FINANCIAL REVIEW

CONTENTS

FINANCIAL REVIEW

ASSET VALUES

In accordance with the Group's accounting policies, an annual review of the carrying cost of investments is performed in order to assess whether their book values continue to be appropriate. The values of investments are estimated within the context of prevailing circumstances and by reference, where appropriate, to the present value of future cash flows for each investment. To the extent that book values exceed estimated values, impairment provisions are recognized where it is considered that such diminutions in value are unlikely to be recovered in the near-term. This accounting treatment is consistent with Hong Kong SSAP 31, "Impairment of Assets".

First Pacific's reporting currency is the U.S. dollar and, accordingly, all investments are recorded in U.S. dollars in the Financial Statements. The Company's principal investments are located in the Philippines and Indonesia. These investments were made in local currencies and recorded in U.S. dollar equivalents calculated at the prevailing exchange rates at the dates of acquisition. Details of the Company's original acquisition costs in local currency terms, together with the prevailing exchange rates at the dates of acquisition, are set out below:

	Acquisitions	Historic cost/share(i)	Exchange rate to US$(i)	Historic cost/share US$	Historic investment cost US$m
Metro Pacific	1986 to 2001	Pesos 1.6	32.8	0.05	747.0
PLDT	1998 and 2000	Pesos 1,239.8	41.2	30.09	1,241.0
Indofood	1999 and 2000	Rupiah 1,338.6	8,330.0	0.16	706.6

(i) Weighted average.

During the period since First Pacific's investment in the above companies, the peso and rupiah have experienced a significant depreciation against the U.S. dollar. At 31 December 2001 exchange rates stood at Pesos 51.6 and Rupiah 10,400 to the U.S. dollar compared to the prevailing rates at the time of acquisition, as detailed above. These currency depreciations have significantly reduced the value of First Pacific's investments in U.S. dollar terms.

Furthermore, the country risks associated with the Philippines and Indonesia have adversely affected equity values in those countries and, as a result of this negative sentiment, the estimated values of First Pacific's investments in PLDT, Metro Pacific and Indofood are significantly below book values. In addition to country risk factors, Metro Pacific's investment in Bonifacio Land has been significantly and adversely affected by the protracted decline in the Philippine property market.

Due to prolonged negative sentiment in relation to the Philippines and Indonesia and the impact of the depreciation of the peso and rupiah against the U.S. dollar, there does not appear to be any near-term prospect of a significant increase in values. Accordingly, as a result of the above factors, the book values of First Pacific's investments have been reduced to levels more consistent with current market values by the recognition of impairment provisions totaling US$1.7 billion.

In keeping with First Pacific's prudent and conservative approach to financial reporting, the provisions have the effect of writing down investments to the lower end of their respective estimated value ranges. Calculations to determine the estimated value of PLDT and Indofood, based on the present value of future cash flows, indicate per share values in the following ranges:

PLDT: Pesos 700 to Pesos 1,000
Indofood: Rupiah 1,200 to Rupiah 1,600

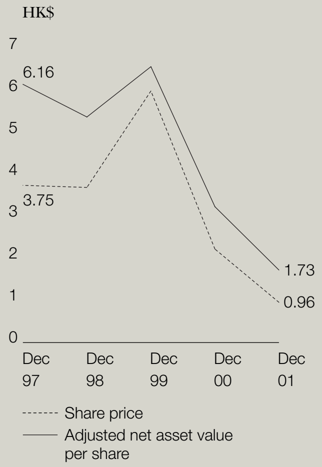
The impairment provisions recognized in 2001 are analyzed as follows.

At 31 December 2001	Company Pre-adjusted book value(i) US$m	Company Impairment provisions US$m	Company Adjusted book value US$m	Consolidated Pre-adjusted book value(ii) US$m	Consolidated Impairment provisions US$m	Consolidated Adjusted book value US$m
PLDT(iii)	1,241.0	(681.7)	559.3	1,125.1	(565.8)	559.3
Indofood(iii)	706.6	(200.0)	506.6	806.2	(299.6)	506.6
Metro Pacific(iv)	747.0	(648.8)	98.2	843.3	(745.1)	98.2
Escotel(v)	63.0	–	63.0	(8.3)	–	(8.3)
Infrontier	17.2	–	17.2	3.2	–	3.2
Metrosel(vi)	–	–	–	–	–	–
	2,774.8	(1,530.5)	1,244.3	2,769.5	(1,610.5)	1,159.0
Provisions for other exposures(vii)		(100.0)			(100.0)	
Impairment charge		(1,630.5)			(1,710.5)	

