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**If you are in any doubt** as to any aspect of this circular, you should consult your licensed securities dealer, other licensed corporation, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in First Pacific Company Limited, you should at once hand this circular to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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## **FIRST PACIFIC COMPANY LIMITED**

*(Incorporated in Bermuda with limited liability)*

Website: <http://www.firstpacco.com>

**(Stock Code: 00142)**

**DISCLOSEABLE TRANSACTION**

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## DEFINITIONS

*In this circular, the following terms and expressions shall have the following meanings, unless otherwise defined or the context otherwise requires:*

“Ashmore”	Ashmore Investment Management Limited;
“Board”	the board of directors of the Company;
“Company”	First Pacific Company Limited, a company incorporated in Bermuda with limited liability, whose shares are listed on the Stock Exchange;
“Directors”	the directors of the Company;
“DMCI”	DMCI Holdings, Inc., a company incorporated in the Philippines, whose shares are listed on the Philippine Stock Exchange;
“DMCI-MPIC”	the DMCI-MPIC Water Company Inc., a company incorporated in the Philippines, a 50:50 joint venture of DMCI and MPIC, the Consortium’s (as defined below) bidding vehicle in respect of the acquisition of interest in Maynilad;
“Group”	the Company and/or its subsidiaries from time to time;
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC;
“Latest Practicable Date”	21 December 2006, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein;
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited;
“Maynilad”	Maynilad Water Services, Inc., a company incorporated in the Philippines;
“Model Code”	The Model Code for Securities Transactions by Directors of Listed Issuers;
“MPIC”	Metro Pacific Investments Corporation, a Philippine corporation in which the Company has approximately a 96% indirect attributable economic interest and which has its shares listed on the Philippine Stock Exchange;

## DEFINITIONS

“MWSS”	The Philippines’ Metropolitan Waterworks and Sewerage System;
“Philippines”	The Republic of the Philippines;
“Php”	The Philippine peso, the official currency of the Philippines;
“PRC”	The People’s Republic of China;
“SFO”	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong); and
“Stock Exchange”	The Stock Exchange of Hong Kong Limited.

## LETTER FROM THE BOARD



# FIRST PACIFIC COMPANY LIMITED

*(Incorporated in Bermuda with limited liability)*

Website: <http://www.firstpacco.com>

(Stock Code: 00142)

*Chairman:*

Anthoni Salim

*Executive Directors:*

Manuel V. Pangilinan (*Managing Director and CEO*)

Edward A. Tortorici

Robert C. Nicholson

*Non-Executive Directors:*

Ambassador Albert F. del Rosario

Sutanto Djuhar

Tedy Djuhar

Ibrahim Risjad

Benny S. Santoso

*Independent Non-Executive Directors:*

Graham L. Pickles

Professor Edward K.Y. Chen, *GBS, CBE, JP*

David W.C. Tang,

*OBE, Chevalier de L'Ordre des Arts et des Lettres*

*Registered Office:*

Canon's Court

22 Victoria Street

Hamilton HM12

Bermuda

*Hong Kong Principal Office:*

24th Floor

Two Exchange Square

8 Connaught Place

Central

Hong Kong

27 December 2006

*To the shareholders of the Company for information only*

Dear Sir or Madam,

## DISCLOSEABLE TRANSACTION

### INTRODUCTION

Reference is made to the announcement dated 5 December 2006 issued by the Company in respect of a discloseable transaction relating to the acquisition of an interest by the Company through MPIC in Maynilad as more particularly detailed in this circular below. The purpose of this circular is to provide you with further information in relation to such acquisition by the Company.

## LETTER FROM THE BOARD

The Company is pleased to announce that MWSS has accepted a bid to acquire an 83.97% interest in Maynilad made by a company established by a consortium which includes MPIC (the "Consortium"). Maynilad holds an exclusive concession, granted by MWSS on behalf of the Philippine government, to provide water and sewerage services in the area of West Metro Manila. The 25 year concession was granted in 1997 and will continue until May 2022. Maynilad's exclusive service area comprises approximately 540 sq. kilometres of West Metro Manila and includes eight cities and three municipalities in the Metro Manila area and one city and five municipalities in Cavite province, which is a rapidly industrialising province in the Philippines located due south of the Greater Manila region. The total population of Maynilad's service area exceeds 8 million and its network facilities include two water treatment plants and approximately 4,100 kilometres of pipes and aqueducts.

