



Executive Chairman's Message

Manuel V. Pangilinan



Dear Fellow Shareholder,

In May 2001, First Pacific will be 20 years old. The company that began as a financial services provider called First Pacific Finance Limited has transformed and reinvented itself many times since then. But throughout its history, one objective has grounded and driven the organization: the development of value.

Without a doubt, the restructuring process we initiated in January 1998 was our boldest and most wide-reaching ever. Your management, contending with complex issues and changing operating environments, has successfully charted a course to position the Group optimally for future value creation. In the process, we completed some US\$6 billion of corporate transactions, and unlocked and crystallized the value of maturing assets.

First Pacific has emerged from this transformation as a refocused, recharged Group. Each holding in our diverse portfolio of investments is a leader in its market, with a proven capability to weather difficult economic conditions. And I am pleased to report that all of them recorded solid results in 2000.

During a period in which entrenched political issues adversely affected the rupiah, Indofood recorded increased sales volumes in all divisions, including record sales of nine billion packs of instant noodles. Moreover, the company generated sufficient cash to repay some US\$300 million of loans, meet its own funding needs, and to declare a dividend for the first time since 1996.

Similarly, PLDT contended with a volatile peso and an unstable political climate, but still had the vision to forego short-term profits to position itself for long-term growth. Its cellular services now boast 3.5 million subscribers, having grown by more than two million during 2000 alone. Moreover, through effective marketing and unparalleled services, PLDT has been able to reduce subscriber acquisition costs while maintaining subscriber take-up. During a year in which the economy of the Philippines trended downwards, PLDT has led the country in cellular growth.

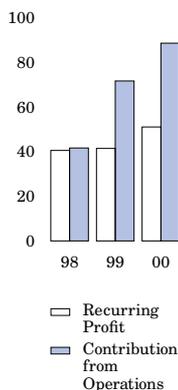
Indeed, all of our businesses have faced daunting challenges. Metro Pacific contended with a stagnant property market. Berli Jucker experienced lower demand for its glass bottles. Darya-Varia absorbed escalating costs for imported raw materials as the rupiah weakened. And Escotel struggled with an uncertain regulatory environment. Yet all responded resolutely – and all achieved commendable results.

As a result, contribution from operations continued to improve, increasing 24 per cent to US\$88.5 million. Recurring profit also continued its upward trend, growing 23 per cent to US\$51.0 million. These numbers demonstrate that our operating companies have continued to prosper and grow even in the face of challenging economic conditions and volatile currencies.

However, economic uncertainty, prompted by political instability, had the inevitable effect of eroding currency exchange rates and, consequently, reported results. We recorded some US\$143 million in largely unrealized exchange losses that offset non-recurring realized gains on disposals. Nevertheless, recurring earnings per share, which measures the underlying profitability of the Company's operations, increased nine per cent to US1.74 cents, and First Pacific ended the year with the lowest level of Head Office net indebtedness since 1995.

Strategic progress illustrated by year on year improvements

Recurring Profit and Contribution from Operations
US\$millions



STOCK PERFORMANCE

Strategic progress and operational performance improvements are not always immediately reflected in a company's share price. Such has been the case with First Pacific.

Because most of First Pacific's investments are listed separately, there is a strong correlation between the value of First Pacific stock and the stock values of its operating companies.

KEY REGIONAL CURRENCIES WEAKENED –
 RUPIAH DOWN 28 PER CENT, THE PESO DOWN 19 PER CENT,
 THE BAHT DOWN 13 PER CENT
**EPS UP 9 PER CENT, DESPITE AN INCREASE
 IN THE NUMBER OF SHARES IN ISSUE**

Despite sound operational performances, macro concerns have adversely affected the stock values of all of our operating companies. As First Pacific is essentially a reflection of these combined investments, this negative sentiment has also adversely influenced First Pacific's current stock value, which closed the year at HK\$2.23 per share.

OUTLOOK

Looking ahead, we expect our true stock value to remain under pressure as long as the economies of Southeast Asia remain weak and negative sentiment prevails. While there are some encouraging signs, such as the recent stabilization of the political situation in the Philippines, First Pacific will not be passively waiting for an upturn in sentiment to develop value. The same core management attributes that fueled First Pacific these past 20 years will continue to do so in the future. We continue to build sustainable value at the operating level through active management participation. We continue to motivate and drive our investments through coherent, cohesive goal setting. We continue to have the vision, determination and ability to ensure that our value creation of today will lead to a superior First Pacific tomorrow.

As such, 2001 will see further value enhancement as we put all of our efforts into growing the recurring profits and cash flows of our strategic businesses. Having essentially reshaped the Group, our focus is now on taking the steps necessary to recapture historic levels of growth in profits and cash flows.

FINAL THOUGHTS

In closing, I would like to recognize everyone who made 2000 such a commendable and defining year for First Pacific, in particular, our employees, our management team and our Board of Directors. I would especially like to acknowledge the contributions of David S. Davies, OBE, and James C. Ng.

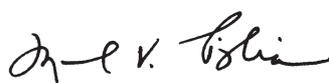
David, one of First Pacific's longest-serving directors, passed away in June 2000.

The passing of this gentleman, who had an enormous capacity for friendship and generosity, has saddened the entire First Pacific Group, as well as the business communities in which FPDSavills operates.

James stepped down from his position as a Non-executive Director of First Pacific in March 2001. In his 15 years with us, James also served on the board of First Pacific Bank, most recently as Managing Director and Chief Executive Officer. On behalf of the Board, I am truly grateful for the years of dedicated service and professionalism that characterized James' tenure with the Group, and we wish him well in his future endeavors.

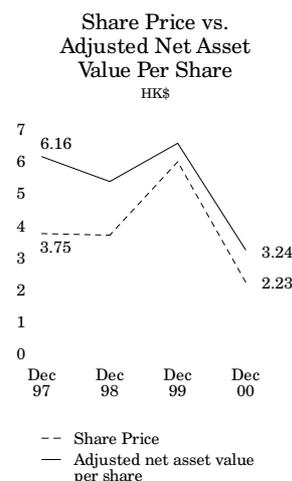
Finally, I would like to thank you, our shareholders, for your continued support of First Pacific. Our efforts over the past three years have demonstrated our willingness – and our ability – to move quickly and decisively to deal with changing market conditions. Those same qualities will serve us well as we continue to develop value and pursue new growth opportunities as they emerge.

Sincerely,



Manuel V. Pangilinan
 Executive Chairman

Share price out of sync with true value of underlying investments



Head Office net debt lowest since 1995

