FPC Exe
1/2 (82-

Publication: South China Morning Post **Date:** 1 Sep 2005
Page: Classified 6 & 7 **Where Published:** Hong Kong

dlw 9/14

FIRST PACIFIC

FIRST PACIFIC COMPANY LIMITED

(Incorporated in Bermuda with limited liability)
(Stock Code: 00142)

2005 Interim Results – Unaudited

FINANCIAL HIGHLIGHTS

- Net profit increased by 18.1 per cent to US$60.8 million (HK$474.2 million) from US$51.5 million (HK$401.7 million).
- Turnover decreased by 5.9 per cent to US$942.5 million (HK$7,351.5 million) from US$1,002.0 million (HK$7,815.6 million), principally reflecting the effect of rupiah depreciation.
- Excluding the effects of foreign exchange and derivative losses and non-recurring gains, recurring profit increased by 8.5 per cent to US$53.9 million (HK$420.4 million) from US$49.7 million (HK$387.7 million).
- Basic earnings per share increased by 17.9 per cent to US1.91 cents (HK14.90 cents) from US1.62 cents (HK12.64 cents).
- Shareholders' equity increased by 39.5 per cent to US$317.3 million (HK$2,474.9 million) at 30 June 2005 from US$227.4 million (HK$1,773.7 million) at 31 December 2004.
- Consolidated gearing ratio improved to 1.13 times at 30 June 2005, compared with 1.45 times at 31 December 2004.
- An interim dividend of US0.13 cent (HK1.00 cent) per ordinary share has been declared. In 2004, no interim dividend was declared.

CONDENSED INTERIM FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED PROFIT AND LOSS STATEMENT – UNAUDITED

For the six months ended 30 June	2005 US$m	2004 (Restated)(i) US$m	2005* HK$m	2004* (Restated)(i) HK$m
Turnover – *Note 2*	942.5	1,002.0	7,351.5	7,815.6
Cost of sales	(702.7)	(756.7)	(5,481.1)	(5,902.3)
Gross profit	239.8	245.3	1,870.4	1,913.3
Distribution costs	(81.7)	(90.2)	(637.3)	(703.5)
Administrative expenses	(57.3)	(64.4)	(446.9)	(502.3)
Other operating expenses, net	(6.3)	(35.4)	(49.1)	(276.1)
Net borrowing costs – *Note 3*	(59.2)	(55.4)	(461.8)	(432.1)
Share of profits less losses of associated companies	71.1	49.9	554.6	389.2
Profit before taxation – *Note 4*	106.4	49.8	829.9	388.5
Taxation – *Note 5*	(20.4)	(10.6)	(159.1)	(82.7)
Profit from continuing operations	86.0	39.2	670.8	305.8
Profit from a discontinued operation – *Note 6*	–	18.8	–	146.6
Profit for the period	86.0	58.0	670.8	452.4
Attributable to:				
Equity holders of the parent – *Note 7*	60.8	51.5	474.2	401.7
Minority interest	25.2	6.5	196.6	50.7
	86.0	58.0	670.8	452.4

For the six months ended 30 June	2005	2004 (Restated)(i)	2005*	2004* (Restated)(i)
Per share data	US¢	US¢	HK¢	HK¢
Basic earnings – *Note 8*				
– Continuing operations	1.91	1.03	14.90	8.03
– A discontinued operation	N/A	0.59	N/A	4.61
– Total	1.91	1.62	14.90	12.64
Diluted earnings – *Note 8*				
– Continuing operations	1.74	N/A	13.57	N/A
– A discontinued operation	N/A	N/A	N/A	N/A
– Total	1.74	N/A	13.57	N/A
Dividend	0.13	–	1.00	–

N/A Not applicable
(i) Refer to Note 1

CONDENSED CONSOLIDATED BALANCE SHEET – UNAUDITED

	At 30 June 2005 US$m	At 31 December 2004 (Restated)(i) US$m	At 30 June 2005* HK$m	At 31 December 2004* (Restated)(i) HK$m
Non-current assets				
Property and equipment	626.8	647.4	4,889.0	5,049.7
Plantations	164.3	147.4	1,281.5	1,149.7
Associated companies	296.4	168.9	2,311.9	1,317.4
Long-term receivables and prepayments	136.7	251.6	1,066.3	1,962.5
Goodwill	40.0	36.5	312.0	284.7
Prepaid land premiums	40.7	41.0	317.5	319.8
Available-for-sale assets	4.4	11.5	34.3	89.7
Deferred tax assets	6.0	5.8	46.8	45.2
Restricted cash	4.7	4.7	36.7	36.7
	1,320.0	1,314.8	10,296.0	10,255.4
Current assets				
Cash and cash equivalents	257.7	186.6	2,010.1	1,455.5
Restricted cash	–	4.5	–	35.1
Available-for-sale assets	42.6	21.4	332.3	166.9
Accounts receivable, other receivables and prepayments – *Note 9*	286.9	360.0	2,237.8	2,808.0
Inventories	291.5	281.4	2,273.7	2,194.9
	878.7	853.9	6,853.9	6,660.4
Current liabilities				
Accounts payable, other payables and accruals – *Note 10*	278.3	282.4	2,170.8	2,202.7
Short-term borrowings	243.6	288.9	1,900.1	2,253.4
Provision for taxation	16.2	26.2	126.3	204.3
	538.1	597.5	4,197.2	4,660.4
Net current assets	340.6	256.4	2,656.7	2,000.0
Total assets less current liabilities	1,660.6	1,571.2	12,952.7	12,255.4
Equity				
Issued capital	31.9	31.9	248.8	248.8
Other reserves	899.8	902.8	7,018.4	7,041.9
Accumulated losses	(614.4)	(707.3)	(4,792.3)	(5,517.0)
Equity attributable to equity holders of the parent	317.3	227.4	2,474.9	1,773.7
Minority interest	343.0	363.7	2,675.4	2,836.9
Total equity	660.3	591.1	5,150.3	4,610.6
Non-current liabilities				
Loan capital and long-term borrowings	762.7	761.2	5,949.1	5,937.4
Deferred liabilities and provisions	96.7	107.1	754.3	835.4
Deferred tax liabilities	116.6	111.8	909.4	872.0
Derivative liability	24.3	–	189.6	–
	1,000.3	980.1	7,802.4	7,644.8
	1,660.6	1,571.2	12,952.7	12,255.4

