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**	2004 (Restated)(i)	**2005***	2004* (Restated)(i)
	US$m	US$m	**HK$m**	HK$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	At 31 December 2004 (Restated)[(i)]	**At 30 June 2005***	At 31 December 2004* (Restated)[(i)]
	US$m	US$m	**HK$m**	HK$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

	Issued capital US$m	Share premium US$m	Share options issued US$m	Unrealized gains on available-for-sale assets US$m	Unrealized losses on cash flow hedges US$m	Exchange reserve US$m	Accumulated losses US$m	Equity attributable to equity holders of the parent US$m	Minority interest US$m	Total equity US$m
Balance at 1 January 2004, as previously reported	31.9	958.2	–	–	–	(3.4)	(935.6)	51.1	376.7	427.8
Prior year adjustments	–	–	–	–	–	–	(61.0)	(61.0)	(1.1)	(62.1)
As restated[i]	31.9	958.2	–	–	–	(3.4)	(996.6)	(9.9)	375.6	365.7
Changes in equity for 2004:										
Exchange differences on translating foreign operations	–	–	–	–	–	(29.0)	–	(29.0)	(35.8)	(64.8)
Disposal of an associated company	–	–	–	–	–	(33.7)	163.4	129.7	–	129.7
Dilution of interest in a subsidiary company	–	–	–	–	–	–	0.1	0.1	–	0.1
Amortization of cost of share options	–	–	0.6	–	–	–	–	0.6	–	0.6
Change in attributable interests	–	–	–	–	–	–	–	–	(1.2)	(1.2)
Net income recognized directly in equity	–	–	0.6	–	–	(62.7)	163.5	101.4	(37.0)	64.4
Net profit for the period	–	–	–	–	–	–	51.5	51.5	6.5	58.0
Total recognized income and expense for the period	–	–	0.6	–	–	(62.7)	215.0	152.9	(30.5)	122.4
Dividend	–	–	–	–	–	–	–	–	(23.8)	(23.8)
Balance at 30 June 2004 (Restated)[i]	31.9	958.2	0.6	–	–	(66.1)	(781.6)	143.0	321.3	464.3
Balance at 31 December 2004, as previously reported	31.9	958.2	–	–	–	(59.8)	(635.7)	294.6	365.1	**659.7**
Prior year adjustments	–	–	4.4	–	–	–	(71.6)	(67.2)	(1.4)	**(68.6)**
As restated – *Note 1*	31.9	958.2	4.4	–	–	(59.8)	(707.3)	227.4	363.7	**591.1**
Adjustments for adoption of HKAS39[i]	–	–	–	1.7	–	–	32.1	33.8	–	**33.8**
Balance at 1 January 2005, as restated	31.9	958.2	4.4	1.7	–	(59.8)	(675.2)	261.2	363.7	**624.9**
Changes in equity for 2005:										
Exchange differences on translating foreign operations	–	–	–	–	–	(6.8)	–	(6.8)	(14.9)	**(21.7)**
Dilution of interest in an associated company	–	–	–	–	–	0.2	–	0.2	–	**0.2**
Amortization of cost of share options	–	–	3.4	–	–	–	–	3.4	–	**3.4**
Unrealized gains on available-for-sale assets	–	–	–	0.7	–	–	–	0.7	–	**0.7**
Unrealized losses on cash flow hedges	–	–	–	–	(2.2)	–	–	(2.2)	–	**(2.2)**
Change in attributable interests	–	–	–	–	–	–	–	–	(1.6)	**(1.6)**
Net loss recognized directly in equity	–	–	3.4	0.7	(2.2)	(6.6)	–	(4.7)	(16.5)	**(21.2)**
Net profit for the period	–	–	–	–	–	–	60.8	60.8	25.2	**86.0**
Total recognized income and expense for the period	–	–	3.4	0.7	(2.2)	(6.6)	60.8	56.1	8.7	**64.8**
Dividend	–	–	–	–	–	–	–	–	(29.4)	**(29.4)**
Balance at 30 June 2005	**31.9**	**958.2**	**7.8**	**2.4**	**(2.2)**	**(66.4)**	**(614.4)**	**317.3**	**343.0**	**660.3**

	Issued capital HK$m*	Share premium HK$m*	Share options issued HK$m*	Unrealized gains on available-for-sale assets HK$m*	Unrealized losses on cash flow hedges HK$m*	Exchange reserve HK$m*	Accumulated losses HK$m*	Equity attributable to equity holders of the parent HK$m*	Minority interest HK$m*	Total equity HK$m*
Balance at 1 January 2004, as previously reported	248.8	7,474.0	–	–	–	(26.5)	(7,297.7)	398.6	2,938.2	3,336.8
Prior year adjustments	–	–	–	–	–	–	(475.8)	(475.8)	(8.6)	(484.4)
As restated[i]	248.8	7,474.0	–	–	–	(26.5)	(7,773.5)	(77.2)	2,929.6	2,852.4
Changes in equity for 2004:										
Exchange differences on translating foreign operations	–	–	–	–	–	(226.2)	–	(226.2)	(279.2)	(505.4)
Disposal of an associated company	–	–	–	–	–	(262.9)	1,274.5	1,011.6	–	1,011.6
Dilution of interest in a subsidiary company	–	–	–	–	–	–	0.8	0.8	–	0.8
Amortization of cost of share options	–	–	4.7	–	–	–	–	4.7	–	4.7
Change in attributable interests	–	–	–	–	–	–	–	–	(9.4)	(9.4)
Net income recognized directly in equity	–	–	4.7	–	–	(489.1)	1,275.3	790.9	(288.6)	502.3
Net profit for the period	–	–	–	–	–	–	401.7	401.7	50.7	452.4
Total recognized income and expense for the period	–	–	4.7	–	–	(489.1)	1,677.0	1,192.6	(237.9)	954.7
Dividend	–	–	–	–	–	–	–	–	(185.6)	(185.6)
Balance at 30 June 2004 (Restated)[i]	248.8	7,474.0	4.7	–	–	(515.6)	(6,096.5)	1,115.4	2,506.1	3,621.5
Balance at 31 December 2004, as previously reported	248.8	7,474.0	–	–	–	(466.5)	(4,958.4)	2,297.9	2,847.7	**5,145.6**
Prior year adjustments	–	–	34.3	–	–	–	(558.5)	(524.2)	(10.8)	**(535.0)**
As restated – *Note 1*	248.8	7,474.0	34.3	–	–	(466.5)	(5,516.9)	1,773.7	2,836.9	**4,610.6**
Adjustments for adoption of HKAS 39[i]	–	–	–	13.3	–	–	250.4	263.7	–	**263.7**