(i) Acquisition cost.
(ii) Acquisition cost plus attributable share of post-acquisition reserves.
(iii) Adjusted book value represents Pesos 700 per share and Rupiah 1,200 per share for PLDT and Indofood, respectively.
(iv) Adjusted book value represents US$90.0 million of loan, and US$8.2 million of accrued interest due from Metro Pacific.
(v) The negative consolidated book value represents the amount by which the attributable share of post-acquisition losses of US$71.3 million exceeds the investment cost of US$63.0 million.
(vi) Full impairment provision made in 1998.
(vii) General risk, including provisions for the potential effect of any further depreciation of the peso and the rupiah.

As a result of the above adjustments, the book values of investments, both for the Company and consolidated balance sheets, are now stated at levels which are more consistent with prevailing market values as summarized in the following table.

SHARE PRICE VS. ADJUSTED NET ASSET VALUE PER SHARE



ADJUSTED NET ASSET VALUE PER SHARE

	Basis	Adjusted NAV 4 March 2002 US$m	31 December 2001 Adjusted NAV US$m	31 December 2001 Invested capital(i) US$m
PLDT	(ii)	397.7	**333.6**	**559.3**
Indofood	(ii)	338.3	**264.2**	**506.6**
Metro Pacific(iii)	(ii)	192.2	**185.4**	**98.2**
Escotel	(iv)	63.0	**63.0**	**63.0**
Infrontier	(iv)	17.2	**17.2**	**17.2**
HEAD OFFICE				
– Net indebtedness		(83.3)	**(83.3)**	**(83.3)**
– Redemption premium on bonds		(84.6)	**(84.6)**	**(84.6)**
TOTAL VALUATION	(v)	840.5	**695.5**	**1,076.4**
NUMBER OF ORDINARY SHARES IN ISSUE (millions)		3,139.8	**3,139.8**	**3,139.8**
Value per share				
– U.S. dollar		0.27	**0.22**	**0.34**
– HK dollars		2.09	**1.73**	**2.67**
Company's closing share price (HK$)		1.18	**0.96**	**0.96**
Share price discount to HK$ value per share (%)		43.5	**44.5**	**64.0**

(i) After impairment provisions.
(ii) Based on quoted share prices applied to the Company's economic interest.
(iii) The adjusted NAV includes US$98.2 million of loan and accrued interest due from Metro Pacific.
(iv) Based on investment cost.
(v) No value has been attributed to the Group's investment in Metrosel.

LIQUIDITY AND RESOURCES

A) COMPANY NET INDEBTEDNESS Head Office borrowings as at 31 December 2001 were US$297.8 million compared to US$317.9 million in 2000. The only remaining Head Office debt is in respect of US$247.8 million convertible bonds repayable in March 2002 and a US$50.0 million convertible note, repayable in September 2006. Further details are set out in Note 21 to the Financial Statements.

Head Office cash increased by US$46.6 million during the year to US$214.5 million at 31 December 2001. This primarily reflects the proceeds from disposals of Berli Jucker and Darya-Varia.

CHANGES IN HEAD OFFICE NET INDEBTEDNESS

	Borrowings US$m	Cash and bank US$m	Net indebtedness US$m
At 1 January 2001	317.9	(167.9)	150.0
Movement	(20.1)	(46.6)	(66.7)
AT 31 DECEMBER 2001	**297.8**	**(214.5)**	**83.3**

HEAD OFFICE CASH FLOW

	2001 US$m	2000 US$m
Net cash (outflow)/inflow from operating activities	**(6.4)**	29.4
Net cash outflow from servicing of finance	**(4.2)**	(4.5)
Dividends paid to shareholders	**(4.0)**	(8.9)
Tax paid	**–**	(14.6)
Investments[(i)]	**(117.5)**	(105.3)
Proceeds on disposal[(ii)]	**204.2**	370.1
Financing activities		
– Convertible bonds repayment	**(25.5)**	–
– Net loan repayment	**–**	(185.0)
– Floating rate notes repayment	**–**	(8.5)
INCREASE IN CASH AND CASH EQUIVALENTS	**46.6**	72.7

