	17.8	45.3	–	63.1

(i) Represents Infrontier.

3. Operating profit

Six months ended 30 June US$ millions	2003	2002
OPERATING PROFIT IS STATED AFTER (CHARGING)/CREDITING		
Cost of inventories sold	(614.6)	(554.6)
Depreciation	(26.8)	(26.8)
Losses on dilution of interests in a subsidiary and an associated company	(3.2)	(0.6)
Doubtful debt provisions	(2.2)	(1.9)
Loss on sale of property and equipment	(0.9)	(0.3)
Amortization of goodwill (included in other operating income, net)	(0.5)	–
Net exchange gains on monetary items	9.8	18.7
Unrealized gains on short-term investments	3.3	0.2

4. Net borrowing costs

Six months ended 30 June US$ millions	2003	2002
Loan capital		
– wholly repayable within five years	0.8	2.8
– not wholly repayable within five years	–	0.5
Subtotal	0.8	3.3
Bank loans and other loans		
– wholly repayable within five years	68.8	55.3
– not wholly repayable within five years	0.4	2.5
Subtotal	69.2	57.8
TOTAL INTEREST EXPENSE	70.0	61.1
Other borrowing costs		
– Redemption premium on convertible instruments	–	4.2
TOTAL BORROWING COSTS	70.0	65.3
Less borrowing costs capitalized in development properties	–	(2.0)
Less interest income	(9.9)	(12.2)
NET BORROWING COSTS	60.1	51.1

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 period. 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.

Six months ended 30 June US$ millions	2003	2002
SUBSIDIARY COMPANIES		
Current taxation – Overseas	15.8	13.0
Deferred taxation – Overseas	(4.1)	15.4
Subtotal	11.7	28.4
ASSOCIATED COMPANIES		
Current taxation – Overseas	5.3	2.2
Deferred taxation – Overseas	3.9	7.4
Subtotal	9.2	9.6
TOTAL	20.9	38.0

The effective tax rate for 2003 was 21.3 per cent (2002: 39.1 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$1.9 million (2002: US$11.2 million) net exchange gains that arose primarily on the translation of the unhedged U.S. dollar denominated borrowings of PLDT and Indofood.

7. Basic earnings per share

Six months ended 30 June	2003	2002
Basic earnings per share is based on		
– profit attributable to ordinary shareholders of (US$m)	36.7	26.8
– and an average number of shares in issue of (millions)	3,186.0	3,139.8
resulting in basic earnings per share of (U.S. cents)	1.15	0.85

No diluted earnings per share for the six months period ended 30 June 2003 and 2002 have been presented as the outstanding convertible bonds, convertible notes and convertible preferred shares of the Company, a subsidiary and an associated company have anti-dilutive effects on the basic earnings per share for these periods. In addition, no diluting events existed in respect of the outstanding share options of the Company, a subsidiary and an associated company during these periods.

8. Ordinary share dividend

At a meeting held on 18 August 2003, the Directors did not recommend the payment of an interim dividend for 2003 (2002: Nil).

9. Property and equipment

The movements in property and equipment are set out below.

US$ millions	2003	2002
At 1 January	1,009.3	840.2
Exchange translation	46.8	108.8
Additions	38.3	63.1
Disposals	(1.4)	(17.5)
Disposal of a subsidiary company	(295.7)	–
Depreciation	(26.8)	(26.8)
Reclassifications(i)	(40.5)	67.8
AT 30 JUNE	730.0	1,035.6

(i) Reclassified (to)/from inventories.

10. Associated companies

US$ millions	At 30 June 2003	At 31 December 2002
Escotel	(141.7)	(136.4)
PLDT	98.3	80.4
Metro Pacific's associated companies	74.0	28.8
Others	2.6	2.7
TOTAL	33.2	(24.5)

11. Accounts receivable, other receivables and prepayments

Included in accounts receivable, other receivables and prepayments are trade receivables of US$184.0 million (31 December 2002: US$201.1 million), with an ageing profile as below.

US$ millions	At 30 June 2003	At 31 December 2002
0 to 30 days	149.0	160.3
31 to 60 days	13.7	11.8
61 to 90 days	4.7	8.3
Over 90 days	16.6	20.7
TOTAL	184.0	201.1

Indofood allows sub-distributors/wholesalers 60 days of credit, and other customers between 15 to 60 days of credit. Metro Pacific collects contract receivables by installments over periods ranging from two and five years.