Balance at 1 January 2005, as restated	248.8	7,474.0	34.3	13.3	–	(466.5)	(5,266.5)	2,037.4	2,836.9	**4,874.3**
Changes in equity for 2005:										
Exchange differences on translating foreign operations	–	–	–	–	–	(53.0)	–	(53.0)	(116.3)	**(169.3)**
Dilution of interest in an associated company	–	–	–	–	–	1.6	–	1.6	–	**1.6**
Amortization of cost of share options	–	–	26.5	–	–	–	–	26.5	–	**26.5**
Unrealized gains on available-for-sale assets	–	–	–	5.4	–	–	–	5.4	–	**5.4**
Unrealized losses on cash flow hedges	–	–	–	–	(17.2)	–	–	(17.2)	–	**(17.2)**
Change in attributable interests	–	–	–	–	–	–	–	–	(12.5)	**(12.5)**
Net loss recognized directly in equity	–	–	26.5	5.4	(17.2)	(51.4)	–	(36.7)	(128.8)	**(165.5)**
Net profit for the period	–	–	–	–	–	–	474.2	474.2	196.6	**670.8**
Total recognized income and expense for the period	–	–	26.5	5.4	(17.2)	(51.4)	474.2	437.5	67.8	**505.3**
Dividend	–	–	–	–	–	–	–	–	(229.3)	**(229.3)**
Balance at 30 June 2005	**248.8**	**7,474.0**	**60.8**	**18.7**	**(17.2)**	**(517.9)**	**(4,792.3)**	**2,474.9**	**2,675.4**	**5,150.3**

(i) Refer to Note 1.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT – UNAUDITED

For the six months ended 30 June	2005	2004 (Restated)[(i)]	2005*	2004* (Restated)[(i)]
	US$m	US$m	**HK$m**	HK$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	**32.7**	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
Amortization 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**	233.3	**1,455.5**	1,819.7
Exchange translation	**(4.6)**	(18.3)	**(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 acquisition 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 HKFRS, 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 summarized as follows:

- HKAS 1 "Presentation of Financial Statements" provides a framework within which an entity assesses how to present fairly the effects of transactions and other events; provides the base criteria for classifying assets and liabilities as current or non-current; prohibits the presentation of income from operating activities and extraordinary items as separate line items in the consolidated profit and loss statement; requires the presentation of share of results of associated companies on an after-tax basis in the consolidated profit and loss statement and specifies the disclosures about key source of estimation, uncertainty and judgements management has made in the process of applying the entity's accounting policies. The standard also requires changes in the presentation of minority interest in the consolidated profit and loss statement, balance sheet and statement of changes in equity. The adoption of HKAS 1 has resulted in changes in the presentation of the Group's consolidated profit and loss statement, balance sheet and statement of changes in equity, which have no effect on both the profit attributable to equity holders of the parent for the period ended 30 June 2004 and equity attributable to equity holders of the parent at 31 December 2004.

- HKAS 16 "Property, Plant and Equipment" provides additional guidance and clarification on recognition and measurement of items of property, plant and equipment. The standard also provides that each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately. It also requires that the cost of an item of property, plant and equipment should include the costs of its dismantlement, removal or restoration, the obligation for which the Group incurs as a consequence of installing the item or of using the item during a particular period for purposes other than to produce inventories during that period. The adoption of HKAS 16 have the effects of reducing the profit attributable to equity holders of the parent for the period ended 30 June 2004 by US$0.3 million (HK$2.4 million) and reducing the Group's equity attributable to equity holders of the parent at 31 December 2004 by US$2.1 million (HK$16.4 million).

- HKAS 17 "Leases" prescribes the classification of interest in leasehold land as an operating lease if the title of the land is not passed to the Group by the end of the lease term. Prepaid land premiums for land lease payments under operating leases are initially stated at cost and subsequently amortized on the straight-line basis over the lease term. The adoption of HKAS 17 has resulted in a reclassification leasehold land from Property and equipment and Long-term receivables and prepayments of US$23.3 million (HK$181.7 million) and US$17.7 million (HK$138.1 million), respectively, to Prepaid land premiums in the Group's consolidated balance sheet at 31 December 2004, but no effect on both the profit attributable to equity holders for the period ended 30 June 2004 and equity attributable to equity holders of the parent at 31 December 2004.