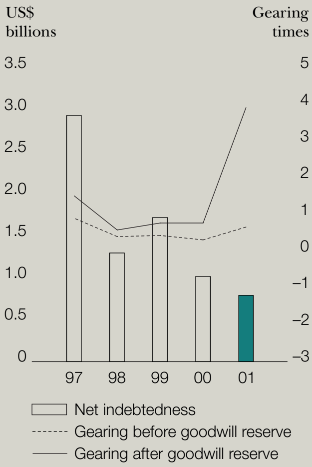
(i) 2001 represents a loan to Metro Pacific (US$90.0 million), First Pacific's final payment regarding its purchase of Metro Pacific's eight per cent interest in PLDT (US$16.1 million) and further investment in Infrontier (US$11.4 million).
(ii) 2001 principally represents Berli Jucker (US$125.0 million), Darya-Varia (US$35.0 million) and Savills plc (US$41.6 million).

Subsequent to the year-end, the Company utilized US$190.0 million from a two year bank loan facility, together with cash on hand, to fully redeem the outstanding convertible bonds at a premium of 34.1 per cent. Accordingly, the Company's revised net indebtedness, on a pro forma basis, after reflecting the repayment of the convertible bonds is as follows:

	Borrowings US$m	Cash and bank US$m	Net indebtedness US$m
At 31 December 2001	297.8	(214.5)	83.3
Redemption premium on bonds	84.6	–	84.6
PRO FORMA BEFORE REPAYMENT OF BONDS	382.4	(214.5)	167.9
Bank loan	190.0	(190.0)	–
Repayment of bonds	(332.4)	332.4	–
PRO FORMA AFTER REPAYMENT OF BONDS	240.0	(72.1)	167.9

B) GROUP NET INDEBTEDNESS An analysis of consolidated net indebtedness and gearing by operating company follows.

NET INDEBTEDNESS AND GEARING



CONSOLIDATED NET INDEBTEDNESS AND GEARING BY OPERATING COMPANY

	Net indebtedness(i) 2001 US$m	**Net assets 2001 US$m**	**Gearing 2001 times**	Net indebtedness(i) 2000 US$m	Net assets 2000 US$m	Gearing 2000 times
Head Office	**83.3**	**693.5**	**0.09**	150.0	1,500.1	0.10
Indofood	**442.5**	**318.6**	**1.39**	494.5	271.6	1.82
Metro Pacific	**264.6**	**188.7**	**1.40**	303.1	1,287.9	0.24
Infrontier	**0.1**	**(14.0)**	**–**	–	–	–
Disposed businesses(ii)	**–**	**–**	**–**	68.8	159.4	0.43
CONSOLIDATED BEFORE GOODWILL RESERVE	**790.5**	**1,186.8**	**0.67**	1,016.4	3,219.0	0.32
Goodwill reserve	**–**	**(985.8)**	**–**	–	(1,913.9)	–
CONSOLIDATED AFTER GOODWILL RESERVE	**790.5**	**201.0**	**3.93**	1,016.4	1,305.1	0.78

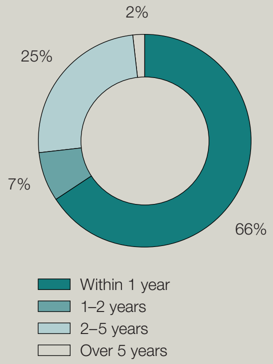
ASSOCIATED COMPANIES

	Net indebtedness 2001 US$m	**Net assets/ (liabilities) 2001 US$m**	**Gearing 2001 times**	Net indebtedness 2000 US$m	Net assets/ (liabilities) 2000 US$m	Gearing 2000 times
PLDT	**3,321.1**	**1,733.5**	**1.92**	3,730.3	1,746.1	2.14
Escotel	**200.2**	**(78.5)**	**–**	176.6	(46.0)	–

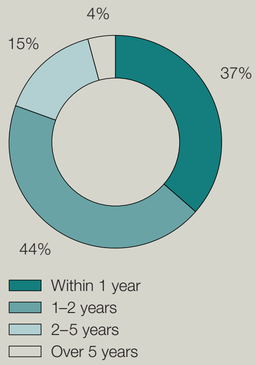
(i) Includes pledged deposits and excludes inter-company indebtedness.
(ii) Represents Berli Jucker and Darya-Varia.