(i) Refer to Note 1

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY – UNAUDITED

CONDENSED CONSOLIDATED CASH FLOW STATEMENT – UNAUDITED

For the six months ended 30 June	2005 US$m	2004 (Restated)(i) US$m	2005* HK$m	2004* (Restated)(i) HK$m
Profit before taxation	106.4	49.8	829.9	388.5
Adjustments for:				
Interest expenses	64.6	62.4	503.9	486.7
Depreciation	52.7	28.0	255.1	218.4
Foreign exchange and derivative losses, net	24.3	31.6	189.5	246.5
Decrease in long-term receivables and prepayment	1.3	11.8	10.1	92.0
Amortisation of goodwill	–	0.5	–	3.9
Gain on sale of property and equipment	–	(1.0)	–	(7.8)
Payments in respect of deferred liabilities and provisions	–	(14.0)	–	(109.2)
Share of profit less losses of associated companies	(71.1)	(49.9)	(554.6)	(389.2)
(Gain)/loss on changes in fair value of plantations	(8.5)	14.0	(66.3)	109.2
Interest income	(5.4)	(7.0)	(42.1)	(54.6)
Gain on dilution of interest in an associated company	(3.0)	–	(23.4)	–
Others	8.4	9.9	65.6	77.2
	149.7	136.1	1,167.7	1,061.6
Decrease in working capital+	23.0	62.4	179.4	486.7
Net cash generated from operations	172.7	198.5	1,347.1	1,548.3
Interest received	4.8	9.7	37.4	75.7
Interest paid	(53.8)	(60.1)	(419.6)	(468.8)
Tax paid	(37.5)	(23.1)	(292.5)	(180.2)
Net cash inflow from operating activities	86.2	125.0	672.4	975.0
Proceeds from termination of derivative transactions	96.3	–	751.2	–
Dividend received from an associated company	10.0	–	78.0	–
Sale of businesses, property and equipment and others	2.2	52.5	17.2	409.5
Acquisitions of subsidiary companies	1.0	–	7.8	–
Increased investment in an associated company	(28.2)	–	(220.0)	–
Purchase of property and equipment and others	(23.6)	(82.9)	(184.1)	(646.6)
Acquisitions of short-term investments	(22.5)	–	(175.5)	–
Acquisition of an associated company	(15.0)	–	(117.0)	–
Loans (to)/repaid by associated companies	(0.2)	0.5	(1.6)	3.9
Continuing operations	20.0	(29.9)	156.0	(233.2)
A discontinued operation	–	15.0	–	117.0
Net cash inflow/(outflow) from investing activities	20.0	(14.9)	156.0	(116.2)
Net borrowings repaid	(8.8)	(66.0)	(68.6)	(514.8)
Shares issued to minority interest by a subsidiary company	–	0.1	–	0.8
Dividends paid to minority interest by a subsidiary company	(21.7)	(11.4)	(169.3)	(89.0)
Net cash outflow from financing activities	(30.5)	(77.3)	(237.9)	(603.0)
Net increase in cash and cash equivalents	75.7	32.8	590.5	255.8
Cash and cash equivalents at 1 January	186.6	233.5	1,455.5	1,819.3
Exchange translation	(4.6)	(18.5)	(35.9)	(142.7)
Cash and cash equivalents at 30 June	257.7	247.8	2,010.1	1,932.8
Representing				
Cash and cash equivalents	257.7	247.8	2,010.1	1,932.8

(i) Refer to Note 1

\+ Changes in working capital are stated excluding movements due to acquisitions and disposal of subsidiary companies.

* The Company maintains its accounts and reports to its shareholders in United States dollars. The figures shown in Hong Kong dollars are for illustration only and are based on a fixed exchange rate of 7.8 Hong Kong dollars to one United States dollar.