### MEMBERSHIP OF THE CONSORTIUM

The Consortium's winning bid was made as part of a competitive tender process, the result of which was announced on 5 December 2006. MPIC has a 50% interest in the Consortium.

The other member of the Consortium is DMCI, which holds the remaining 50% interest in the Consortium. DMCI is a leading construction company in the Philippines and currently manages Subic Water & Sewerage Company, Inc. DMCI's shares have been listed on the Philippine Stock Exchange since 1995.

Agreement in principle has been reached with Ashmore for special situations funds managed by Ashmore to directly or indirectly participate in up to 50% of the Company's attributable interest (through MPIC) in the proposed investment in Maynilad and the obligations related thereto. The participation of Ashmore's managed funds would correspondingly reduce the Company's attributable interest in, and commitment in respect of, the proposed investment in Maynilad. The details of the participation of Ashmore's managed funds in the investment have yet to be finalised. Further announcement(s) will be made, as appropriate, following finalisation of the terms of Ashmore's participation. Ashmore, which is based in London, is one of the world's leading specialist emerging market managers, managing approximately US\$23 billion in pooled funds, segregated accounts and structured products for pension funds, central banks and other institutional investors.

To the best of the knowledge, information and belief of the Board, having made all reasonable enquiries, each of the ultimate beneficial owners of MWSS, Maynilad, Ashmore and DMCI are third parties independent of the Company and its connected persons.

## LETTER FROM THE BOARD

### TERMS OF THE CONSORTIUM'S WINNING BID

The terms of the Consortium's winning bid comprise:

- (a) the payment of an amount of US\$56.7 million in cash in respect of the acquisition of 83.97% of the equity in Maynilad, the repayment of financial assistance previously provided by MWSS to Maynilad and interest. The payment of this amount was stipulated by the terms of the bidding process as the minimum financial bid and comprises US\$22.7 million consideration in respect of the acquisition of 83.97% of the equity in Maynilad, US\$31.0 million in respect of the repayment of financial assistance previously provided by MWSS to Maynilad and US\$3.0 million in respect of interest;
- (b) the contribution by DMCI-MPIC of an aggregate amount of additional equity to Maynilad of US\$447.2 million over three years. The proceeds of the additional equity contribution to Maynilad will be used by Maynilad for capital expenditure and to repay existing creditors of Maynilad. Maynilad currently has approximately US\$256.8 million of debt that is subject to various debt restructuring agreements. It is a term of the bidding process that, if not paid in cash, the additional equity capital contributions to Maynilad are required to be supported by a standby letter of credit issued by a BBB rated bank; and
- (c) as mandatory requirements of the terms of the bidding process, the establishment of a performance bond to be provided by DMCI-MPIC in an amount of US\$12.0 million in respect of Maynilad's obligations under the concession and the payment of transaction fees and expenses of approximately US\$16.9 million.

The consideration was determined in the context of a competitive bidding process. Completion of the acquisition of the equity in Maynilad is scheduled to take place on 10 January 2007. The standby letter of credit supporting the obligation of DMCI-MPIC to make an additional equity contribution to Maynilad, as referred to in (b) above, will also be delivered on completion.

DMCI-MPIC paid an aggregate amount of US\$120 million into escrow at the time of submission of its bid, which amount will, following DMCI-MPIC's bid having been accepted, be applied towards the total investment by DMCI-MPIC in Maynilad described above. The amount of US\$120 million paid into escrow has been provided by the members of the Consortium on a pro rata basis. Funds in the escrow will be applied to subscribe for shares in DMCI-MPIC upon completion of the acquisition.

Details of the overall financing plan for the investment have yet to be finalised by the members of the Consortium. However, it is currently anticipated that the balance of US\$412.8 million of the total investment amount in connection with the Consortium's bid will be financed by DMCI-MPIC from shareholders' loans and/or equity contributions to DMCI-MPIC from the members of the Consortium, project financing with or without recourse to the Company, MPIC, DMCI and the Ashmore managed funds, or by a

## LETTER FROM THE BOARD

combination of the foregoing. MPIC's proportion of any amount to be provided to DMCI-MPIC in the form of equity and/or shareholders' loans will be provided by MPIC or the Company in accordance with the applicable requirements of the Listing Rules. The obligation of DMCI-MPIC to provide the balance of US\$412.8 million of its total investment amount in Maynilad, by way of subscription for equity in Maynilad, will initially be supported by a standby letter of credit to be obtained by DMCI-MPIC.

