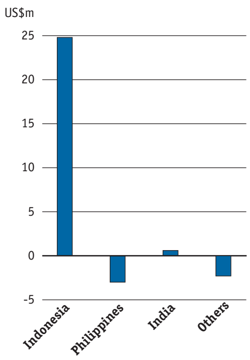
REVIEW OF OPERATIONS

During the period, the Group's continuing businesses improved their profit contribution by eight per cent to US$22.4 million (1H01: US$20.7 million), while recurring profit improved by 25 per cent to US$15.6 million (1H01: US$12.5 million). Foreign exchange gains of US$11.2 million (1H01: US$32.5 million loss) were recorded, reflecting stronger regional currencies. There follows a contribution summary.

Contribution from operations by country



CONTRIBUTION SUMMARY

Six months ended 30 Jun US$ millions	Turnover 2002	Turnover 2001	Contribution to Group profit/(loss)(i) 2002	Contribution to Group profit/(loss)(i) 2001
Indofood	836.4	671.4	24.8	18.6
PLDT(ii) (iii)	–	–	17.4	14.0
Metro Pacific	62.3	87.8	(20.4)	(8.2)
Escotel(ii)	–	–	0.6	(3.7)
From continuing businesses	898.7	759.2	22.4	20.7
From disposed businesses(iv)	0.4	145.3	(2.3)	4.8
FROM OPERATIONS	899.1	904.5	20.1	25.5
Corporate overhead			(5.0)	(6.3)
Interest expense			(9.6)	(12.8)
Interest income			10.1	6.1
RECURRING PROFIT			15.6	12.5
Foreign exchange gains/(losses)			11.2	(32.5)
Reversal of provision for investments(iii)			–	7.9
PROFIT/(LOSS) ATTRIBUTABLE TO ORDINARY SHAREHOLDERS			26.8	(12.1)

(i) After taxation and outside interests, where appropriate.
(ii) Associated companies.
(iii) In 2001, a share of Piltel's losses of US$7.9 million has been offset by the release of a provision at the Group level. Comparative figures for PLDT have been restated to separately show the effect of this provision release.
(iv) Represents Infrontier in 2002 and 2001; Berli Jucker, Darya-Varia and Savills plc in 2001.

INDOFOOD

PT Indofood Sukses Makmur Tbk (Indofood) is the leading processed-foods group in Indonesia. The principal businesses of Indofood are Noodles, Flour and Edible Oils & Fats, and it also has interests in Distribution, Food Seasonings, Baby Foods and Snack Foods.

Indofood's operations are denominated in rupiah, which averaged Rupiah 9,505 (1H01: Rupiah 10,661) to the U.S. dollar, and 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 need to be made to Indofood's reported rupiah results to ensure compliance with Hong Kong GAAP. An analysis of such adjustments follows.

Rupiah millions	2002	2001
Net income under Indonesian GAAP(1)	571,087	352,695
Differing accounting treatments(2)		
– Pension expenses	82,319	(108,338)
– Foreign exchange accounting	27,217	27,217
– Others	20,785	(21,043)
Adjusted net income under Hong Kong GAAP	701,408	250,531
Foreign exchange(3)	(222,191)	163,839
Indofood's net income as reported by First Pacific	479,217	414,370
US$ millions		
Translated into U.S. dollars at prevailing average rates of 2002: Rupiah 9,505 and 2001: Rupiah 10,661	50.4	38.8
Contribution to First Pacific Group profit, at an average shareholding of 2002: 49.2% and 2001: 48.0%	24.8	18.6

(1) Indofood has restated its net income for 1H01 from Rupiah 352,695 million to Rupiah 217,211 million after giving effect to the adoption of Statement of Financial Accounting Standard No. 55 in Indonesia, which standard is not applicable to First Pacific.

(2) Differences in accounting under Indonesian GAAP, compared with Hong Kong GAAP. Principal adjustments include:

- *Pension expenses: Indofood, since late 2001, accrues all pension liabilities, consistent with Hong Kong GAAP. Adjustments are therefore no longer required. However, 1H02 includes the reversal of Rupiah 82.3 billion of over-accrued pension costs in prior years. The Rupiah 108.3 billion adjustment for 1H01 represents First Pacific's accrual of Indofood's pension liabilities.*
- *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.*

(3) 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$24.8 million (1H01: US$18.6 million) to the Group, reflecting:

- strong sales revenues achieved through a mix of volume growth and price increases for all divisions, with the exception of Distribution;
- pressure on the gross margins of Noodles, and Edible Oils & Fats. This was respectively due to higher labor costs, and increased costs for crude palm oil and copra. Indofood's rupiah gross profit increased three per cent to Rupiah 1.91 trillion (US$201.1 million), and the rupiah gross margin for the period was 24.0 per cent (1H01: 26.0 per cent);
- increased costs for fuel, and the selling and promotion activities that underscored the growth in sales volumes. Indofood's rupiah operating margin for the period was 10.9 per cent (1H01: 14.4 per cent);
- reduced interest costs in rupiah terms, as the rupiah strengthened against the U.S. dollar;
- adjustments to ensure compliance with Hong Kong GAAP and First Pacific presentation, as detailed above.