Notes:

1. Changes in accounting policies

Significant changes to Hong Kong Generally Accepted Accounting Principles (HK GAAP) have been implemented during 2005 as a consequence of the introduction of a number of new and revised Hong Kong Accounting Standards (HKASs) and Hong Kong Financial Reporting Standards (HKFRSs) (herein collectively referred to as the new HKFRSs) by Hong Kong Institute of Certified Public Accountants (HKICPA), which are effective for accounting periods commencing on, or after, 1 January 2005. The new HKFRSs, which replaced the previous Statements of Standard Accounting Practice, were issued by the HKICPA to align with the equivalent International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS). The principal changes to HK GAAP which affect the Group's consolidated financial statements are summarised as follows:

FIRST
PACIFIC

Publication: South China Morning Post **Date:** 1 Sep 2005 2/2
Page: Classified 6 & 7 **Where Published:** Hong Kong

REVIEW OF OPERATIONS
Below is an analysis of results by individual company

Contribution Summary

For the six months ended 30 June US$ millions	Turnover 2005	Turnover 2004	Contribution to Group profit(i) 2005	Contribution to Group profit(i) 2004 (Restated)(ii)
PLDT(iii)	–	–	58.8	50.9
Indofood	911.6	973.4	15.5	12.7
Metro Pacific	30.9	28.6	(1.1)	(6.3)
Level Up(iv)	–	–	(0.6)	–
From continuing businesses	942.5	1,002.0	72.6	57.3
From a discontinued operation(v)	–	–	–	1.9
From Operations	942.5	1,002.0	72.6	59.2
Head Office items:				
– Corporate overhead			(5.3)	(4.2)
– Net interest expense			(10.0)	(6.5)
– Other expenses			(3.4)	1.2
Recurring profit			53.9	49.7
Foreign exchange and derivative losses			(7.7)	(13.6)
Non-recurring items(vi)			14.6	15.4
Profit attributable to equity holders of the parent			60.8	51.5

(i)–(vi) [illegible]

During the period, the Group's turnover decreased by 5.9 per cent to US$942.5 million (1H04: US$1,002.0 million), principally reflecting the effect of rupiah depreciation. First Pacific's continuing business improved their performance in 1H05, recording profit contributions totalling US$72.6 million (1H04: US$57.3 million), an increase of 26.7 per cent. Recurring profit improved to US$53.9 million [illegible] US$13.6 million [illegible]

The Group's operating results are denominated in local currencies, principally the peso and rupiah, which are translated and consolidated to provide the Group's results in U.S. dollar. The changes of these currencies against the U.S. dollar is summarized below.

[illegible]

In 1H05, the Group recorded net foreign exchange and derivative losses of US$7.7 million principally due to a US$10.4 million loss on revaluation of option element of Head Office's Exchangeable Notes and foreign exchange translation differences on its unhedged foreign currency denominated borrowings. The foreign exchange and derivative losses may be further analyzed as follows:

For the six months ended 30 June US$ millions	2005	2004
Head Office	(10.4)	–
PLDT	7.7	(2.0)
Indofood	(5.0)	(11.4)
Others	–	(0.2)
Total	(7.7)	(13.6)

PLDT
Philippine Long Distance Telephone Company (PLDT) is the leading telecommunications service provider in the Philippines. It is based in Manila, and has common shares listed on the Philippine Stock Exchange and American Depositary Receipts (ADRs) listed on the New York Stock Exchange and on the Archipelago Exchange. Through its three principal business groups, PLDT offers a wide range of telecommunications services: Wireless (principally through wholly-owned subsidiary company Smart Communications, Inc.); Fixed Line (principally through PLDT); and Information and Communications Technology (principally through wholly-owned subsidiary company ePLDT). PLDT has developed the Philippines' most extensive fiber optic backbone, cellular, fixed line and satellite networks.

PLDT's operations are principally denominated in peso, which averaged Pesos 54.91 (1H04: 56.07) to the U.S. dollar. Its financial results are prepared under Philippine GAAP and reported in peso. First Pacific's financial results are prepared under Hong Kong GAAP and reported in U.S. dollar. Despite both of the Philippine GAAP and Hong Kong GAAP being largely based on International Financial Reporting Standards with effect from 1 January 2005, certain adjustments still need to be made to PLDT's reported peso results to ensure full compliance with Hong Kong GAAP. An analysis of these adjustments follows.

For the six months ended 30 June Peso millions	2005	2004 (Restated)(ii)
Net income under Philippine GAAP	16,785	12,123
Preference dividends(i)	(700)	(708)
Net income attributable to common shareholders	16,085	11,715
Differing accounting treatments(ii)		
– Reclassification of non-recurring items	–	127
– Reversal of discount accretion under HKAS 39	–	203
– Others	(1,122)	(918)
Intragroup items(iii)	150	150
Adjusted net income under Hong Kong GAAP	15,113	11,277
Foreign exchange and derivative (gains)/losses(iv)	(1,743)	458
PLDT's net income as reported by First Pacific	13,370	11,735
US$ millions		
Net income at prevailing average rates for 1H05: Pesos 54.91 and 1H04: Pesos 56.07	243.5	209.3
Contribution to First Pacific Group profit, at an average shareholding of 1H05: 24.2% and 1H04: 24.3%	58.8	50.9

(i)–(iv) [illegible]

PLDT contributed a profit of US$58.8 million (1H04 restated: US$50.9 million) to the Group. [illegible]

[illegible]

INDOFOOD
PT Indofood Sukses Makmur Tbk (Indofood) is the premier processed-foods company in Indonesia, which offers total food solutions to its customers. It is based in Jakarta, and is listed on the Jakarta and Surabaya Stock Exchanges. Through its four major business units, Indofood offers a wide range of food products: Flour (Bogasari), Consumer Branded Products (Noodles, Food Seasonings, Snack Foods, Nutrition and Special Foods and Packaging), Edible Oils and Fats (Cooking Oils and Fats and Plantations) and Distribution. Indofood is considered as the world's largest instant noodles manufacturer by volume, and the largest flour miller in Indonesia. Indofood's flourmill in Jakarta is one of the largest in the world in terms of production capacity in one location. It also has an extensive distribution network in the country.

