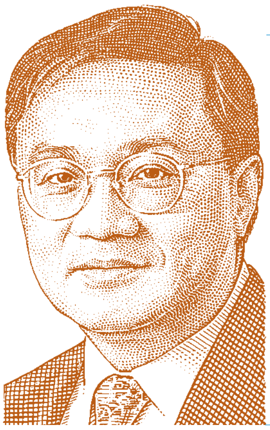


DEAR FELLOW SHAREHOLDER

MANUEL V. PANGILINAN
Executive Chairman

During the year 2001, First Pacific was challenged in a way that we had never previously experienced in our 20-plus years of operation. My letter to you this year – indeed, this entire 2001 Annual Report – is focused on providing you, and all of our other stakeholders, with a complete, in-depth discussion of:

The various challenges we faced
How we coped – or failed to cope – with each challenge
Where we stand today as a result of the efforts of our management team, and
Most importantly, where we believe the future of our Company lies

In many ways, I believe 2001 provides a particularly illustrative example of our core strategy of 'value added active management'. This, of course, is the core principle guiding a company such as First Pacific. To be sure, our Company, like many others, was built on the premise that active management of our portfolio companies could create and drive value for our shareholders. First Pacific's long history of value creation clearly validates this belief.

It is important to remember, moreover, that active management is even more crucial during difficult times, and this Annual Report will clearly demonstrate the superb efforts of our management team – working closely with the managements of our portfolio companies – to act in your best interests during the challenging year just concluded.

2001: A YEAR OF CHALLENGES In May 2001, First Pacific turned 20 years old. Unfortunately, despite a history of innovation, market leadership and value creation, we found ourselves in our 21st year facing several problems:

There was extreme pressure on our share price. Moreover we faced the prospect, on 1 June 2001, of being removed from the Hang Seng Index, reflecting the decline in our market capitalization. First Pacific's share price hit an all-time low of 72 Hong Kong cents and we were trading at 50 per cent below our net asset value.

We faced several imminent issues, all of which were well-documented by the financial analysts and media, regarding our debt position. The most pressing was the US$360 million repayment of convertible bonds due in March 2002 which, ideally, would need to be refinanced before the 2001 year-end. Moreover, there were, and continue to be, market concerns about the debt levels at our three key units – PLDT, Indofood and Metro Pacific. Finally, there were growing questions regarding Metro Pacific's ability to repay the US$90 million loan (known as the 'Larouge loan') that First Pacific extended in April and which was due for repayment at year-end 2001.

Our three-year-old strategy to invest in market leaders operating in the undervalued markets of Southeast Asia had yet to deliver anticipated positive results. In large part, this was attributable to the fact that the Philippines and Indonesia – the homes to our three largest investments – were suffering through social, political, economic and currency difficulties that adversely affected corporate performance. Consequently, world sentiment toward these two markets had turned especially negative.

During the year 2001, First Pacific was challenged in a way that we had never previously experienced in our 20-plus years of operation. Concerns about debt and worries about the economies of Indonesia and the Philippines combined to exert an enormous downward pressure on our valuation.

And, finally, there were questions regarding my level of involvement – and continued role – at First Pacific, given the fact that I had relocated to Manila to take on the President and Chief Executive Officer positions at PLDT.

The development, and escalation, of these concerns – and our management's response to each – is worthy of some discussion.

FIRST PACIFIC'S SHARE PRICE

	HK$
31 December 2000	**2.23**
High: 5 February 2001	**2.90**
Low: 24 October 2001	**0.72**
31 December 2001	**0.96**
4 March 2002	**1.18**

PRESSURES ON SHARE PRICE It is an understatement to say that 2001 was a difficult time for our share price. Clearly, the many concerns about debt levels, both at the First Pacific level and at the operating company level, and worries about the economies of Indonesia and the Philippines combined to exert an enormous downward pressure on our valuation.