- HKAS 32 "Financial Instruments: Disclosure and Presentation" covers the disclosure and presentation of all financial instruments. This standard requires more comprehensive disclosures about a company's financial instruments, whether recognized or unrecognized in the financial statements. New disclosure requirements include terms and conditions of financial instruments used, types of risks associated with both recognized and unrecognized financial instruments (market risk, price risk, credit risk, liquidity risk, and cash flow risk), fair value information of both recognized and unrecognized financial assets and financial liabilities, and the company's financial risk management policies and objectives. This standard also requires financial instruments to be classified as liabilities or equity in accordance with their substance and not their legal form. HKAS 32 requires retrospective application. The adoption of HKAS 32 has the effect of reducing the profit attributable to equity holders of the parent for the period ended 30 June 2004 by US$2.3 million (HK$17.9 million) and reducing the Group's equity attributable to equity holders of the parent at 31 December 2004 by US$65.1 million (HK$507.8 million).

- HKAS 33 "Earnings per Share" prescribes principles for the determination and presentation of earnings per share. It requires separate disclosure of basic and diluted earnings per share from continuing operations on the face of the consolidated profit and loss statement. The adoption of HKAS 33 has resulted in changes in the presentation of the Group's earnings per share on the face of the consolidated profit and loss statement.

- HKAS 39 "Financial Instruments: Recognition and Measurement" establishes the accounting and reporting standards for recognizing and measuring a company's financial assets and financial liabilities. This standard requires a financial asset or financial liability to be recognized initially at cost, which is the fair value of the consideration given (in the case of an asset) or received (in the case of a liability). Subsequent to initial recognition, the company should continue to measure financial assets at their fair values, except for loans and receivables and held-to-maturity investments, which are measured at cost or amortized cost using the effective interest rate method. Investments in unquoted equity securities are measured at cost less impairment provisions. Financial liabilities are subsequently measured at cost or amortized cost, except for liabilities classified as "at fair value through profit and loss" and derivatives, which are measured at fair value.

  HKAS 39 also covers the accounting for derivative instruments. This standard has expanded the definition of a derivative instrument to include derivatives (derivative-like provisions) embedded in non-derivative contracts. Under this standard, every derivative instrument is recorded in the balance sheet as either an asset or liability measured at its fair value. Derivatives that are not designed and do not qualify as hedges are adjusted to fair value through income. If the derivative is designated and qualifies as a hedge, depending on the nature of the hedge, changes in the fair value of derivatives are either offset against the change in fair value of the hedged assets, liabilities, or firm commitments through earnings, or recognized in equity until the hedged item is recognized in earnings.

  The adoption of HKAS 39 has resulted in the Group's changing of its accounting policy on measuring its various financial assets and liabilities from historical cost to either fair value or amortized cost based on the effective interest rate method. HKAS 39 generally does not permit a company to recognize, derecognize or measure financial assets and liabilities on a retrospective basis. As a result of this, the Group remeasured its various financial assets and liabilities at 1 January 2005. The differences which arose from remeasurement were adjusted to the Group's balance of accumulated losses at 1 January 2005 as allowed under the transitional provisions of the standard. The adjustments have the effect of increasing the Group's equity attributable to equity holders of the parent at 1 January 2005 by US$32.1 million (HK$250.4 million).

- HKFRS 2 "Share-Based Payment" requires an entity to recognize expenses in a share-based payment transaction when it obtains the goods or as the services are rendered. The entity shall recognize a corresponding increase in equity if the goods or services were received in an equity-settled transaction, or a liability if the goods or services are acquired in a cash-settled transaction. Pursuant to the transitional provisions of HKFRS 2, expenses relating to share options granted after 7 November 2002 and not yet fully vested on 1 January 2005 should be accounted for on a retrospective basis. The adoption of HKFRS 2 has the effect of reducing the profit attributable to equity holders of the parent for the period ended 30 June 2004 by US$0.6 million (HK$4.7 million), but no effect on the equity attributable to equity holders of the parent at 31 December 2004.
- HKFRS 3 "Business Combinations" requires all business combinations within its scope to be accounted for by applying the purchase method. In addition, this standard requires the acquirer to initially measure separately the identifiable assets, liabilities and contingent liabilities at their fair values, at acquisition date, irrespective of the extent of any minority interest.

  HKFRS 3 also requires goodwill in a business combination to be recognized by an acquirer as an asset from the acquisition date, initially measured as the excess of the cost of the business combination over the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. Further, the amortization of goodwill acquired in a business combination is prohibited; instead, goodwill is to be tested annually, or more frequently, if events or changes in circumstances indicate that the asset might be impaired. Goodwill that had been previously eliminated against reserves as a matter of accounting treatment will not be reinstated in the profit and loss upon disposal or impairment of the asset. The adoption of HKFRS 3 has resulted in the Group conducting an impairment review of its goodwill balance at least on an annual basis instead of amortizing its goodwill balance starting 1 January 2005 and has no effect on both the profit attributable to equity holders for the period ended 30 June 2004 and equity attributable to equity holders of the parent at 31 December 2004.
- HKFRS 5 "Non-current Assets Held-for-Sale and Discontinued Operations" requires an operation to be classified as discontinued when the criteria to be classified as held-for-sale have been met or the entity has disposed of the operation. The adoption of HKFRS 5 has resulted in changes in the presentation of the Group's consolidated profit and loss statement and has no effect on both the profit attributable to equity holders for the period ended 30 June 2004 and equity attributable to equity holders of the parent at 31 December 2004.