Indofood's operations are principally denominated in rupiah, which averaged Rupiah 9,443 (1H04: 8,794) 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. dollar. Accordingly, certain adjustments need to be made to Indofood's reported rupiah results to ensure compliance with Hong Kong GAAP. An analysis of these adjustments follows.

For the six months ended 30 June Rupiah billions	2005	2004 (Restated)
Net income under Indonesian GAAP	[illegible]	121
Differing accounting treatments(i)		
– Reclassification of non-recurring items	(47)	–
– Gain/(loss) on revaluation of plantations	45	(69)
– Foreign exchange accounting	[illegible]	27
– Others	[illegible]	(56)
Adjusted net (loss)/income under Hong Kong GAAP	[illegible]	23
Foreign exchange and derivative losses(ii)	312	194
Indofood's net income as reported by First Pacific	284	217
US$ millions		
Net income at prevailing average rates for 1H05: Rupiah 9,443 and 1H04: Rupiah 8,794	30.1	24.7
Contribution to First Pacific Group profit, at an average shareholding of 1H05: 51.5% and 1H04: 51.5%	15.5	12.7

(i)–(ii) [illegible]

Indofood contributed a profit of US$15.5 million (1H04 restated: US$12.7 million) to the Group. [illegible]

[illegible]

FIRST PACIFIC

As of 30 June 2005, Indofood had bought back US$119 million of its US$280 million Eurobonds due in 2007. Effective from 1 January 2005, the Governments of Mauritius and Indonesia cancelled a tax treaty which doubles the tax payment of the bond to 20 per cent from 10 per cent. Indofood was seeking UK High Court's ruling regarding its legal rights to redeem the bonds at par value on the basis of revocation of the double taxation. On 2 August 2005, UK High Court decided to disallow Indofood from exercising its legal rights to redeem the bonds at par and will give its reasons in September 2005. Regarding this decision, Indofood will consider all of the options, including the possibility of an appeal after receiving the reasons for the ruling in September 2005.

Indofood declared a final dividend of Rupiah 17.5 (US 0.2 cent) per share in respect of the 2004 financial year to be paid in September 2005, which represents a payout ratio of 40 per cent.

METRO PACIFIC
Metro Pacific Corporation (Metro Pacific) is a Manila, Philippines-based holding company listed on the Philippine Stock Exchange. Metro Pacific's businesses include property concerns Landco Pacific Corporation and Pacific Plaza Towers, and domestic Philippine shipping firm Negros Navigation Co., Inc.

Metro Pacific's operations are principally denominated in peso, which averaged Pesos 54.91 (1H04: 56.07) to the U.S. dollar. Its financial results are prepared under Philippine GAAP and reported in peso. First Pacific's financial results are prepared under Hong Kong GAAP and reported in U.S. dollar. Despite both of the Philippine GAAP and Hong Kong GAAP being largely based on International Financial Reporting Standards with effect from 1 January 2005, certain adjustments still need to be made to Metro Pacific's reported peso results to ensure full compliance with Hong Kong GAAP. An analysis of these adjustments follows.

For the six months ended 30 June Peso millions	2005	2004 (Restated)
Net income/(loss) under Philippine GAAP	91	(9)
Differing accounting treatments(i)		
– Reclassification/reversal of non-recurring items	(175)	(494)
– Others	(1)	55
Intragroup items(ii)	5	4
Adjusted net loss under Hong Kong GAAP	(80)	(444)
Foreign exchange and derivative (gains)/losses(iii)	(1)	9
Metro Pacific's net loss as reported by First Pacific	(81)	(435)
US$ millions		
Net loss at prevailing average rates for 1H05: Pesos 54.91 and 1H04: Pesos 56.07	(1.5)	(7.8)
Contribution to First Pacific Group profit, at an average shareholding of 1H05: 75.5% and 1H04: 80.6%	(1.1)	(6.3)

(i) 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 which are reallocated and presented separately. Adjustment for 1H05 of Pesos 0.2 billion gains principally relate to an agreed one-time adjustment made to amounts owed to Pacific Plaza Towers' contractor. Adjustment for 1H04 of Pesos 0.5 billion principally relate to the reclassification/reversal of provisions for various assets of the shipping subsidiary and gains realized from various debt reduction and restructuring exercises
(ii) These are standard consolidation adjustments to ensure that transactions between Group companies are eliminated to present the Group as a single economic entity
(iii) To illustrate the underlying operational results and profit contributions, foreign exchange and derivative gains/losses (net of related tax) are excluded and presented separately

Metro Pacific contributed a loss of US$1.1 million (1H04: US$6.3 million) to the Group. Revenues improved by six per cent to Pesos 1.7 billion (US$31.0 million) (1H04: Pesos 1.6 billion, US$28.5 million) and operating expenses reduced by 29.2 per cent to Pesos 223.5 million (US$4.1 million) (1H04: Pesos 315.9 million, US$5.6 million) resulting from strict cost management.

Metro Pacific successfully reduced debt by approximately Pesos 500 million (US$9.1 million) (1H04: Pesos 500 million; US$8.9 million) through asset-for-debt swaps during the period. As a result, financing charges significantly reduced by 65 per cent to Pesos 108.7 million (US$2.0 million) (1H04: Pesos 312.2 million; US$5.6 million). By 2005 year-end, parent company level's debt is expected to reduce to below Pesos 300 million (US$5.5 million) upon the completion of closing documentation in respect of a further Pesos 434 million (US$7.7 million) of debt.