- Head Office's gearing improved principally as a result of cash proceeds received on the disposals of Berli Jucker, Savills plc and Darya-Varia, partly offset by the impact of advancing a US$90.0 million loan to Metro Pacific.
- Indofood's gearing improved as a result of the reduction in net indebtedness and increase in net assets.
- Metro Pacific's gearing increased mainly because of the reduction of net assets, due to the impairment provisions, partly offset by the repayment of convertible bonds in April 2001.
- PLDT's gearing improved as a consequence of the deconsolidation of Piltel in June 2001.

MATURITY PROFILE OF CONSOLIDATED DEBT
2001



2000



The maturity profile of consolidated debt is set out in Notes 16 and 21 to the Financial Statements and is summarized below. The change to the debt maturity profile principally reflects the fact that the Head Office's US$247.8 million convertible bonds (due March 2002) and Indofood's US$339.8 million of bank loans (due 2002) are now due within one year of 31 December 2001.

MATURITY PROFILE OF CONSOLIDATED DEBT

	2001 US$m	2000 US$m
Within one year	**750.2**	526.1
One to two years	**86.0**	637.1
Two to five years	**285.1**	221.7
Over five years	**20.3**	59.7
TOTAL	**1,141.6**	1,444.6

Included in consolidated debt are amounts due by the Metro Pacific group with the following maturity profile:

	2001 US$m
Within one year	**161.8**
One to two years	**36.7**
Two to five years	**66.0**
Over five years	**18.5**
TOTAL	**283.0**

On 1 March 2002, Metro Pacific announced its intention to implement a debt reduction plan as summarized in Note 32(B) to the Financial Statements. If successfully implemented, this plan will reduce the overall indebtedness of the Metro Pacific group and/or extend the maturity profile of certain debts to match anticipated future revenue streams. Consequently, Metro Pacific's debt maturity profile may ultimately differ from that set out above.

The maturity profile of the borrowings of the Group's associated companies follows. The change in the debt maturity profile of PLDT primarily reflects the deconsolidation of Piltel with effect from June 2001. The improvement in Escotel's maturity profile reflects the impact of debt refinancing completed in March 2001.

ASSOCIATED COMPANIES

	PLDT		Escotel	
	2001 US$m	2000 US$m	**2001 US$m**	2000 US$m
Within one year	**548.7**	340.4	**8.5**	91.9
One to two years	**687.0**	657.3	**28.3**	24.3
Two to five years	**1,292.9**	1,518.3	**148.7**	45.9
Over five years	**869.5**	1,407.9	**18.1**	16.4
TOTAL	**3,398.1**	3,923.9	**203.6**	178.5

CHARGES ON GROUP ASSETS At 31 December 2001, property and equipment, accounts receivable and inventories with net book amount totaling US$163.7 million (2000: US$168.9 million) were mortgaged as securities for certain of the Group's banking facilities.

C) NET CURRENT LIABILITIES At 31 December 2001, consolidated net current liabilities stood at US$234.5 million, analyzed as follows:

	2001 US$m	2000 US$m
Cash, bank balances and short-term investments[(i)]	**362.6**	393.9
Accounts receivable and prepayments	**328.7**	518.5
Inventories	**361.5**	259.0
Current assets	**1,052.8**	1,171.4
Accounts payable, accruals and taxation	**537.1**	428.9
Short-term borrowings	**750.2**	526.1
Current liabilities	**1,287.3**	955.0
NET CURRENT (LIABILITIES)/ASSETS	**(234.5)**	216.4

(i) Includes pledged deposits of US$41.0 million (2000: US$8.0 million).

The principal reason for consolidated net current liabilities at 31 December 2001 is the increase in short-term borrowings to US$750.2 million, which is analyzed by company as follows:

	2001 US$m
Head Office	**247.8**
Metro Pacific	**161.8**
Indofood	**339.8**
Infrontier	**0.8**
TOTAL	**750.2**

The amount in respect of Head Office relates entirely to the convertible bonds due 27 March 2002. In addition, the accrued redemption premium, payable on the convertible bonds, of US$80.2 million was included in accounts payable at 31 December 2001. As explained on page 29, subsequent to the year-end, the Company fully funded the repayment of the convertible bonds from available cash and a two-year bank loan facility.