12. Accounts payable, other payables and accruals

Included in accounts payable, other payables and accruals are trade payables of US$144.2 million (31 December 2002: US$175.6 million), with an ageing profile as below.

US$ millions	At 30 June 2003	At 31 December 2002
0 to 30 days	117.9	129.0
31 to 60 days	6.2	11.9
61 to 90 days	10.1	25.1
Over 90 days	10.0	9.6
TOTAL	144.2	175.6

13. Deferred liabilities and provisions

US$ millions	Deferred income	Long-term payables	Pension	Others	2003 Total	2002 Total
At 1 January	37.0	50.0	31.4	43.8	162.2	268.2
Exchange translation	(0.1)	(0.5)	2.4	(0.1)	1.7	8.7
Additions	–	0.4	1.3	17.1	18.8	34.6
Disposal of a subsidiary company	(0.4)	(34.5)	–	–	(34.9)	–
Payment and utilization	(6.7)	(5.4)	–	(20.5)	(32.6)	(139.4)
Subtotal	29.8	10.0	35.1	40.3	115.2	172.1
Less current portion included in accounts payable, other payables and accruals	(1.3)	(5.8)	–	(24.0)	(31.1)	(40.2)
AT 30 JUNE	28.5	4.2	35.1	16.3	84.1	131.9

Deferred income relates to the gross profit arising on property sales.

Long-term payables relate to liabilities for property development.

Pension relates to accrued liabilities in relation to retirement schemes.

Others mainly relates to provisions for severance payments and warranty claims.

14. Notes to the condensed consolidated cash flow statement

(a) Disposal of subsidiary companies

US$ millions	Bonifacio Land Corporation and its subsidiary companies
NET ASSETS	
Property and equipment	295.7
Associated companies	13.2
Long-term receivable, prepayments and deferred tax assets	69.0
Cash and cash equivalents	14.9
Accounts receivable, other receivables and prepayments	23.1
Inventories	15.1
Accounts payable, other payables and accruals	(58.2)
Due to Group companies	(44.4)
Short-term borrowings	(19.2)
Provision for taxation	(0.2)
Outside interests	(117.1)
Loan capital and long-term borrowings	(51.4)
Deferred liabilities and provisions	(10.9)
Deferred taxation	(4.7)
	124.9
Reclassification to interests in associated companies	(34.7)
NET ASSETS DISPOSED OF	90.2
CONSIDERATION	
Cash and cash equivalents	90.2
TOTAL CONSIDERATION	90.2
NET INFLOW OF CASH AND CASH EQUIVALENTS FOR CONDENSED CONSOLIDATED CASH FLOW STATEMENT	75.3

In April 2003, Metro Pacific's interest in Bonifacio Land Corporation (BLC) declined to 22.5 per cent from 72.9 per cent upon the assignment of 50.4 per cent controlling interest in BLC to settle Metro Pacific's debts as part of its ongoing debt restructuring exercises which were designed to address its liquidity issue. Accordingly, BLC which was previously a subsidiary company of the Group, is now accounted for as an associated company.

(b) Pledged deposits

The Company has pledged bank deposits of US$2.2 million (31 December 2002: US$2.3 million) as security for a loan. Indofood's pledged bank deposits totaling Rupiah 184.2 billion (US$20.6 million) at 31 December 2002 were fully released in January 2003.

(c) Non-cash transaction

During the period, the Metro Pacific group settled Pesos 2.2 billion (US$41.1 million) of borrowings through the transfer of properties to its creditors.

15. Commitments and contingent liabilities

(a) Capital expenditure

US$ millions	At 30 June 2003	At 31 December 2002
Commitments in respect of subsidiary companies:		
Authorized but not contracted for	21.6	13.6
Contracted but not provided for	31.2	23.9
TOTAL	52.8	37.5

Capital expenditure commitments relate to Indofood (purchase of machinery and equipment) and Metro Pacific (property development obligations).

(b) Contingent liabilities

At 30 June 2003, the Company has a guarantee of US$88.6 million (31 December 2002: US$92.6 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, represents the Group's 49 per cent share of Escotel's borrowings.

The non-compliance of certain financial ratios 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. However, Escotel's loan principal and interest payments remain current at and subsequent to 30 June 2003.

16. Share options

Particulars of the share options of the Company and its subsidiary companies granted to the Executive Directors, senior executives and former Directors of the Company at 30 June 2003 are set out below.