There also were questions about First Pacific's new investment profile, and what this suggested about our long-term strategy. I believe that these questions were warranted. The fact is, our aggressive asset disposal program, of the previous few years, essentially had turned us into a holding company that was almost 100 per cent invested in listed companies. For many investors, therefore, there was no longer a compelling reason to invest at the First Pacific level; if they believed in the prospects of our portfolio of companies, they simply could invest directly in each of those companies.

DEBT Going into the year 2001, the number one priority of our management team was the refinancing of our convertible bonds, which were due for repayment in March 2002 at a cost of US$360 million. Although we were confident in our ability to refinance the debt, which was borne out by a new funding agreement with ING Bank NV in November 2001, the financial markets were keeping a sharp eye on us and the progress of our efforts.

There were several reasons for this. There was an inextricable link between First Pacific's ability to pay off its convertible bonds and to arrange new financing, and the debt levels of our units. More specifically, in April 2001 First Pacific had extended the US$90 million Larouge loan to Metro Pacific to assist the cash flow needs of that company. First Pacific's ability to refinance its convertible bonds, therefore, was tied very much to Metro Pacific's ability to repay First Pacific according to the terms of the Larouge loan. And, as the year proceeded and the Philippine property market remained depressed, it became clearer and clearer to many, First Pacific included, that Metro Pacific's ability to repay in full was doubtful.

SOUTHEAST ASIA STRATEGY It is easy – indeed, too easy – to blame all of the woes of PLDT, Indofood and Metro Pacific on external factors. Yes, social, political, economic and currency turmoil in Indonesia and the Philippines exacted a huge toll on Indofood and PLDT. The same pressures hurt Metro Pacific in the Philippines, as did the overall decline in the property market in Manila.

The fact is, First Pacific chose to move into those markets. We saw low valuations following the Asian crisis, and the opportunity for value creation. We can't point a finger at external forces, such as the economy or currency devaluations, and claim to be an innocent bystander. We chose a strategy and an investment route in which to implement our strategy. It encountered difficulties.

Consequently, we found ourselves in 2001 in need of a 'reality check'. Quite frankly, we were valuing our investments in these countries at levels far in excess of their likely market values.

We chose a strategy and an investment route in which to implement our strategy. It encountered difficulties. Consequently, we found ourselves in 2001 in need of a 'reality check'.

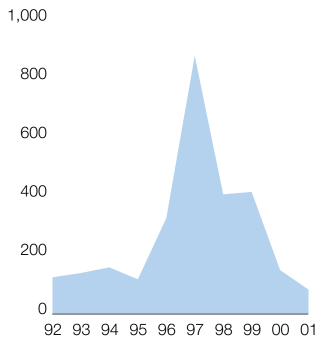
We also stopped and took a very close look at the reality of Metro Pacific and, more specifically, its investment in the development of the Fort Bonifacio site in Metro Manila.

MY ROLE There have been many questions regarding my role since the time I relocated to Manila to take over as CEO at PLDT. I will address these questions in the following way. PLDT is the largest single investment of First Pacific and we needed to focus on it. Given PLDT's long-term prospects, and near-term needs, it was very obvious that I could provide the greatest value to the organization, and the various shareholder constituencies, by taking on the senior management position at PLDT. At the same time, however, I have continued to function in my role at First Pacific, where I am in regular contact with key managers throughout our Group.

MEETING THE CHALLENGES THROUGH ACTIVE MANAGEMENT I am pleased to report that First Pacific's management team achieved significant progress in many of the areas I have discussed.

Reflecting the negative sentiments toward Indonesia and the Philippines, and the likelihood that there would not be any near-term appreciation in market values, we elected to take an asset impairment provision of US$1.7 billion for the year ended 31 December 2001. This decision was driven by our own prudent and conservative approach to financial reporting, as well as our desire to better align book values with current values.

HEAD OFFICE NET DEBT
US$millions



Faced with continued pressures at Metro Pacific, and the reality that the Larouge loan would not be repaid by year-end, First Pacific nevertheless was able to fund the repayment of its convertible bonds. To achieve this, the Hong Kong management team secured a US$200 million loan facility and expeditiously arranged the timely sales of Berli Jucker and Darya-Varia, two non-core businesses, which were sold for US$125 million and US$35 million, respectively. First Pacific's share price recovered from its low of 72 Hong Kong cents.