As noted on page 30, Metro Pacific intends to implement a debt reduction plan which if successfully implemented will reduce the overall indebtedness of the Metro Pacific group and/or extend the maturity profile of its debts to match anticipated future revenue streams. Accordingly, it is anticipated that Metro Pacific will not be required to settle in full its US$161.8 million of short-term borrowings during 2002.

Indofood's short-term borrowings include various bank loans which mature in 2002. Indofood intends to repay/refinance these borrowings as part of its normal treasury management process.

Accordingly, the various steps taken at the relevant companies to repay or refinance maturing debt obligations will address the apparent mismatch of current assets and current liabilities at 31 December 2001.

FINANCIAL RISK MANAGEMENT

FOREIGN CURRENCY RISK

A) COMPANY RISK As all Head Office debt was denominated in U.S. dollars at year-end 2001 and the bank loan drawn down in early 2002 is denominated in HK dollars, which is pegged to the U.S. dollar at a fixed exchange rate, 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, but does not actively seek to hedge risks arising from foreign currency translation of investments due to their non-cash nature and the high cost associated with such hedging. Accordingly, First Pacific is exposed to the impact of foreign currency fluctuations on the U.S. dollar value of its investments.

As most of the principal components of the Company's NAV (with the exception of Escotel and Head Office amounts) relate to investments held in peso or rupiah, any depreciation of those currencies from their level at 31 December 2001 would have a negative impact on the Company's NAV in U.S. dollar terms.

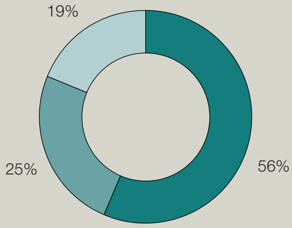
The following table illustrates the estimated impact on the Company's adjusted NAV for a 1.0 per cent depreciation against the U.S. dollar of the peso and the rupiah.

Company	Effect on adjusted NAV US$m	Effect on adjusted NAV per share HK cents
Indofood	(2.64)	(0.65)
PLDT	(3.34)	(0.83)
Metro Pacific	(0.87)	(0.22)
TOTAL[(i)]	(6.85)	(1.70)

(i) The NAV of the Group's investment in Escotel is based on the historic U.S. dollar cost and accordingly any depreciation of the rupee would not affect the Company's adjusted NAV.

B) GROUP RISK First Pacific's policy is for each operating entity to borrow in local currencies where possible. However, it is often necessary for companies to borrow in U.S. dollars which results in a translation risk in their local currency results. A summary of consolidated net indebtedness by currency follows.

ANALYSIS OF
TOTAL BORROWINGS
BY CURRENCY



	US$millions
US$	643.7
Peso	283.0
Rupiah	212.8
Others	2.1
Total	**1,141.6**

CONSOLIDATED NET INDEBTEDNESS BY CURRENCY

	US$ US$m	Peso US$m	Rupiah US$m	Other US$m	**Total US$m**
Total borrowings	643.7	283.0	212.8	2.1	**1,141.6**
Cash and bank balances[(i)]	(221.2)	(18.4)	(104.0)	(7.5)	**(351.1)**
NET INDEBTEDNESS/(CASH)	422.5	264.6	108.8	(5.4)	**790.5**
REPRESENTING					
Head Office	90.2	–	–	(6.9)	**83.3**
Indofood	333.4	–	108.8	0.3	**442.5**
Metro Pacific[(ii)]	–	264.6	–	–	**264.6**
Infrontier	(1.1)	–	–	1.2	**0.1**
NET INDEBTEDNESS/(CASH)	422.5	264.6	108.8	(5.4)	**790.5**

(i) Includes pledged deposits.
(ii) Excludes Head Office inter-company funding of US$90.0 million.

ASSOCIATED COMPANIES

	US$ US$m	Peso US$m	Yen US$m	Rupee US$m	**Total US$m**
PLDT	2,893.5	250.6	177.0	–	**3,321.1**
Escotel	75.2	–	–	125.0	**200.2**

Details of Head Office net indebtedness are set out on page 28.