During the first half of 2002 Indofood raised a US$100.0 million two-year term loan facility for working capital purposes, and US$280.0 million through competitively priced five-year Euro-bonds, the proceeds of which were used to replace existing debts. Indofood repaid debts of Rupiah 676.8 billion (US$71.2 million) and US$283.2 million over the period. The Financial Review section contains further information on Indofood's net debt.

REVIEW OF OPERATIONS

As of 30 June 2002, Indofood had bought back 461.5 million shares under its share buy back programme, and issued 228.9 million shares under its employee stock ownership programme (ESOP). The programme to buy back up to 10 per cent of Indofood's issued and paid-up capital is being implemented in stages up to 30 November 2002, and will continue for as long as the repurchase of shares provides greater returns than alternate uses of cash. The ESOP covers 457.8 million shares, representing five per cent of Indofood's issued and paid-up capital, and is being implemented in stages. The first stage, representing 50 per cent of the ESOP, was completed in May 2002. The implementation of the second and third phases, each representing 25 per cent of the programme, will be completed in May 2003 and May 2004, respectively.

PLDT

Philippine Long Distance Telephone Company (PLDT) is the largest and most diversified telecommunications company in the Philippines. Its businesses are organized into three main segments: Wireless (principally through wholly-owned subsidiary Smart Communications (Smart)); Fixed Line (principally through PLDT); and Information and Communications Technology (principally through wholly-owned subsidiary ePLDT).

PLDT's operations are principally denominated in pesos, which averaged Pesos 50.72 (1H01: Pesos 50.17) to the U.S. dollar, and 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 need to be made to PLDT's reported peso results to ensure compliance with Hong Kong GAAP. An analysis of such adjustments follows.

Pesos millions	**2002**	**2001**
Net income under Philippine GAAP	**2,755**	1,374
Preference dividends[1]	**(813)**	(769)
Net income attributable to common shareholders	**1,942**	605
Differing accounting treatments[2]		
– Foreign exchange accounting	**2,852**	(2,774)
– Fair values on acquisition	**1,400**	1,800
– Piltel losses	**(1,230)**	(1,610)
– Others	**171**	830
Intragroup items[3]	**140**	140
Adjusted net income/(loss) under Hong Kong GAAP	**5,275**	(1,009)
Foreign exchange[4]	**(1,652)**	3,874
PLDT's net income as reported by First Pacific	**3,623**	2,865

US$ millions		
Translated into U.S. dollars at prevailing average rates of 2002: Pesos 50.72 and 2001: Pesos 50.17	**71.4**	57.1
Contribution to First Pacific Group profit, at an average shareholding of 2002: 24.4% and 2001: 24.6%	**17.4**	14.0

(1) First Pacific presents net income after the deduction of preference dividends.

(2) Differences in accounting under Philippine GAAP, compared with Hong Kong GAAP. Principal adjustments include:

- *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. An adjustment is required to reverse 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 on its acquisition of PLDT, such that certain PLDT assets are held at different values. As such, the adjustment represents the reversal of depreciation on assets that First Pacific has already written down.*
- *Piltel losses: While Philippine GAAP allows PLDT to deconsolidate Piltel as PLDT's voting and economic interest in Piltel has declined to 45.3 per cent, Hong Kong GAAP recognizes that PLDT has the ability to control Piltel through PLDT's no cost, no restriction option to convert its preferred Piltel shares into Piltel common shares. Accordingly, under Hong Kong GAAP, Piltel's results are consolidated and, as Piltel's net asset value is negative, additional losses attributable to minority interests are recognized.*

(3) These are standard consolidation adjustments to ensure that transactions between Group companies are eliminated to present the Group as a single economic entity.

(4) 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$17.4 million (1H01: US$14.0 million) to the Group, reflecting:

- strong growth in Wireless, principally Smart's revenues growing to Pesos 16.3 billion (1H01: Pesos 10.6 billion) as its GSM subscribers reached 5.3 million (1H01: 3.6 million) and ARPU's remained above Pesos 550 (1H01: Pesos 592). In addition, Piltel's GSM subscriber base grew to 1.6 million (1H01: 0.8 million), and its operational loss for 1H02 reduced to Pesos 1.9 billion from Pesos 3.5 billion for 1H01;
- declining revenues and net income from Fixed Line, despite strong growth in Data revenues and reduced cash operating expenses;
- losses for Information and Communications Technology, which mask ePLDT's revenue growth to Pesos 402.0 million (1H01: Pesos 210.5 million);
- adjustments to ensure compliance with Hong Kong GAAP and First Pacific presentation, as detailed above.

During the period, PLDT completed a substantial portion of its liability management programme, which programme is designed to raise funds to address the US$1.3 billion of PLDT's debts that mature between 2002 and 2004. This included a new US$149 million facility from KfW to in-part refinance KfW's existing debt; the issuance of an aggregate of US$350 million global notes; and the launching of a US$130 million multicurrency syndicated term loan facility expected to be completed during the third quarter of 2002. PLDT intends to settle the remaining debt out of increased cash flows, through PLDT's on-going efforts to contain costs and reduce capex, and dividends from Smart. In addition, PLDT recently announced that it has secured a Yen 9.76 billion (US$84 million) Overseas Investment Loan from the Japan Bank for International Cooperation (JBIC). The Financial Review section contains further information on PLDT's net debt.