Landco's net profit increased to Pesos 51.1 million (US$0.9 million) (1H04 restated: Pesos 32.4 million, US$0.6 million) resulting from the strong performance of Ponderosa Leisure Farms. Ponderosa, Terrazas de Punta Fuego, Pacific Mall Legaspi are all undergoing different levels of expansion. Landco plans to launch the development of a new mall in Naga by year-end.

Pacific Plaza Towers recorded a net profit of Pesos 171.5 million (US$3.1 million) (1H04: loss of Pesos 16.4 million; US$0.3 million) principally contributed from a one-off gain in relation to one-time adjustments to fees owed to a Pacific Plaza Towers' contractor.

Nenaco's loss substantially reduced to Pesos 5.0 million (US$0.9 million) (1H04 restated: Pesos 903.5 million; US$16.1 million), reflecting a 16 per cent increase in passenger and cargo volumes, the consolidation of its profitable hotel and restaurant subsidiaries and a decrease in general and administrative expenses. Management is now focused on rebuilding its strength in certain key Western Visayas routes and further improving operational performance.

LEVEL UP
Level Up! International Holdings Pte. Ltd. (Level Up) is the pioneer and leading online game publisher in the Philippines, Brazil and India. Online games are a rapidly growing segment of the global video game industry, and Level Up focuses on massively multiplayer online games (MMOG) in emerging markets.

First Pacific invested US$15 million for a 25 per cent interest in Level Up in March 2005. First Pacific recorded a loss of US$0.6 million for its share of Level Up's loss in the second quarter of 2005.

Level Up recorded a total subscriber base of approximately 350,000 with an operating loss in the first half of 2005, primarily due to the start up losses in its Brazilian operation and the pre-launch marketing expenses and overheads in India.

In the Philippines, commercial operations began in January 2003. Level Up has grown rapidly since then with its flagship MMOG Ragnarok, licensed from Gravity Corp. of Korea. At the end of the second quarter, beta (free) testing of ROSE, a 3-D MMOG also from Gravity, was started, and commercial launch is expected shortly. A casual multiplayer online game and another 3-D MMOG will be launched later in the year.

In Brazil, commercial operations of Ragnarok were started in late February 2005, and encouraging growth has been experienced since then, after the normal dip in player numbers from the free open beta phase. Subscriber numbers are now significantly higher than during the free open beta phase.

In India, the business is in the market development stage.

2005 GOALS: HALF YEAR REVIEW

First Pacific

- *Goal:* Improve share price performance
  Achievement: Achieved and ongoing. Share price increased by over 30 per cent from HK$2.075 to HK$2.775 and reached a high of HK$2.90 in the first six months
- *Goal:* Continue to evaluate value-enhancing opportunities in the region that have potential to provide synergies with the existing operations principally in the telecommunications, consumer food products, property and infrastructure sectors
  Achievement: Ongoing. Concluded an investment of US$15 million for a 25 per cent interest in Level up – a publisher of massively multiplayer online games (MMOG). This is a high growth business which further capitalizes on the Group's knowledge and experience in telecommunications infrastructure and mass-market know-how. Other investment opportunities are currently being evaluated
- *Goal:* Raise funds and financing for expansion opportunities
  Achievement: Achieved and ongoing. Successfully raised US$199 million in January by issuing a five-year Exchangeable Notes.
- *Goal:* Continue to enhance recurrent profits and cash flow
  Achievement: Ongoing. Recurrent profits improved by 8.3 per cent to US$53.9 million. Received US$24 million as dividends from PLDT. Strong dividend income in the second half of 2005 is expected in view of the collection of Indofood's final dividend for 2004 and potentially further dividend distribution from PLDT.
- *Goal:* Pay dividends to shareholders in respect of the 2005 financial year, subject to continued strong performance by PLDT and Indofood
  Achievement: Achieved. Declared interim dividend of HK 1.00 cent per share payable in October 2005.
- *Goal:* Continue to strengthen corporate governance practices
  Achievement: First Pacific has adopted its own code on corporate governance practices and is in compliance with all of the code provisions and most of the recommended best practices as set out in Appendix 14 of the Listing Rules. The Audit Committee is actively working with the Group's operating units to enhance reporting and monitoring and that Indofood has set up its own Audit Committee in January this year.

PLDT

- *Goal:* Continue to reduce debts by US$500 million and increase dividends to common shareholders to a minimum of 15 per cent of 2005 earnings per share
  Achievement: Substantially achieved and reset higher targets. Reduced debts by US$312 million during the first half of 2005 or 62 per cent of the original target for 2005, and further paid off US$110 million bonds on 1 August 2005. Raised debt reduction target for 2005 to US$600 million. Dividend payout target has similarly been raised to 30 per cent of 2005 core earnings per share and an initial dividend of Pesos 21 per share was paid to common shareholders in July.
- *Goal:* Maintain market leadership by introducing more product innovations
  Achievement: Achieved and ongoing. Reached over 20.6 million cellular and 2.1 million fixed line subscribers, representing respectively a 58 per cent and 66 per cent market share. Smart's network covering 98 per cent of the population facilitated the introduction of services such as famas and cheaper cash remittance through text for both overseas and domestic customers (*SMART Padala*); Smart's 258 Unlimited Call and Text promotion attracted 1.4 million subscribers as of 30 June 2005.
- *Goal:* Commence the upgrade to an IP-based network and increase broadband capabilities
  Achievement: Ongoing. PLDT Fixed Line has commenced the upgrade of existing facilities to a Next Generation Network and expects to increase DSL capacity by another 50,000 by year-end 2005. Smart launched Smart WiFi which is a broadband wireless offering in June 2005. As of June 2005, PLDT had close to 70,000 DSL subscribers, an increase of about 20,000 in the first six months of the year
- *Goal:* Develop bundled products and services across the Fixed Line, Wireless, and Information and Communications Technology business groups
  Achievement: Achieved and ongoing. Ongoing initiatives such as the Pesos 10 per call NDD promo encourage an increase in fixed line utilization. Bundling of fixed line and cellular packages for corporate accounts has allowed Smart to increase its market share in the corporate market.