(a) Particulars of the Company's share option scheme

On 7 February 2003, the Company's Board of Directors approved the cancellation of all outstanding share options of the Company. The share option scheme has also been suspended by the Company, pending amendments to reconcile the scheme's provisions with Chapter 17 of the Listing Rules. As a result, there are no outstanding options under the Company's share option scheme at 30 June 2003.

	Options held at 1 January 2003	Options canceled during the period	Options held at 30 June 2003	Option exercise price (HK$)	Market price at date of grant (HK$)	Grant date	Exercisable from	Exercisable until
COMPANY								
EXECUTIVE DIRECTORS								
Manuel V. Pangilinan	12,498,000	(12,498,000)	–	9.47	9.60	19 December 1996	December 1996	December 2006
Edward A. Tortorici	920,000	(920,000)	–	9.22	9.15	16 July 1997	July 1997	July 2007
	5,556,000	(5,556,000)	–	6.72	6.80	25 June 1999	January 2000	June 2009
SENIOR EXECUTIVES	2,844,000	(2,844,000)	–	9.47	9.60	19 December 1996	December 1996 to December 1997	December 2006
	2,936,000	(2,936,000)	–	5.38	2.40-6.80	25 June 1999 to 14 August 2000	June 2000 to August 2001	June 2009
FORMER DIRECTORS	8,110,000	(8,110,000)	–	9.47	9.60	19 December 1996	December 1996	December 2006
	4,508,000	(4,508,000)	–	5.38	6.80	25 June 1999	June 2000	June 2009
TOTAL	37,372,000	(37,372,000)	–					

(b) Particulars of Indofood's share option scheme

	Options held at 1 January 2003	Option granted during the period	Options exercised during the period	Options canceled during the period	Options held at 30 June 2003	Options exercise price (Rupiah)	Market price at date of grant (Rupiah)	Market price at date of exercise (Rupiah)	Grant date	Exercisable from	Exercisable until
INDOFOOD											
SENIOR EXECUTIVES	–	228,900	(116,739)	(112,161)	–	412,500	287,500	400,000	24 February 2003	February 2003	May 2003

In March 2003, 228,900 options under Phase II of Indofood's Employee Stock Ownership Programme (ESOP) were granted and became rights of the qualified employees. Based on the said total number of options under Phase II, a total of 114,450,000 new shares of Indofood are available for subscription by the qualified employees at the exercise price of Rupiah 825 per share. During the period, 58,369,500 shares were issued through the exercise of 116,739 options granted under Phase II of Indofood's ESOP. The remaining 112,161 options were canceled on 15 May 2003 when they expired.

(c) Particulars of Metro Pacific's share option scheme

	Options held at 1 January 2003	Options canceled during the period	Options held at 30 June 2003	Option exercise price (Pesos)	Market price at date of grant (Pesos)	Grant date	Exercisable from	Exercisable until
METRO PACIFIC								
SENIOR EXECUTIVES	9,789,555	–	9,789,555	1.69	1.76	2 November 1993	November 1994	November 2003
	9,808,471	–	9,808,471	1.91	2.37	16 April 1995	April 1996	April 2005
	674,236	–	674,236	4.38	5.19	15 April 1996	April 1997	April 2006
	10,018,750	–	10,018,750	3.46	3.57	1 August 1997	August 1997	August 2007
TOTAL	30,291,012	–	30,291,012					

No share options have been granted or exercised during the period in respect of Metro Pacific's share option scheme.

The Directors are of the view that it is not appropriate to value the share options, on the ground that the value of options granted depends on a number of variables which are either difficult to ascertain or which can only be ascertained subject to a number of theoretical bases and speculative assumptions. Accordingly, the Directors believe that any calculation of the value of options will not be meaningful to shareholders.

Save as disclosed above, at no time during the period was the Company or any of its subsidiary companies a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate and none of the Directors of the Company or their spouses or children under the age of 18 had any right to subscribe for securities of the Company, or had exercised any such right during the period.

17. Connected and related party transactions

Significant related party transactions entered into by the Group during the period, which also constitute connected transactions under the Listing Rules, are disclosed in Notes (a) and (b). Other related party transactions, which do not constitute connected party transactions under the Listing Rules, are disclosed in Notes (c) and (d).