The impacts of adoption of HKFRS on the figures reported by the Group for the prior year are summarized as follows:

	As previously reported For the six months ended 30 June 2004 US$m	Restatement HKAS1 US$m	HKAS16 US$m	HKAS32 US$m	HKFRS2 US$m	HKFRS5 US$m	As restated For the six months ended 30 June 2004 US$m
Profit and loss statement							
Profit before taxation	88.6	(15.5)	(0.5)	(3.4)	(0.6)	(18.8)	49.8
Profit attributable to equity holders of the parent	54.7	–	(0.3)	(2.3)	(0.6)	–	51.5

	As previously reported For the six months ended 30 June 2004 HK$m*	Restatement HKAS1 HK$m*	HKAS16 HK$m*	HKAS32 HK$m*	HKFRS2 HK$m*	HKFRS5 HK$m*	As restated For the six months ended 30 June 2004 HK$m*
Profit and loss statement							
Profit before taxation	691.1	(120.9)	(3.9)	(26.5)	(4.7)	(146.6)	388.5
Profit attributable to equity holders of the parent	426.7	–	(2.4)	(17.9)	(4.7)	–	401.7

	As previously reported At 31 December 2004 US$m	Restatement HKAS16 US$m	HKAS32 US$m	As restated At 31 December 2004 US$m
Balance sheet				
Total assets	2,228.3	5.5	(65.1)	2,168.7
Total liabilities	1,568.6	9.0	–	1,577.6
Equity attributable to equity holders of the parent	294.6	(2.1)	(65.1)	227.4
Minority interests	365.1	(1.4)	–	363.7
Total equity	659.7	(3.5)	(65.1)	591.1

	As previously reported At 31 December 2004 HK$m*	Restatement HKAS16 HK$m*	HKAS32 HK$m*	As restated At 31 December 2004 HK$m*
Balance sheet				
Total assets	17,380.7	42.9	(507.8)	16,915.8
Total liabilities	12,235.0	70.2	–	12,305.2
Equity attributable to equity holders of the parent	2,297.9	(16.4)	(507.8)	1,773.7
Minority interests	2,847.8	(10.9)	–	2,836.9
Total equity	5,145.7	(27.3)	(507.8)	4,610.6

The adoption of HKFRS have no significant impacts on figures reported in prior years' cash flow statements.

2. Turnover and segmental information

For the six months ended 30 June	**2005 US$m**	2004 US$m	**2005* HK$m**	2004* HK$m
Turnover				
Sale of goods and properties	**919.5**	984.8	**7,172.1**	7,681.4
Rendering of services	**23.0**	17.2	**179.4**	134.2
Total	**942.5**	1,002.0	**7,351.5**	7,815.6

Segmental information, relating to the Group's business and geographic interests, follows. Analysis by business segment is the Group's primary reporting format as this is more relevant to the Group when making operational and financial decisions.

By principal business activity – 2005
For the six months ended 30 June

	Telecom-munications US$m	Consumer Food Products US$m	Property and Transportation US$m	Head Office US$m	**2005 Total US$m**	**2005* Total HK$m**
Profit and loss						
Segment revenue – turnover	–	911.6	30.9	–	**942.5**	**7,351.5**
Segment results	–	100.1	21.9	(27.5)	**94.5**	**737.1**
Net borrowing costs					**(59.2)**	**(461.8)**
Share of profits less losses of associated companies	71.0	–	0.1	–	**71.1**	**554.6**
Profit before taxation					**106.4**	**829.9**
Taxation					**(20.4)**	**(159.1)**
Profit for the period					**86.0**	**670.8**
Other information						
Capital expenditure	–	21.3	2.3	–	**23.6**	**184.1**
Depreciation	–	31.1	1.6	–	**32.7**	**255.1**
Other non-cash expenses	–	1.1	0.5	–	**1.6**	**12.5**

By principal geographical market – 2005
For the six months ended 30 June

	The Philippines US$m	Indonesia US$m	**2005 Total US$m**	**2005* Total HK$m**
Segment revenue – turnover	30.9	911.6	**942.5**	**7,351.5**
Capital expenditure	2.3	21.3	**23.6**	**184.1**

By principal business activity – 2004
For the six months ended 30 June

	Telecom-munications US$m	Consumer Food Products US$m	Property and Transportation US$m	Head Office US$m	2004 (Restated) Total US$m	2004* (Restated) Total HK$m
Profit and loss						
Segment revenue – turnover	–	973.4	28.6	–	1,002.0	7,815.6
Segment results		61.4	(1.9)	(4.2)	55.3	431.4
Net borrowing costs					(55.4)	(432.1)
Share of profits less losses of associated companies	50.2	(0.2)	(0.1)	–	49.9	389.2
Profit before taxation					49.8	388.5
Taxation					(10.6)	(82.7)
Profit from continuing operations					39.2	305.8
Profit from a discontinued operation – Note 6					18.8	146.6
Profit for the period					58.0	452.4
Other information						
Capital expenditure	–	75.4	2.6	–	78.0	608.4
Depreciation and amortization	–	26.3	2.2	–	28.5	222.3
Other non-cash expenses	–	16.8	9.2	–	26.0	202.8

By principal geographical market – 2004
For the six months ended 30 June

	The Philippines US$m	Indonesia US$m	2004 Total US$m	2004* Total HK$m
Segment revenue – turnover	28.6	973.4	1,002.0	7,815.6
Capital expenditure	2.6	75.4	78.0	608.4

3. Net borrowing costs
For the six months ended 30 June

	2005 US$m	2004 US$m	**2005* HK$m**	2004* HK$m
Loan capital	**–**	0.3	**–**	2.3
Bank loans and other loans	**64.6**	62.1	**503.9**	484.4
Total borrowing costs	**64.6**	62.4	**503.9**	486.7
Less interest income	**(5.4)**	(7.0)	**(42.1)**	(54.6)
Net borrowing costs	**59.2**	55.4	**461.8**	432.1