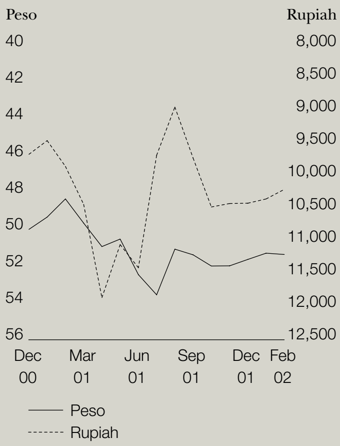
Indofood hedges its U.S. dollar debt through foreign currency swap agreements, revenue from exports and U.S. dollar deposits. In addition, US$165.0 million U.S. dollar denominated borrowings were repaid in 2001 to further reduce its exposure to movements in the rupiah exchange rate. At the end of 2001, approximately 93 per cent of Indofood's US$333.4 million of U.S. dollar denominated net borrowings were hedged through foreign currency swap agreements which mature on various dates in 2005.

Following the repayment of its convertible bonds in April 2001, Metro Pacific has no third party U.S. dollar debt. Its remaining U.S. dollar exposure is the US$90.0 million inter-company loan extended by the Head Office.

PLDT carries U.S. dollar debt primarily because international vendors of telecommunications equipment quote prices and require payment in U.S. dollars. In addition, large funding requirements often cannot be satisfied in local currency due to inherent constraints within the financial markets in the Philippines. As a result, financing frequently needs to be sourced from the international capital market, principally in U.S. dollars. Although it is not possible to hedge significant U.S. dollar balances in the Philippines, PLDT has actively hedged approximately 14 per cent of its U.S. dollar borrowings. However, substantial revenues of PLDT are either denominated in, or linked to, the U.S. dollar. For example, PLDT's U.S. dollar denominated international inbound revenue accounted for approximately US$176.0 million or 12.2 per cent of the company's total revenue in 2001. In addition, under certain circumstances, PLDT is able to adjust its monthly recurring rates for its fixed line service by 1.0 per cent for every Peso 0.1 change in the U.S. dollar exchange rate.

Escotel carries U.S. dollar borrowings for reasons similar to PLDT. Approximately 66 per cent of its U.S. dollar debt has been hedged into the rupee.

KEY REGIONAL CURRENCY
CLOSING RATES
AGAINST THE U.S. DOLLAR



As a result of unhedged U.S. dollar net indebtedness, particularly at PLDT, the Group's results are sensitive to fluctuations in U.S. dollar exchange rates. The following table illustrates the estimated impact, arising from unhedged U.S. dollar net indebtedness, on the Group's reported profitability for a 1.0 per cent depreciation of the principal operating currencies of subsidiary and associated companies against the U.S. dollar. This does not reflect the indirect impact on the Group's operational results as a consequence of changes in local currency revenues and costs due to fluctuations in U.S. dollar exchange rates.

	Total US$ exposure US$m	Hedged amount[i] US$m	Unhedged amount[i] US$m	Profit impact of 1% currency depreciation US$m	**Group profit impact[ii] US$m**
PLDT	2,893.5	416.0	2,477.5	24.7	**(4.1)**
Metro Pacific[iii]	90.0	–	90.0	0.9	**(0.5)**
TOTAL PHILIPPINES	2,983.5	416.0	2,567.5	25.6	**(4.6)**
Indofood (Indonesia)[iii]	403.5	310.0	93.5	0.9	**(0.3)**
Escotel (India)	75.2	50.0	25.2	0.3	**(0.1)**
Head Office[iv]	90.2	–	90.2	–	**–**
Infrontier	(1.1)	–	(1.1)	–	**–**
TOTAL	3,551.3	776.0	2,775.3	26.8	**(5.0)**

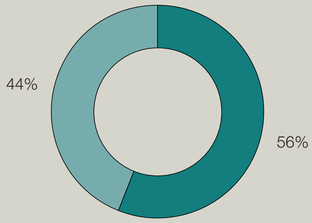
(i) Excludes the impact of "natural hedges".
(ii) Net of tax effect.
(iii) Includes Head Office inter-company funding of US$90.0 million to Metro Pacific, and US$70.1 million of premium payable on hedging contracts at Indofood.
(iv) As the Group reports its results in U.S. dollars, unhedged U.S. dollar debt at Head Office carries no exchange exposure.

During 2001, Indofood and Metro Pacific paid down their U.S. dollar denominated net indebtedness by US$84.0 million and US$66.9 million, respectively, in order to reduce their exposure to movements in exchange rates.