(a) Larouge B.V., a wholly-owned subsidiary of the Company, extended a US$90.0 million loan to Metro Pacific in April 2001. The loan was secured by a pledge over a 50.4 per cent interest of BLC shares that Metro Pacific owned. The loan was repaid on 17 April 2003. At 30 June 2003, the outstanding interest payable from Metro Pacific to Larouge B.V. on this loan amounted to Pesos 721 million (US$13.4 million).

(b) Since December 1995, the Company has provided guarantee, on a pro-rata basis to its shareholding, in respect of the credit facilities extended to Escotel. Details are provided in Note 15(b). The purpose of the guarantees is to facilitate Escotel's financing activities.

(c) Asia Link B.V. (ALBV), a wholly-owned subsidiary of the Company, has an existing Technical Assistance Agreement with Smart Communications Inc. (Smart), a wholly-owned subsidiary of PLDT, for ALBV to provide Smart with technical support services and assistance in the operations and maintenance of Cellular Mobile Telecommunications Services for a period of five years, subject to renewal upon mutual agreement between the parties. The agreement provides for quarterly payments of technical service fees equivalent to one per cent (2002: two per cent) of the net revenues of Smart.

ALBV also has an existing Service Agreement with Smart for a period of 25 years starting 1 January 1999, which shall automatically expire unless renewed by mutual agreement of both parties. Under the agreement, ALBV provides advice and assistance to Smart in sourcing capital equipment and negotiating with international suppliers, arranging international financing and other services therein consistent with and for the furtherance of the objectives of the services.

Total fees under these arrangements amounted to Pesos 147 million (US$2.7 million) for the period (2002: Pesos 233 million or US$4.6 million). At 30 June 2003, ALBV has outstanding receivables under these arrangements amounted to Pesos 26 million (US$0.5 million) (31 December 2002: Pesos 31 million or US$0.6 million).

(d) In the ordinary course of business, Indofood has engaged in trade and financial transactions with certain of its associated and affiliated companies, the majority of which are related to the Salim family either through direct and/or common share ownership. Mr. Anthoni Salim is the Non-executive Chairman and substantial shareholder of the Company and is a Commissioner of Indofood.

Indofood believes that these transactions are conducted under normal terms and conditions, similar to those with non-related parties. The more significant transactions with these related parties are summarized below.

Nature of balances US$ millions	At 30 June 2003	At 31 December 2002
BALANCE SHEET ITEMS		
Accounts receivable – trade		
– from associated companies	6.4	6.0
– from affiliated companies	2.6	4.0
Accounts receivable – non-trade		
– from associated companies	1.5	1.2
– from affiliated companies	12.3	11.9
Long-term receivables		
– from associated companies	4.9	4.0
– from affiliated companies	0.5	1.5
Accounts payable – trade		
– to associated companies	1.3	1.4
– to affiliated companies	2.6	2.3

Nature of transactions Six months ended 30 June US$ millions	2003	2002
PROFIT AND LOSS ITEMS		
Sales of finished goods		
– to associated companies	23.8	26.4
– to affiliated companies	1.4	8.6
Purchase of raw materials		
– from associated companies	6.0	6.8
– from affiliated companies	0.4	16.2

Approximately three per cent (2002: four per cent) of Indofood's sales and one per cent (2002: four per cent) of its purchases were transacted with these related companies.

18. Subsequent event

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 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. The net proceeds from the issue of the Bonds have been applied to prepay an outstanding secured debt, which was originally due and repayable in December 2003.

19. Comparative figures

Certain comparative figures have been reclassified to confirm with the current period's presentation.

Review Report of the Auditors

ERNST & YOUNG
安 永 會 計 師 事 務 所

To the Board of Directors of First Pacific Company Limited
(Incorporated in Bermuda with limited liability)

Introduction

We have been instructed by the Company to review the Condensed Interim Financial Statements set out on pages 14 to 27.

Respective responsibilities of Directors and Auditors

The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of Condensed Interim Financial Statements to be in compliance with SSAP 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants and the relevant provisions thereof. The Condensed Interim Financial Statements are the responsibility of, and have been approved by, the Directors. It is our responsibility to form an independent conclusion, based on our review, on the Condensed Interim Financial Statements and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Review work performed

We conducted our review in accordance with Statement of Auditing Standards 700 "Engagements to Review Interim Financial Reports" issued by the Hong Kong Society of Accountants. A review consists principally of making enquiries of Group management and applying analytical procedures to the Condensed Interim Financial Statements and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the Condensed Interim Financial Statements.