Indofood

- *Goal:* Continue to maintain market leadership position
  Achievement: Ongoing. Indofood is repositioned as a total food solutions provider. The new business structure, together with management's efforts of conducting regular review of each business aspect in its vertically integrated supply chain, production and distribution networks, strengthens its market position in Indonesia's consumer food sector.
- *Goal:* To enhance shareholders' value through separately listing the Bogasari flour division
  Achievement: Under review, with concern to current unfavorable equity market conditions, the management will closely monitoring further market development for this plan.
- *Goal:* Continue to focus on implementing Indofood's business strategy, cut costs, increase distribution efficiency, as well as streamline product lines and business processes
  Achievement: Ongoing. Management remains focused on improving operational efficiency, introducing new products, rationalizing headcount and enhancing distribution networks in order to offer products with better value and expand market reach.
- *Goal:* Manage foreign currency exposure by reducing foreign currency borrowings
  Achievement: Ongoing. As at 30 June 2005, Indofood bought back US$119 million Eurobonds leaving an outstanding balance of US$161 million. Indofood plans to refinance its foreign currency borrowings in rupiah-denominated debts in order to eliminate foreign currency exposure.
- *Goal:* Explore expansion opportunities in the Asian consumer food products industry and leverage potential synergies with Indofood
  Achievement: Ongoing. Continue to evaluate expansion opportunities

Metro Pacific

- *Goal:* Continue to explore investment opportunities in property and infrastructure sectors
  Achievement: Ongoing. Management is actively exploring specific investment opportunities to rebuild its investment portfolio. Progress has been made in identifying opportunities in the toll roads sector and others are presently being explored.
- *Goal:* Complete debt reduction program and significantly reduce contingent liabilities
  Achievement: Nearing completion. Debt has been reduced by approximately Pesos 500 million (US$8.9 million) to Pesos 742 million (US$13.5 million) of which Pesos 434 million is currently subject to closing documentation. The year-end target has been reset to less than Pesos 300 million (US$5.5 million) from the original Pesos 350 million (US$6.2 million).
- *Goal:* Position Landco for new growth by participating in provincial shopping centers and hotel management businesses
  Achievement: Ongoing. Targeted to complete the expansion of the Pacific Mall Legaspi to over 40,000 square meters and to launch the development of a new mall in Naga before year-end. New mixed-use land projects include various tourism components.
- *Goal:* Implement the rehabilitation plan for Nenaco
  Achievement: Ongoing. The rehabilitation plan has been fully implemented and the company is benefiting from the revised lower interest rates and extended loan maturity and repayment terms. Loss during the period significantly reduced to Pesos 5.0 million (US$0.1 million) from a restated loss of Pesos 903.5 million (US$16.1 million) for the comparable period in 2004.

FINANCIAL REVIEW

LIQUIDITY AND FINANCIAL RESOURCES

NET DEBT AND GEARING
An analysis of net debt and gearing for principal consolidated and associated companies follows.

Consolidated

US$ millions	At 30 June 2005 Net debt(i)	Total equity	Gearing(ii) (times)	At 31 December 2004 (Restated) Net debt(i)	Total equity	Gearing(ii) (times)
Head Office	141.1	1,065.0	0.13x	103.3	1,000.7	0.10x
Indofood	563.5	551.9	1.02x	705.3	589.4	1.20x
Metro Pacific	39.3	6.1	6.44x	45.7	(13.8)	–
Group adjustments(iii)	–	(962.7)	–	–	(1,051.4)	–
Consolidated	743.9	660.3	1.13x	854.3	591.2	1.45x
Associated						
PLDT	1,710.5	1,056.5	1.62x	2,169.4	864.3	2.51x

(i) Includes restricted cash
(ii) Calculated as net debt divided by total equity
(iii) Group adjustments mainly represent elimination of goodwill arising from acquisitions prior to 1 January 2001 against the Group's accumulated losses and other standard consolidation adjustments to present the Group as a single economic entity

- Head Office's gearing increased principally because of payments for increased 0.6 per cent interest in PLDT (US$28.2 million) and acquisition of a 25.0 per cent interest in Level Up (US$15.0 million).
- Indofood's gearing declined mainly because of debt repayments.
- Metro Pacific's net debt reduced mainly because of debt reduction efforts.
- PLDT's gearing declined as strong free cash flows were used to reduce debts and profits enhanced total equity.

MATURITY PROFILE
The maturity profile of debt of consolidated and associated companies follows.

Consolidated

US$ millions	At 30 June 2005	At 31 December 2004
Within one year	243.8	288.9
One to two years	135.1	182.8
Two to five years	634.3	561.3
Over five years	13.3	17.1
Total	1,006.3	1,050.1

The Group's debt maturity profile at 30 June 2005 was lengthened as compared to that at 31 December 2004 mainly because of Head Office's issuance of US$199.0 million Exchangeable Notes due in 2010, coupled with the settlements of debts with different maturities (which includes Head Office's US$32.0 million bank loan due in 2006 and US$119.3 million of Indofood's Eurobonds due in 2007 and various short-term borrowings of Indofood).