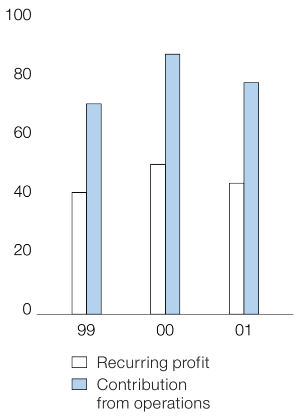
We dispatched an executive team to Manila to work with Metro Pacific on its debt issues and, particularly, its future involvement with the Fort Bonifacio development. When Metro Pacific was unable to repay the US$90 million Larouge loan, First Pacific as a secured creditor over a 50.4 per cent interest in Bonifacio Land Corporation (BLC) – the 55 per cent shareholder in the joint venture development project – that had been pledged as collateral, undertook to co-manage the sale of Metro Pacific's controlling 69.6 per cent interest in BLC. Metro Pacific is at present in discussions with its creditors regarding a plan to reduce its overall level of debt.

We continued to work with the management team at Indofood. Market challenges were convincingly addressed such that rupiah turnover and net income were both up 15 per cent from a year earlier, and US$200 million of debt was repaid. Indofood also re-instituted the paying of dividends, approved an employee stock ownership plan, approved and commenced a share buy back program, and appointed additional independent commissioners to its Board.

First Pacific nevertheless was able to fund the repayment of its convertible bonds. To better align book values with current values we made asset impairment provisions of US$1.7 billion. Our share price recovered from its low of 72 Hong Kong cents.

PLDT also continued to move in a positive direction; peso net income tripled and EBITDA margin remained strong at 53 per cent, while PLDT's cellular market leadership was cemented as Smart Communications' cellular subscriber base reached five million. Piltel's debt restructuring was concluded and PLDT itself began to undertake a series of liability management initiatives, including the capping of capital expenditure, as a means of addressing the repayment of its maturing debts.

RECURRING PROFIT AND CONTRIBUTION FROM OPERATIONS
US$millions



FINANCIAL PERFORMANCE I have deliberately delayed discussion of our financial performance for the year until the latter stages of my letter. Quite frankly, First Pacific's financial performance during 2001 is far less meaningful – and important – than the issues I have discussed prior to this.

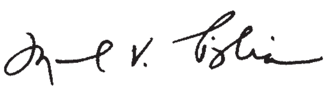
During the year, our continuing businesses improved their performance by 13 per cent to US$61.0 million, while recurring profit was down 13 per cent to US$44.6 million, reflecting the absence of contributions from disposed businesses. Because of our decision to take a US$1.7 billion impairment provision, for reasons as discussed above, and losses on the disposal of non-core assets, our attributable loss for the year was US$1.8 billion.

OUTLOOK What is our future? Clearly, the events of the past year have provided us with a renewed – and more disciplined – focus in looking ahead. Our goal in this 2001 Annual Report is to share that thinking with you by providing a Roundtable Discussion that includes several key managers from First Pacific and our operating companies. The Roundtable Discussion section follows this letter and I urge you to read it carefully.

FINAL THOUGHTS The year 2001 also saw the departure of three senior executives – James C. Ng, David G. Eastlake and Ricardo S. Pascua – who had made valuable contributions as Directors to First Pacific and its portfolio companies over the years. In Ric's case, his contributions extended over a period of nearly 20 years. I would personally like to thank James, David and Ric for their efforts on behalf of our companies and their stockholders.

I would also like to thank you, our shareholders, for your patience – and continued support – during these difficult times. Our challenges often have been complex, and our responses may not have occurred as quickly as you would have liked. We understand your frustration. However, the year 2001 demonstrates that we are making significant progress toward restoring First Pacific's stature to one of Asia's leading companies.

Sincerely,



MANUEL V. PANGILINAN
Executive Chairman

4 March 2002