Review conclusion

On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the Condensed Interim Financial Statements for the six months ended 30 June 2003.

Ernst & Young
CERTIFIED PUBLIC ACCOUNTANTS

Hong Kong
18 August 2003

Review Statement of the Audit Committee

In accordance with the requirements of paragraph 39 of Appendix 16 of the Listing Rules issued by the Stock Exchange, the Audit Committee has reviewed the unaudited Condensed Interim Financial Statements for the six months ended 30 June 2003, including the accounting principles and practices adopted by the Group. The Audit Committee also has discussed auditing, internal control and financial reporting matters with the Company's management and its external auditors. The Company's external auditors were engaged by the Audit Committee to perform a review of the unaudited Condensed Interim Financial Statements for the six months ended 30 June 2003. The Review Report of the Auditors is set out on page 28.

Compliance with Code of Best Practice

None of the Directors of the Company are aware of any information that would reasonably indicate that the Company, during this period, has not been in compliance with the Company's Code of Best Practice, which incorporates the items set out in Appendix 14 of the Listing Rules issued by the Stock Exchange.

In compliance with the additional requirement of the Stock Exchange's Code of Best Practice, the Company in 1998 established an Audit Committee, which is currently composed of three 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.

Interests of the Non-executive Chairman, Managing Director, other Directors and Substantial Shareholders

Interests of the Non-executive Chairman, Managing Director and other Directors in the Company

Information in respect of the interests of the Non-executive Chairman, Managing Director and other Directors in the share capital of the Company at 30 June 2003 as recorded in the Register of Interests and Short Positions maintained under Section 352 of the Securities and Futures Ordinance (SFO) or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (Model Code), is detailed below.

		Ordinary shares
Sutanto Djuhar	30.0 per cent interest	
Tedy Djuhar	10.0 per cent interest	
Ibrahim Risjad	10.0 per cent interest	
Anthoni Salim	10.0 per cent interest all via First Pacific Investments Limited[(i)]	790,229,364(C)
Anthoni Salim	33.3 per cent interest via First Pacific Investments (BVI) Limited[(ii)]	628,296,599(C)
Manuel V. Pangilinan		6,026,759(P)
Edward A. Tortorici		13,132,129(P)
Benny S. Santoso		–
Robert C. Nicholson		–
Albert F. Del Rosario		–
Prof. Edward K.Y. Chen, CBE, JP		–
David W.C. Tang, OBE		–

(C) = Corporate interest, (P) = Personal interest

(i) Soedono Salim, the former Chairman, and Sudwikatmono, a former Non-executive Director, respectively own 30.0 per cent and 10.0 per cent interests in First Pacific Investments Limited.

(ii) Soedono Salim, the former Chairman, owns a 33.3 per cent interest in First Pacific Investments (BVI) Limited.

All the interests above represent long positions in the shares of the Company.

Other than as disclosed, none of the Directors were interested in, or had any short positions in, any shares, underlying shares or debentures of the Company at 30 June 2003.

Interests of the Non-executive Chairman, Managing Director and other Directors in the Company's associated corporations

The interests of the Non-Executive Chairman, Managing Director and other Directors in the share capital of the Company's associated corporations (within the meaning of the SFO) at 30 June 2003 recorded in the Register of Interests and Short Positions maintained under Section 352 of the SFO were as follows.

- Anthoni Salim owned 632,370 ordinary shares(P) in PT Indofood Sukses Makmur Tbk (Indofood).
- Manuel V. Pangilinan owned 15,048,064 common shares(P) in Metro Pacific Corporation (MPC), 40,000 common shares(P) in Philippine Long Distance Telephone Company (PLDT) and 300,000 common shares(P) in Pilipino Telephone Corporation. In addition, he is entitled to 97,571 stock options(P) in PLDT.
- Edward A. Tortorici owned 3,051,348 common shares(P) in MPC, 96,874 common shares(P) in PLDT and 2,450,000 ordinary shares(P) in Indofood.
- Sutanto Djuhar owned 15,520,335 ordinary shares(C) in Indofood.
- Tedy Djuhar owned 15,520,335 ordinary shares(C) in Indofood.