METRO PACIFIC

Metro Pacific Corporation (Metro Pacific) is based and separately listed in Manila and principally holds interests in property developers Bonifacio Land Corporation (BLC), Pacific Plaza Towers and Landco Pacific. Metro Pacific also holds interests in shipping company Negros Navigation, and in First e-Bank.

REVIEW OF OPERATIONS

Metro Pacific's operations are denominated in pesos, which averaged Pesos 50.72 (1H01: Pesos 50.17) to the U.S. dollar, and 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 need to be made to Metro Pacific's reported peso results to ensure compliance with Hong Kong GAAP. An analysis of such adjustments follows.

Pesos millions	2002	2001
Net loss under Philippine GAAP	(8,076)	(1,088)
Differing accounting treatments(1)		
– Reversal of impairment provision	7,188	–
– Others	(290)	382
Adjusted net loss under Hong Kong GAAP	(1,178)	(706)
Foreign exchange(2)	(105)	190
Metro Pacific's net loss as reported by First Pacific	(1,283)	(516)

US$ millions		
Translated into U.S. dollars at prevailing average rates of 2002: Pesos 50.72 and 2001: Pesos 50.17	(25.3)	(10.3)
Contribution to First Pacific Group profit, at an average shareholding of 2002: 80.6% and 2001: 80.6%	(20.4)	(8.2)

(1) Differences in accounting under Philippine GAAP, compared with Hong Kong GAAP. Principal adjustments include:

– Reversal of impairment provision: In Metro Pacific's 1H02 accounts, an impairment provision of Pesos 7.2 billion has been made in respect of its investment in BLC. As such impairment provision has already been established in First Pacific's 2001 accounts, an adjustment is required to reverse the provision made by Metro Pacific.

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

Metro Pacific contributed a loss of US$20.4 million (1H01: US$8.2 million loss) to the Group, reflecting:

- revenues on the sale, for Pesos 2.5 billion, of an undeveloped five-hectare lot in the Bonifacio Global City, which sale revenue is recognized on a cash receipts basis, offset by the recognition of all sale-related costs;
- a reduction in the number of units sold at Pacific Plaza Towers. Four units were sold during the first half of 2002; compared with 63 units in the comparative period in 2001, which included a bulk sale transaction;
- improved earnings from both Nenaco and Landco;
- increased borrowing costs as both Metro Pacific and BLC ceased to capitalize interest in 2002;
- adjustments to ensure compliance with Hong Kong GAAP and First Pacific presentation, as detailed above.

In January 2002, Metro Pacific through a transaction with Manuela Land and House, Inc., increased its interest in BLC to 72.9 per cent from 69.6 per cent.

In January 2002, Metro Pacific announced that it was undertaking a debt reduction plan. This process is on-going and Metro Pacific anticipates restructuring certain debts by providing property assets as security, and settling other debts with property assets. The Larouge Loan remains outstanding in the amount of US$90.0 million of principal, and US$17.4 million of accrued interest as at 30 June 2002. The Financial Review section contains further information on Metro Pacific's net debt.

ESCOTEL

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

Escotel's operations are denominated and reported in rupees, which averaged Rupees 48.81 (1H01: Rupees 46.77) to the U.S. dollar.

Escotel returned its first profit, contributing US$0.6 million (1H01: US$3.7 million loss) to the Group, reflecting:

- increased subscriber revenues, underscored by strong growth in subscribers to 571,887 at 30 June 2002 (1H01: 333,242 subscribers);
- reduced year on year ARPUs at Rupees 508 (1H01: Rupees 545) due to the rapid expansion of Escotel's prepaid subscriber base;
- increased network, subscriber and depreciation expenses, in line with Escotel's expansion.

The Financial Review section contains further information on Escotel's net debt.

INFRONTIER

First Pacific reduced its interest in Infrontier Limited (Infrontier) to 19 per cent from 100 per cent, effective 30 April 2002.

First Pacific's decision was based on the fact that, while the enterprise continues to offer longer-term potential, key financial objectives were not achieved. Accordingly, First Pacific decided to limit its direct financial support for Infrontier, which to date has totaled US$24 million.

Under the terms of the transaction, which was signed on 19 August 2002, First Pacific has transferred a controlling stake of 81 per cent to the incumbent management who, with effect from 1 May 2002, have been responsible for meeting Infrontier's support requirements. Mr. James Jones has replaced Mr. Edward A. Tortorici, Executive Director of First Pacific, as CEO of Infrontier as Mr. Tortorici has stepped down.

In order to participate in Infrontier's future growth, First Pacific has retained a minority stake of 19 per cent, will have proportional representation on the Infrontier board, and holds an option, exercisable until 30 April 2003, to increase its shareholding to 49 per cent.

For the period to 30 April 2002, Infrontier contributed a loss of US$2.3 million and, with effect from 1 May 2002, Infrontier has been accounted for as a long-term investment.