PLDT's U.S. dollar denominated net indebtedness decreased principally as a result of the deconsolidation of Piltel in June 2001 and the increased utilization of peso borrowings to refinance U.S. dollar debt.

INTEREST RATE RISK The Company and the majority of its operating entities are exposed to changes in interest rates to the extent that these impact the cost of variable rate borrowings. An analysis of consolidated net indebtedness by fixed and variable rate borrowings, together with details for associated companies, follows:

INTEREST RATE PROFILE



	US$millions
Floating	643.3
Fixed	498.3
Total	**1,141.6**

CONSOLIDATED

	Fixed interest borrowings US$m	Variable interest borrowings US$m	Cash and bank balances(i) US$m	**Net indebtedness Total US$m**
Head Office	297.8	–	(214.5)	**83.3**
Indofood	101.6	457.7	(116.8)	**442.5**
Metro Pacific(ii)	97.4	185.6	(18.4)	**264.6**
Infrontier	1.5	–	(1.4)	**0.1**
CONSOLIDATED NET INDEBTEDNESS	498.3	643.3	(351.1)	**790.5**

ASSOCIATED COMPANIES

	Fixed interest borrowings US$m	Variable interest borrowings US$m	Cash and bank balances US$m	**Net indebtedness Total US$m**
PLDT	2,149.0	1,249.1	(77.0)	**3,321.1**
Escotel	139.0	64.6	(3.4)	**200.2**

(i) Includes pledged deposits.
(ii) Excludes Head Office inter-company funding of US$90.0 million.

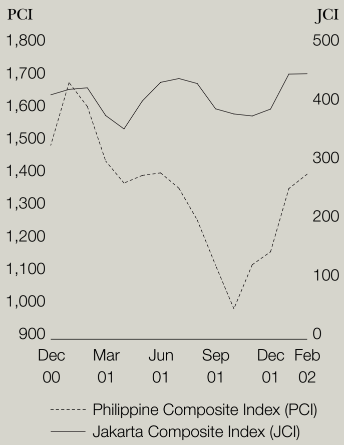
As a result of variable interest rate debt at a number of operating companies, the Group's results are sensitive to fluctuations in interest rates. The following table illustrates the estimated impact on the Group's reported profitability of a 1.0 per cent increase in average annual interest rates for those entities that hold variable interest rate debt.

	Variable interest borrowings US$m	Profit impact of 1% increase in interest rates US$m	**Group profit impact(i) US$m**
Indofood	457.7	4.6	**(1.6)**
Metro Pacific	185.6	1.9	**(1.0)**
PLDT	1,249.1	12.5	**(2.1)**
Escotel	64.6	0.6	**(0.3)**
TOTAL	1,957.0	19.6	**(5.0)**

(i) Net of tax effect.

Subsequent to the year-end, US$117.3 million of fixed interest rate borrowings in respect of the Head Office's convertible bonds were repaid. In addition, funds of US$176.3 million were deposited with the convertible bonds trustee to fully fund the repayment of the US$130.5 million of outstanding convertible bonds on 27 March 2002. The settlement of the convertible bonds was partially funded by the drawdown of US$190.0 million from a bank loan facility. This variable interest loan has been swapped into a fixed interest rate to the extent of US$100.0 million, such that a 1.0 per cent increase in interest rates would reduce Group profit by a further US$0.9 million.

STOCK MARKET INDICES



EQUITY MARKET RISK As the majority of its investments are in listed entities, the Company is exposed to fluctuations in the equity values for those companies in which it has invested. In addition, the value of the Company's investments may be impacted by sentiment towards specific countries or geographical areas. For example, as PLDT represents approximately nine per cent of the Philippine Composite Index, it is often taken as a proxy for market sentiment towards Philippine equities as a whole. Indofood represents approximately three per cent of the Jakarta Composite Index.

First Pacific's listed investments are located in Indonesia and the Philippines. 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 Indonesia and the Philippines is summarized as follows:

	Jakarta Composite Index	Philippine Composite Index
Index at 31 December 2000	416.32	1,494.50
Index at 31 December 2001	392.04	1,168.08
Decline during 2001	5.8%	21.8%
Index at 4 March 2002	455.19	1,429.35
Increase over 2002 to 4 March 2002	16.1%	22.4%