Interests of the Non-executive Chairman, Managing Director, other Directors and Substantial Shareholders

- Ibrahim Risjad owned 6,406,180 ordinary shares(P) in Indofood.
- Albert F. Del Rosario owned 48,824 common shares(P) in PLDT, 1,560 preferred shares(P) in PLDT, 21,822,680 preferred shares (P) in First e-Bank Corporation as beneficial owner and a further 32,231,970 preferred shares in First e-Bank Corporation as nominee for another person (not being a director or chief executive of the Company), 4 common shares(P) in First e-Bank Corporation, 100 common shares(P) in Negros Navigation Company, Inc., 4,922 common shares(P) in Costa de Madera Inc., 19,999 common shares(P) in FPD Savills Consultancy Philippines, Inc. as beneficial owner and one common share in FPD Savills Consultancy Philippines, Inc. as beneficiary of certain trusts, 4,999 common shares(P) in FPD Savills Philippines, Inc. as beneficial owner and one common share in FPD Savills Philippines, Inc. as beneficiary of certain trusts, as well as 15,000 common shares(P) in Metro Pacific Land Holdings Inc. and 80,000 common shares(P) in Metro Strategic Infrastructure Holdings, Inc. as beneficial owner.

(C) = Corporate interest, (P) = Personal interest

In addition to the above, certain Directors have non-beneficial personal equity interests in certain subsidiary and associated companies held solely for the benefit of the Company for the purpose of complying with various statutory and other minimum company membership requirements.

All the interests above represent long positions of the shares of the relevant associated corporations.

Other than as disclosed, none of the Directors were interested in, or had any short position in, any shares, underlying shares or debentures of any associated corporation of the Company at 30 June 2003.

Interests of Substantial Shareholders, other than the Non-executive Chairman, Managing Director and other Directors, in the Company

The Register of Interests in Shares and Short Positions of Substantial Shareholders maintained under Section 336 of the SFO shows that at 30 June 2003, the Company had been notified that the following persons were interested in 5.0 per cent or more of the Company's issued share capital.

(A) First Pacific Investments Limited (FPIL-Liberia), which is incorporated in the Republic of Liberia, beneficially owned 790,229,364 ordinary shares at 30 June 2003, representing approximately 24.80 per cent of the Company's issued share capital at that date. FPIL-Liberia is owned by the Non-executive Chairman (Anthoni Salim), three Non-executive Directors of the Company (Sutanto Djuhar, Tedy Djuhar and Ibrahim Risjad), the former Chairman (Soedono Salim) and a former Non-executive Director of the Company (Sudwikatmono), in the proportions specified in the table on page 31 and in note (i) to the table. Each of these persons is taken to be interested in the shares owned by FPIL-Liberia.

(B) First Pacific Investments (BVI) Limited (FPIL-BVI), which is incorporated in the British Virgin Islands, beneficially owned 628,296,599 ordinary shares at 30 June 2003, representing approximately 19.72 per cent of the Company's issued share capital at that date. Anthoni Salim, the Non-executive Chairman of the Company, and Soedono Salim, the former Chairman, each beneficially owns one-third or more of the issued share capital of FPIL-BVI and, accordingly, each of them is taken to be interested in the shares owned by FPIL-BVI.

(C) Marathon Asset Management Limited, which is incorporated in the United Kingdom, held 162,979,300 ordinary shares of the Company at 30 June 2003, representing approximately 5.12 per cent of the Company's issued share capital at that date.

(D) The Capital Group Companies, Inc., which is incorporated in Delaware, U.S.A., held 187,359,853 ordinary shares of the Company at 30 June 2003, representing approximately 5.88 per cent of the Company's issued share capital at that date. The Capital Group Companies, Inc. has subsequently notified the Company that its shareholding in the Company has decreased to 155,942,654 shares on 11 July 2003, representing approximately 4.89 per cent of the issued share capital of the Company on that date.

All the interests described above represent long positions in the shares of the Company.

Other than as disclosed, the Company has not been notified of any other person (other than a Director of the Company) who has an interest or a short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under Divisions 2 and 3 of the SFO.

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 period.

In February 2003, under its Employee Stock Ownership Programme, 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 period, 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 period.

HK GAAP and IAS Reconciliation

The Financial Statements of the Company are prepared in accordance with Hong Kong Generally Accepted Accounting Principles (HK GAAP). For the benefit of international investors, there follows a reconciliation between HK GAAP and International Accounting Standards (IAS) which sets out the principal differences between HK GAAP and IAS that would materially impact the consolidated profit attributable to ordinary shareholders and shareholders' equity/(deficit).