4. Profit before taxation
For the six months ended 30 June

	2005 US$m	2004 (Restated) US$m	**2005* HK$m**	2004* (Restated) HK$m
Profit before taxation is stated after (charging)/crediting				
Cost of inventories sold	**(552.7)**	(595.4)	**(4,311.1)**	(4,644.1)
Depreciation	**(32.7)**	(28.0)	**(255.1)**	(218.4)
Net foreign exchange and derivative losses on monetary items	**(24.3)**	(31.6)	**(189.5)**	(246.5)
Cost of services rendered	**(21.2)**	(16.3)	**(165.4)**	(127.1)
Realized loss on sale of available-for-sale assets	**–**	(3.3)	**–**	(25.7)
Doubtful debt provisions	**(1.6)**	(2.8)	**(12.5)**	(21.8)
Unrealized losses on available-for-sale assets	**–**	(2.9)	**–**	(22.6)

Amortization of goodwill (included in other operating expenses, net)	**–**	(0.5)	**–**	(3.9)
Gain on sale of property and equipment	**–**	1.0	**–**	7.8
Gain/(loss) on changes in fair value of plantations	**8.5**	(14.0)	**66.3**	(109.2)
Gain on dilution of interest in an associated company	**3.0**	–	**23.4**	–
Dividend income from available-for-sale assets	**1.3**	–	**10.1**	–

5. Taxation

No Hong Kong profits tax (2004: Nil) has been provided as the Group had no estimated assessable profits (2004: Nil) in Hong Kong for the period. Taxation on assessable profits generated outside Hong Kong has been provided at the rates of taxation prevailing in the countries in which the Company's subsidiary companies operate.

For the six months ended 30 June	2005	2004 (Restated)	2005*	2004* (Restated)
	US$m	US$m	**HK$m**	HK$m
Subsidiary companies – Overseas				
Current taxation	**15.5**	21.1	**120.9**	164.6
Deferred taxation	**4.9**	(10.5)	**38.2**	(81.9)
Total	**20.4**	10.6	**159.1**	82.7

Included within share of profits less losses of associated companies is taxation of US$24.2 million (HK$188.8 million) (2004: US$15.5 million or HK$120.9 million) and is analyzed as follows.

For the six months ended 30 June	2005	2004 (Restated)	2005*	2004* (Restated)
	US$m	US$m	**HK$m**	HK$m
Associated companies – Overseas				
Current taxation	**21.1**	18.3	**164.6**	142.7
Deferred taxation	**3.1**	(2.8)	**24.2**	(21.8)
Total	**24.2**	15.5	**188.8**	120.9

6. Profit from a discontinued operation

2004's profit from a discontinued operation represents a US$17.1 million (HK$133.4 million) gain on disposal of the Group's entire 49 per cent interest in Escotel (a company operating in India) and US$1.7 million (HK$13.2 million) share of Escotel's profit prior to its disposal.

7. Profit attributable to equity holders of the parent

Profit attributable to equity holders of the parent includes US$7.7 million (HK$60.1 million) (2004: US$13.6 million or HK$106.1 million) net foreign exchange and derivative losses that arose primarily on the translation of the unhedged foreign currency denominated borrowings and changes in the fair values of derivatives, and US$14.6 million (HK$113.9 million) (2004: US$15.4 million or HK$120.1 million) of net non-recurring gains.

Analysis of foreign exchange and derivative losses

For the six months ended 30 June	2005	2004	2005*	2004*
	US$m	US$m	**HK$m**	HK$m
Foreign exchange and derivative (losses)/gains				
– Subsidiary companies	**(24.3)**	(31.6)	**(189.5)**	(246.5)
– Associated companies	**11.4**	(3.1)	**88.9**	(24.2)
Subtotal	**(12.9)**	(34.7)	**(100.6)**	(270.7)
Attributable to taxation and minority interest	**5.2**	21.1	**40.5**	164.6
Total	**(7.7)**	(13.6)	**(60.1)**	(106.1)

The net non-recurring gains for 2005 mainly comprise goodwill compensation received by Indofood in connection to the establishment of a joint venture entity of US$5.0 million (HK$39.0 million), gain on dilution of the Group's interest in PLDT of US$3.0 million (HK$23.4 million), Metro Pacific's agreed one-time adjustments made to amounts owed to Pacific Plaza Towers contractor and others. 2004's non-recurring gains include gain on disposal of 49 per cent interest in Escotel of US$17.1 million (HK$133.4 million).

8. Earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity holders of the parent for the period of US$60.8 million (HK$474.2 million) (2004 restated: US$51.5 million or HK$401.7 million), and the weighted average of 3,186. 0 million (2004: 3,186.0 million) ordinary shares in issue during the period.

The calculation of diluted earnings per share for the period ended 30 June 2005 is based on: (i) a profit equal to the profit attributable to equity holders of the parent for the period of US$60.8 million (HK$474.2 million) adjusted by the US$4.5 million (HK$35.1 million) reduction in share of profits of associated companies assuming the conversion of dilutive convertible preference shares and share options issued by an associated company, and (ii) a share base equal to the aggregate of the weighted average number of ordinary shares of 3,186.0 million ordinary shares in issue during the period, as used in the basic earnings per share calculation, and the weighted average of 40.4 million ordinary shares assumed to have been issued at no consideration on the deemed exercise of all share options of the Company during the period.

A diluted earnings per share amount for the six months ended 30 June 2004 has not been disclosed as no diluting events existed during that period.

9. Accounts receivable, other receivables and prepayments

Included in accounts receivable, other receivables and prepayments are trade receivables of US$172.2 million (HK$1,343.2 million) (31 December 2004: US$170.3 million or HK$1,328.3 million), with an aged profile as below.