Associated

US$ millions	PLDT At 30 June 2005	PLDT At 31 December 2004
Within one year	518.5	500.1
One to two years	495.8	460.7
Two to five years	565.6	894.0
Over five years	942.3	987.0
Total	2,522.2	2,842.1

PLDT's debt maturity profile were stated at nominal values.

CHARGES ON GROUP ASSETS
At 30 June 2005, certain bank and other borrowings were secured by the Group's property and equipment, accounts receivables and inventories with a net book value of US$154.9 million (31 December 2004: US$44.8 million). Apart from these, the Head Office's US$115.0 million bonds were principally secured by the Group's 51.5 per cent interest in Indofood.

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 Group's net asset value (NAV) relate to investments denominated in the peso or rupiah. Accordingly, any change in these currencies, against their respective 30 June 2005 exchange rates, would have an effect on the Group's NAV in U.S. dollar terms.

The following table illustrates the estimated effect on the Group'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$ millions	Effect on adjusted NAV per share HK cents
PLDT	12.2	2.98
Indofood	5.0	1.22
Total	17.2	4.20

(i) Based on quoted share prices as at 30 June 2005 applied to the Group's economic interest
(ii) The NAV of the Group's investment in Level Up is based on its historic U.S. dollar cost and, accordingly, any depreciation of the peso, rupiah and real would not affect the Group's adjusted NAV

(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 results in U.S. dollars.

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	Others(i)	Total
Total borrowings	472.3	42.1	491.9	–	1,006.3
Cash and cash equivalents(ii)	(181.7)	(5.2)	(75.2)	(0.3)	(262.4)
Net debt	290.6	36.9	416.7	(0.3)	743.9
Representing:					
Head Office	141.6	(0.2)	–	(0.3)	141.1
Indofood	146.8	–	416.7	–	563.5
Metro Pacific	2.2	37.1	–	–	39.3
Net debt	290.6	36.9	416.7	(0.3)	743.9
Associated					
PLDT	1,897.0	(277.4)	–	90.9	1,710.5

(i) Principally Yen for PLDT and HK dollars for Head Office
(ii) Includes restricted cash

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	Unhedged amount	Profit effect of 1% currency change	Group profit effect(i)
PLDT	1,897.0	901.8	995.2	10.0	1.7
Indofood	146.8	–	146.8	1.5	0.5
Metro Pacific	2.2	–	2.2	–	–
Head Office(ii)	141.6	–	141.6	–	–
Total	2,187.6	901.8	1,285.8	11.5	2.2

(i) Net of tax effect
(ii) As the Group reports its results in U.S. dollars, unhedged U.S. 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 for consolidated and associated companies follows.

Consolidated

US$ millions	Fixed interest rate borrowings	Variable interest rate borrowings	Cash and cash equivalents(i)	Net debt
Head Office	297.5	–	(156.4)	141.1
Indofood	516.9	147.6	(101.0)	563.5
Metro Pacific	23.0	21.3	(5.0)	39.3
Consolidated	837.4	168.9	(262.4)	743.9
Associated				
PLDT	1,676.0	669.5	(635.0)	1,710.5

(i) Includes restricted cash

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)
Indofood	147.6	1.5	0.5
Metro Pacific	21.3	0.2	0.1
PLDT	669.5	6.7	1.1
Total	838.4	8.4	1.7

(i) Net of tax effect

ADJUSTED NAV PER SHARE
There follows a calculation of the Group's underlying worth.

US$ millions	Basis	At 30 June 2005	At 31 December 2004
PLDT	(i)	1,218.2	999.0
Indofood	(i)	497.9	378.6
Level Up	(ii)	15.0	–
Head Office – Net debt		(141.1)	(103.3)
– Derivative liability	(iii)	(24.3)	–
Total valuation	(iv)	1,565.7	1,274.3
Number of ordinary shares in issue (millions)		3,186.0	3,180.0
Value per share			
– U.S. dollar		0.49	0.40
– HK dollars		3.83	3.12
Company's closing share price (HK$)		2.78	2.08
Share price discount to HK$ value per share (%)		27.4	33.3

(i) Based on quoted share prices as at 30 June 2005 and 31 December 2004 applied to the Group's economic interest
(ii) Based on investment cost
(iii) Represents the fair value of option element embedded within the Exchangeable Notes as at 30 June 2005
(iv) No value has been attributed to the Group's investment in Metro Pacific or [illegible]

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.

CORPORATE GOVERNANCE
First Pacific is committed to building and maintaining high standards of corporate governance. First Pacific applied the principles and complied with all the code provisions set out in the Code on Corporate Governance Practices ("CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules").

To ensure stricter compliance with the CG Code, relevant amendments to the Company's Bye-laws, such as the provision for the rotation of directors, were proposed and approved by shareholders at the annual general meeting held on 9 June 2005 ("2005 AGM").

In addition, at the 2005 AGM, all the directors were re-elected for a specific term of three years, subject to rotation. This included the non-executive directors and the two independent non-executive directors serving more than 9 years, who were all re-elected by separate resolutions approved by the shareholders at the 2005 AGM.