Goodwill, which is the difference between the consideration paid and the fair value of the identifiable net assets acquired, could be eliminated against reserves under HK GAAP prior to 2001. This was the accounting treatment adopted by the Group. IAS requires such purchased goodwill to be capitalized as an asset on the balance sheet and amortized through the profit and loss statement over the estimated useful life of the goodwill, which should not exceed 20 years. From 1 January 2001, the introduction of SSAP 30 eliminated the option of eliminating goodwill against reserves under HK GAAP, which has brought HK GAAP in line with IAS. Although permitted by SSAP 30, the Group has elected not to reinstate, as an asset, the goodwill that was eliminated against reserves prior to 2001.

Following the Group's adoption of the revised SSAP 12 "Income Taxes" with effect from 1 January 2003, the previous differences between HK GAAP and IAS accounting treatment in respect of deferred tax is now eliminated. Accordingly, no adjustments were made in the following reconciliations in respect of deferred tax.

The following is a summary of the estimated material adjustments between HK GAAP and IAS.

Profit attributable to ordinary shareholders

Six months ended 30 June US$ millions	2003	2002
PROFIT ATTRIBUTABLE TO ORDINARY SHAREHOLDERS AS REPORTED UNDER HK GAAP	36.7	26.8
Estimated material IAS adjustments		
– Reversal of goodwill reinstated on disposals and dilutions	0.8	1.4
– Purchased goodwill amortization[(i)]	(24.4)	(25.2)
ESTIMATED PROFIT ATTRIBUTABLE TO ORDINARY SHAREHOLDERS UNDER IAS	13.1	3.0

U.S. cents		
ESTIMATED BASIC EARNINGS PER SHARE UNDER IAS	0.4	0.1

Shareholders' equity/(deficit)

US$ millions	At 30 June 2003	At 31 December 2002
SHAREHOLDERS' DEFICIT AS REPORTED UNDER HK GAAP	(20.8)	(71.2)
Estimated material IAS adjustment		
– Capitalization of purchased goodwill	852.9	880.7
ESTIMATED SHAREHOLDERS' EQUITY UNDER IAS	832.1	809.5

U.S. cents		
ESTIMATED SHAREHOLDERS' EQUITY PER SHARE UNDER IAS	26.1	25.4

(i) Assumes goodwill is amortized over 20 years.

Information for Investors

Financial diary

Preliminary announcement of 2003 interim results	18 August 2003
Interim report posted to shareholders	30 August 2003
Financial year-end	31 December 2003
Preliminary announcement of 2003 results	1 March 2004*

* Subject to confirmation

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To consolidate shareholdings

Write to our principal share registrar and transfer office in Bermuda at:

Butterfield Fund Services (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke, Bermuda

Or the Hong Kong branch at:

Computershare Hong Kong Investor Services Limited
Rooms 1901-5, Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong SAR

Share listings

First Pacific's shares are listed on The Stock Exchange of Hong Kong and are traded over-the-counter in the U.S. in the form of American Depositary Receipts issued by The Bank of New York.

Stock codes

The Stock Exchange of Hong Kong: 142
Bloomberg: 142 HK
Reuters: 0142.HK
ADR Code: FPAFY
CUSIP reference number: 335889200

To receive a Chinese version of this report or additional information, contact

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First Pacific's Principal Investments

At 30 June 2003

Philippine Long Distance Telephone Company

PLDT is a telecommunications provider in the Philippines. It is based in Manila, and has common shares listed on the Philippine Stock Exchange and American Depositary Receipts listed on the New York Stock Exchange and on the Pacific Exchange located in San Francisco, California. 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.

Sector: Telecommunications
Place of incorporation / business area: Philippines
Issued number of shares: 169.4 million
Economic interest / voting interest: 24.3 per cent / 31.4 per cent

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

PT Indofood Sukses Makmur Tbk

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.

Sector: Consumer Food Products
Place of incorporation / business area: Indonesia
Issued number of shares: 9.4 billion
Economic interest / voting interest: 51.6 per cent

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

Metro Pacific Corporation

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

Sector: Property
Place of incorporation / business area: Philippines
Issued number of shares: 18.6 billion
Economic interest / voting interest: 80.6 per cent

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

Escotel Mobile Communications Limited

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

Sector: Telecommunications
Place of incorporation / business area: India
Issued number of shares: 366.0 million
Economic interest / voting interest: 49.0 per cent

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

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A Chinese version of this interim report is available from the Company upon request.
如有需要，可向本公司索取本中期報告之中文版本。

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