	At 30 June 2005 US$m	At 31 December 2004 US$m	At 30 June 2005* HK$m	At 31 December 2004* HK$m
0 to 30 days	**121.9**	145.5	**950.8**	1,134.9
31 to 60 days	**26.0**	6.0	**202.8**	46.8
61 to 90 days	**6.5**	12.2	**50.7**	95.1
Over 90 days	**17.8**	6.6	**138.9**	51.5
Total	**172.2**	170.3	**1,343.2**	1,328.3

Indofood allows export customers 60 days of credit and local customers an average of 30 days of credit. Metro Pacific collects contract receivables related to property sales by installments over periods ranging between one to five years. The current portion of which is included above.

10. Accounts payable, other payables and accruals

Included in accounts payable, other payables and accruals are trade payables of US$145.3 million (HK$1,133.3 million) (31 December 2004: US$145.1 million or HK$1,131.8 million), with an aged profile as below.

	At 30 June 2005 US$m	At 31 December 2004 US$m	At 30 June 2005* HK$m	At 31 December 2004* HK$m
0 to 30 days	**131.7**	121.2	**1,027.3**	945.4
31 to 60 days	**6.6**	7.4	**51.4**	57.7
61 to 90 days	**1.5**	5.6	**11.7**	43.7
Over 90 days	**5.5**	10.9	**42.9**	85.0
Total	**145.3**	145.1	**1,133.3**	1,131.8

11. Contingent liabilities

At 30 June 2005, neither the Group nor the Company had any significant contingent liabilities (31 December 2004: Nil).

12. Employee information

For the six months ended 30 June	2005 US$m	2004 US$m	2005* HK$m	2004* HK$m
Employee remuneration (including Directors' remuneration)	**87.6**	87.3	**683.3**	680.9

Number of employees	**2005**	2004
At 30 June	**47,438**	49,575
Average for the period	**48,292**	48,307

13. Comparative figures

Amounts have been reclassified and comparatives have been restated, as appropriate, for the adoption of a number of new and revised HKFRS (Note 1). Such reclassifications and restatements have the effects of reducing the equity attributable to equity holders of the parent at 31 December 2004 from US$294.6 million (HK$2,297.9 million) to US$227.4 million (HK$1,773.7 million) and reducing the profit attributable to equity holders of the parent for the six months ended 30 June 2004 from US$54.7 million (HK$426.7 million) to US$51.5 million (HK$401.7 million).

* *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.*

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(iii)	**–**	–	**(0.6)**	–
From continuing businesses	**942.5**	1,002.0	**72.6**	57.3
From a discontinued operation(iv)	**–**	–	**–**	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(v)			**14.6**	15.4
Profit attributable to equity holders of the parent			**60.8**	51.5

(i) *After taxation and minority interest, where appropriate.*

(ii) *The Group has restated its 1H04 profit attributable to equity holders of the parent from US$54.7 million to US$51.5 million following the adoption of HKFRSs issued by HKICPA which became effective on 1 January 2005. Details of the restatements are set out in Note 1 to the Condensed Interim Financial Statements.*

(iii) Associated companies.
(iv) Represents Escotel.
(v) 1H05's non-recurring gains of US$14.6 million mainly comprise goodwill compensation received by Indofood in connection to the establishment of a joint venture entity of US$5.0 million, gain on dilution of the Group's interest in PLDT of US$3.0 million, Metro Pacific's agreed one-time adjustments made to amounts owed to Pacific Plaza Towers contractor and others. 1H04's non-recurring gains include gain on disposal of 49 per cent interest in Escotel of US$17.1 million.

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 interests improved their performance in 1H05, recording profit contributions totaling US$72.6 million (1H04: US$57.3 million), an increase of 26.7 per cent. Recurring profit improved to US$53.9 million, from US$49.7 million in 1H04, and the Group recorded foreign exchange and derivative losses of US$7.7 million (1H04: US$13.6 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, and US$14.6 million (1H04: US$15.4 million) of net non-recurring gains. First Pacific recorded net profit for 1H05 of US$60.8 million, a 18.1 per cent improvement over 1H04's net profit of US$51.5 million.

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.

Closing:	**At 30 June 2005**	At 31 December 2004	Six months change	At 30 June 2004	One year change
Peso	**56.11**	56.13	–	56.19	+0.1%
Rupiah	**9,713**	9,290	–4.4%	9,415	–3.1%

Average:	**Six months ended 30 June 2005**	12 months ended 31 December 2004	Six months change	Six months ended 30 June 2004	One year change
Peso	**54.91**	56.12	+2.2%	56.07	+2.1%
Rupiah	**9,443**	8,978	–4.9%	8,794	–6.9%

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 revalution 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)[(i)]
Net income under Philippine GAAP	**16,785**	12,423
Preference dividends[(ii)]	**(700)**	(708)
Net income attributable to common shareholders	**16,085**	11,715
Differing accounting treatments[(iii)]		
– Reclassification of non-recurring items	**–**	127
– Reversal of discount accretion under HKAS 39	**–**	203
– Others	**(1,122)**	(918)
Intragroup items[(iv)]	**150**	150
Adjusted net income under Hong Kong GAAP	**15,113**	11,277
Foreign exchange and derivative (gains)/losses[(v)]	**(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) PLDT has restated its net income for 1H04 from Pesos 12,008 million to Pesos 12,423 million after adjusting for the effects of full adoption of a number of new and revised Philippine Financial Reporting Standards.
(ii) First Pacific presents net income after deduction of preference dividends.
(iii) Differences in accounting treatment under Philippine GAAP, compared with Hong Kong GAAP. The principal adjustments include:

– *Reclassification of non-recurring items: Certain items, through occurrence or size, are not considered usual, operating items which are reallocated and presented separately. In 1H04, manpower rightsizing costs of Pesos 0.1 billion were excluded and presented separately as non-recurring items.*
– *Reversal of discount accretion under HKAS 39: Under the transitional provisions, the cumulative financial impacts of adopting HKAS 39 as of 1 January 2005 have been taken up as an adjustment to opening accumulated losses.*
– *Others principally represents the accrual of withholding tax on net income attributable to common shareholders at PLDT company level under HKAS 12.*

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

(v) To illustrate the underlying operational results and profit contributions, foreign exchange and derivative gains/losses (net of related tax) are excluded and presented separately.