The Audit Committee is currently composed of three independent Non-executive Directors, with Mr. Graham L. Pickles, who possesses appropriate professional qualifications and experience in financial matters, acting as Chairman of the Audit Committee. This is in compliance with rule 3.21 of the Listing Rules. Reporting to the Board of Directors, the Audit Committee reviews matters within the purview of audit, such as Financial Statements and internal controls, to protect the interests of the Company and its shareholders. The Audit Committee meets regularly with the Company's external auditors to discuss the audit process and accounting issues.

Having made specific enquiry, all of the Directors have complied with the Company's code of conduct regarding directors' securities transactions, prepared and adopted on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers, Appendix 10 of the Listing Rules.

Continuing connected transactions
The Company disclosed in its 2004 Annual Report that after a comprehensive Group wide review designed to elicit detailed information in relation to all connected or potentially connected transactions under the Listing Rules involving the Company or its subsidiary companies, it had identified four series of continuing connected transactions entered into by P.T. Indofood Sukses Makmur Tbk ("Indofood"), a 51.5% subsidiary of the Company, and Indofood's subsidiaries, during the financial year ended 31 December, 2004. Subsequently, the Company published a paid announcement dated 26 April, 2005 disclosing details of those transactions.

In respect of the current financial year, the Company identified that Indofood and its subsidiaries are party to the following continuing connected transactions (the "Transactions"), which are required to be disclosed to shareholders under the Stock Exchange Listing Rules:–

1. Transactions relating to the Noodle Business of the Indofood Group – a series of related continuing connected transactions relating to Indofood's noodle business, in an estimated aggregate amount of approximately US$25.9 million for the year ending 31 December 2005. These transactions principally relate to the provision of raw materials or finished and packaging products, the provision of related technical services and the licensing of related trademarks to connected persons.
2. Transactions relating to the Flour Business of the Indofood Group – a series of related continuing connected transactions relating to Indofood's flour business carried on by its Bogasari Flour Mills division, in an estimated aggregate amount of approximately US$4.5 million for the year ending 31 December 2005. These transactions principally relate to the provision or purchase of raw materials or finished and packaging products and purchase of refined flour by connected persons.
3. Transactions relating to the Distribution Business of the Indofood Group – a series of related continuing connected transactions involving Indofood's distribution division, in an estimated aggregate amount of approximately US$18.7 million for the year ending 31 December 2005. These transactions principally relate to the distribution by Indofood's subsidiary, PT Indomarco Adi Prima, of biscuits, foodstuffs, beverages and other consumer products for or through connected persons.
4. Transactions relating to Continuing Financing Arrangements – a continuing financing arrangement involving connected persons, in an estimated amount of approximately US$4.7 million on the basis of the 2005 year end balance, or US$7.4 million on the basis of the estimated maximum outstanding balance during the financial year ending 31 December 2005.

Based on the maximum estimated aggregate values of each continuing connected transaction and applying the percentage ratios (other than the profits ratio) as required by the Listing Rules, the Company has determined that the four series of related continuing connected transactions referred to above are required to be disclosed to the Exchange and the Company's shareholders in accordance with the requirements of Chapter 14A of the Listing Rules. Currently, the Company is in discussion with the Exchange on the proper disclosure of these transactions and shall publish a separate announcement as soon as practicable.

Each of the above continuing connected transactions will be subject to annual review by the independent non-executive directors of the Company pursuant to Rule 14A.37 of the Listing Rules and confirmation of the auditors of the Company pursuant to Rule 14A.38 of the Listing Rules.

The directors (including the independent non-executive directors) consider that the terms of each of the transactions referred to in this announcement are fair and reasonable and that they are in the best interests of the Company, Indofood and their respective shareholders.

REVIEW STATEMENT BY THE AUDIT COMMITTEE AND EXTERNAL AUDITORS
The Audit Committee and external auditors have reviewed the 2005 interim results, including the accounting policies and practices adopted by the Group.

INTERIM DIVIDEND
The Board has declared an interim cash dividend of HK1.00 cent (US0.13 cent) per ordinary share (equivalent to an aggregate amount of HK$31.9 million (US$4.1 million)). It is expected that the interim dividend will be paid in the currencies in accordance with the registered address of the shareholders (i.e. HK dollars for Hong Kong, Macau and PRC shareholders, Sterling pounds for UK shareholders and US dollars for shareholders of all other countries). Dividend warrants will be dispatched to shareholders on or about 24 October 2005.

CLOSURE OF REGISTER OF MEMBERS
The Register of Members will be closed on Monday, 26 September 2005, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong Branch Registrar, Computershare Hong Kong Investor Services Limited, at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:00 p.m. on 23 September 2005.

INTERIM REPORT
The 2005 Interim Report will be mailed to shareholders and available on the Company's website at www.firstpacco.com before the end of September 2005

On behalf of the Board of Directors
First Pacific Company Limited
Manuel V. Pangilinan
Managing Director and Chief Executive Officer

Hong Kong, 31 August 2005

As at the date of this announcement, the Board of Directors of First Pacific comprises the following Directors:

Anthoni Salim, *Chairman*	Tedy Djuhar
Manuel V. Pangilinan, *Managing Director and CEO*	Sutanto Djuhar
Edward A. Tortorici	Ibrahim Risjad
Robert C. Nicholson	Benny S. Santoso
His Excellency Albert F. del Rosario	Graham L. Pickles*
Edward K.Y. Chen*, *GBS, CBE, JP*	David W. C. Tang*, *OBE, Chevalier de L'Ordre des Arts et des Lettres*

* *Independent Non-executive Directors*

FIRST PACIFIC