PLDT contributed a profit of US$58.8 million (1H04 restated: US$50.9 million) to the Group. In local currency terms, its consolidated core net income before foreign exchange and derivative gains increased 8.7 per cent to Pesos 15.0 billion (US$273.2 million) (1H04: Pesos 13.8 billion; US$246.1 million). Consolidated service revenues grew 2.9 per cent to Pesos 59.5 billion (US$1,083.7 million) (1H04: Pesos 57.8 billion; US$1,030.8 million) while consolidated EBITDA slightly improved to Pesos 37.5 billion (US$683.0 million) (1H04: Pesos 37.0 billion; US$659.8 million).

PLDT's consolidated free cash flow increased by 52.2 per cent to Pesos 27.4 billion (US$499.0 million) (1H04: Pesos 18.0 billion; US$321.0 million) which resulted primarily from a 39.7 per cent reduction in capital spending to Pesos 7.0 billion (US$127.5 million) (1H04: Pesos 11.6 billion; US$206.9 million). The significant increase in free cash flow accelerated PLDT's debt reduction activities. PLDT Group reduced debts by US$312 million during the period and further paid off US$110 million bonds on 1 August 2005. PLDT has raised its debt reduction target for 2005 to US$600 million from US$500 million.

Cellular: Smart's core earnings recorded a quarterly record high of Pesos 6.7 billion (US$122.0 million) which outperformed last year's second quarter's Pesos 6.6 billion (US$117.7 million) when the presidential election was held. Together, Smart and Piltel's *Talk 'N Text* GSM subscriber base grew by 1.6 million in the first six months of 2005 to 20.8 million (1H04: 16.0 million). This represents approximately 58 per cent of the cellular market in the Philippines. Revenues contributed from Smart's and Piltel's sustained growth in the first six months of 2005 increased to Pesos 35.4 billion (US$644.7 million) (1H04: Pesos 33.0 billion; US$588.5 million). EBITDA slightly increased to Pesos 22.8 billion (US$415.3 million) (1H04: Pesos 22.5 billion; US$401.3 million) due to higher revenues and lower subsidies on handsets. Net income before foreign exchange and derivative gains improved to Pesos 12.5 billion (US$227.7 million) (1H04: Pesos 11.7 billion; US$208.7 million) and free cash flow reached Pesos 19.9 billion (US$362.4 million) (1H04: Pesos 10.2 billion; US$181.9 million) resulting mainly from a decline of capital expenditure. Smart paid Pesos 14.0 billion (US$255.0 million) as dividend to PLDT in the first half of 2005.

Smart's underlying profitability is expected to be unaffected by the anticipated increase in churn rates in the second half of the year brought about by the termination of SIM-swapping activities effected in May.

Fixed Line: Fixed line subscribers and revenues remained stable at 2.1 million and Pesos 24.2 billion (US$440.8 million) (1H04: Pesos 24.1 billion; US$429.8 million), respectively. Fixed line EBITDA remained flat at Pesos 13.6 billion (US$247.7 million) (1H04: Pesos 13.6 billion; US$242.5 million) and free cash flow increased to Pesos 21.1 billion (US$384.3 million) (1H04: Pesos 18.8 billion; US$335.3 million) resulting from higher cash dividends from Smart. During the period, the debt level reduced by US$251 million.

PLDT fixed line is simplifying its network architecture through an upgrade of existing facilities to a Next Generation Network. This is expected to enlarge the revenue base by broadening product portfolio, and increase network flexibility and efficiency.

Information and Communications Technology: ePLDT net income increased by 66.0 per cent to Pesos 83 million (US$1.5 million) (1H04: Pesos 50 million; US$0.9 million) contributed from the significant revenue improvements of its call center, Netopia™, Vitro™ Data Center and other internet-related businesses. Consolidated call center revenues grew by 51.7 per cent to Pesos 836 million (US$15.2 million) (1H04: Pesos 551 million; US$9.8 million) resulting from an increase in capacity utilization.

By the end of the year, ePLDT plans to increase its combined call center seats to 4,800 from the current 3,179. The internet cafe chain network increased to 163 stores with over 7,500 PC terminals as of 30 June 2005.

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	**14**	121
Differing accounting treatments[(i)]		
– Reclassification of non-recurring items	**(47)**	–
– Gain/(loss) on revaluation of plantations	**45**	(69)
– Foreign exchange accounting	**27**	27
– Others	**(67)**	(56)
Adjusted net (loss)/income under Hong Kong GAAP	**(28)**	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) Differences in accounting treatment under Indonesian GAAP, compared with Hong Kong GAAP. The principal adjustments include:

- *Reclassification 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 Rupiah 47 billion gains (1H04: Nil) represents Rupiah 91 billion goodwill compensation received in connection to the establishment of a joint venture entity, partly offset by Rupiah 44 billion of manpower rightsizing costs.*
- *Gain/(loss) on revaluation of plantations: Under Indonesian GAAP, Indofood measures its plantations (biological assets) on historical cost basis. HKAS 41 requires the measurement of plantations at fair value less estimated point-of-sale costs. The adjustment relates to the change in fair value of plantations during the period.*
- *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, as the originating capitalized foreign exchange losses has already been written off by First Pacific.*

(ii) To illustrate the underlying operational results and profit contributions, foreign exchange and derivative losses (net of related tax) are excluded and presented separately.

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

In rupiah terms, consolidated sales of its three principal operations – Noodles, Flour and Edible Oils and Fats – accounted for 84.1 per cent of sales of Rupiah 8,608.7 billion (US$911.6 million) (1H04: Rupiah 8,560.0 billion: US$973.4 million) in the first half of 2005. The increase in sales of Flour was offset by the decreased sales in the Edible Oils & Fats – Trading and Plantation divisions. Gross margin decreased to 24.9 per cent (1H04 restated: 26.2 per cent) reflecting higher raw materials costs resulted from a 4.4 per cent depreciation in the rupiah and lower average selling prices for products of the Noodles and Plantation divisions during the period. Net profit decreased to Rupiah 14.5 billion (US$1.5 million) (1H04 restated: Rupiah 120.8 billion; US$13.7 million) resulting principally from a one-off non-cash charge of Rupiah 287.4 billion (US$30.4 million) for unwinding of the Principal Only Swap (POS) contracts, costs of Rupiah 39.2 billion (US$4.2 million) in relation to the early redemption of Euro bonds and Rupiah 63.2 billion (US$6.7 million) for retirement and severance allowances. Net interest costs were Rupiah 427.3 billion (US$45.3 million) (1H04: Rupiah 372.7 billion; US$42.4 million).

Noodles: In rupiah terms, sales were stable at Rupiah 2,901.7 billion (US$307.3 million) (1H04: Rupiah 2,930.3 billion; US$333.2 million) though the "buy 5 get 1 free" special offer for certain Indomie flavor reduced the average selling price by 2.4 per cent to Rupiah 551.0 (US5.8 cents) (1H04: Rupiah 564; US6.4 cents) per pack. Sales volumes reached 4.4 billion packs (1H04: 4.8 billion packs). Operating expenses decreased by 8.3 per cent to Rupiah 466.3 billion (US$49.0 million) (1H04 restated: Rupiah 508.4 billion; US$58.1 million) resulting mainly from reduction in advertising and promotion expenses.

Flour: In rupiah terms, sales improved by 8.7 per cent to Rupiah 3,616.8 billion (US$383.0 million) (1H04: Rupiah 3,328.0 billion; US$378.4 million) reflecting a 13.0 per cent increase in average selling price to Rupiah 2,937 (US31.1 cents) per kilogram (1H04: Rupiah 2,596 (US29.5 cents) per kilogram). Sales volumes decreased by 4.6 per cent to 1,111 thousand tons (1H04: 1,164 thousand tons). Operating expenses increased by 18.0 per cent to Rupiah 287.6 billion (US$30.6 million) (1H04 restated: Rupiah 243.8 billion; US$27.6 million) reflecting higher advertising and promotion expenses incurred to compete with imported flour.

Edible Oils and Fats: In rupiah terms, sales decreased by 20.4 per cent to Rupiah 2,057.7 billion (US$217.9 million) (1H04: Rupiah 2,586.5 billion; US$294.1 million) reflecting a decrease in sales volumes in the Trading and Plantation divisions and average selling price in the Plantation division. Gross profit decreased by 18.9 per cent to Rupiah 492.2 billion (US$52.2 million) (1H04 restated: Rupiah 606.8 billion; US$68.8 million) principally resulting from lower average selling prices and reduced sales volume for the Plantation division.

Others divisions include Food Seasonings, Snack Foods, Nutrition and Special Foods, and Distribution. In rupiah terms, combined sales improved by 16.4 per cent to Rupiah 1,421.3 billion (US$150.5 million) (1H04: Rupiah 1,221.2 billion: US$138.9 million) contributed from higher sales value recorded at the Nutrition and Special Foods, and Distribution divisions. Combined gross margin reduced to 25.2 per cent (1H04 restated: 28.9 per cent).

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$5.3 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 Visayan 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 250,000 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 20.8 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 faster 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$5.3 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

	At 30 June 2005			At 31 December 2004 (Restated)		
US$ millions	**Net debt[(i)]**	**Total equity**	**Gearing[(ii)] (times)**	Net debt[(i)]	Total equity	Gearing[(ii)] (times)
Head Office	**141.1**	**1,065.0**	**0.13x**	103.3	1,066.7	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)**	**–**	–	(1,051.2)	–
Consolidated	**743.9**	**660.3**	**1.13x**	854.3	591.1	1.45x
Associated						
PLDT	**1,710.5**	**1,056.9**	**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 represents 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	**243.6**	288.9
One to two years	**123.1**	182.8
Two to five years	**624.3**	561.3
Over five years	**15.3**	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	At 31 December 2004
Within one year	**518.5**	500.4
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$54.9 million (31 December 2004: US$44.8 million). Apart from these, the Head Office's US$113.0 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, rupee and reais 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**	3,186.0
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 Mobile-8.

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$23.9 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*
Manuel V. Pangilinan, *Managing Director and CEO*
Edward A. Tortorici
Robert C. Nicholson
His Excellency Albert F. del Rosario
Edward K.Y. Chen*, *GBS, CBE, JP*
Tedy Djuhar
Sutanto Djuhar
Ibrahim Risjad
Benny S. Santoso
Graham L. Pickles*
David W. C. Tang*, *OBE, Chevallier de L'Ordre des Arts et des Lettres*

* *Independent Non-executive Directors*