### **RATIONALE FOR THE INVESTMENT**

The Board believes that the terms of MPIC's participation in the Consortium and the Consortium's investment in Maynilad are fair and reasonable and in the interests of the Company's shareholders as a whole. Water distribution is an essential infrastructure service and has the potential to provide stable operating cash flows. Maynilad has over 15 years remaining of a 25 year exclusive concession to provide water to West Metro Manila, an extensive and populous area covering eight cities and three municipalities in the Metro Manila area and one city and five municipalities in Cavite province, which is a rapidly industrialising province. Manila Water is the only other water distributor in Manila and holds the concession to provide water in East Metro Manila. The exclusivity of the concessions and the complexity of the water distribution and waste water facilities make the possibility of new entrants in this sector highly unlikely. Moreover, turnaround opportunities for new management exist, given that Maynilad has undergone an extended period of rehabilitation and limited investment in infrastructure and technology. The Company believes that there is significant upside potential in improving revenue water performance and other operational inefficiencies and that the anticipated stable operating cash flows provide an opportunity for attractive returns from the investment. The Company expects to realise a profit from the transaction upon completion as having acquired Maynilad at a discount and given that the fair values of the net assets acquired are likely to be higher than the cost of the acquisition. The exact amount of profit can only be determined after the completion of the acquisition and the fair value exercise. The assets and liabilities of the Group are expected to increase following the acquisition.

### **LISTING RULES IMPLICATIONS**

The Consortium has been formed as a 50:50 venture and, accordingly, currently anticipates that the Company, through MPIC, will provide 50% of the investment amount. However, as referred to above, agreement in principle has been reached for a participation in the investment by funds managed by Ashmore and details of the overall financing plan for the investment have yet to be finalised. It is anticipated, however, that the Company's and MPIC's total cash investment in respect of the acquisition and financial support to DMCI-MPIC in respect of DMCI-MPIC's standby letter of credit requirements will not exceed US\$267 million.

Accordingly, the investment in Maynilad is a discloseable transaction for the Company under the Listing Rules.

## LETTER FROM THE BOARD

### GENERAL

The net asset value of Maynilad is Php 2,251 million (approximately US\$42.4 million). The net profit of Maynilad before and after taxation and extraordinary items was Php 1,445 million (approximately US\$26.3 million) and Php 1,416 million (approximately US\$25.7 million), respectively, for the financial year ended 31 December 2005. Maynilad incurred a net loss before and after taxation and extraordinary items, of Php 2,287 million (approximately US\$40.8 million) and Php 2,310 million (approximately US\$41.2 million), respectively, for the financial year ended 31 December 2004.

The Company is a Hong Kong based investment and management company with operations in Southeast Asia. The Company's principal business interests relate to telecommunications and consumer food products.

The Company's investment in DMCI-MPIC will be accounted for by the Company as an investment in an associated company or jointly controlled entity.

Your attention is drawn to the information set out in the Appendix to this circular.

Yours faithfully,  
By Order of the Board  
**First Pacific Company Limited**  
**Manuel V. Pangilinan**  
*Managing Director and CEO*

## 1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Board collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

## 2. DISCLOSURE OF INTERESTS

### (i) Interests of Directors in the Company and its associated corporations

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the shares of the Company, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which: (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (b) were required pursuant to section 352 of the SFO to be entered in the register referred to therein; or (c) are required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange were as follows:

#### (a) Long positions in shares in the Company

Name	Ordinary Shares	Approximate percentage of issued share capital (%)	Ordinary share options
Anthoni Salim	1,418,525,963 <sup>(c)(i)</sup>	44.26	–
Manuel V. Pangilinan	6,026,759 <sup>(p)</sup>	0.19	31,800,000
Edward A. Tortorici	27,252,131 <sup>(p)</sup>	0.85	17,680,000
Robert C. Nicholson	–	–	24,500,000
Ambassador Albert F. del Rosario	–	–	2,840,000
Benny S. Santoso	–	–	2,840,000
Graham L. Pickles	–	–	1,000,000
Edward K. Y. Chen, GBS, CBE, JP	–	–	2,840,000

- (i) *Anthoni Salim owns 100 per cent of First Pacific Investments (BVI) Limited which, in turn, is interested in 628,296,599 ordinary shares in the Company. Of this 33.334 per cent is held by Anthoni Salim directly, and 66.666 per cent by Salerni International Limited (a company which Anthoni Salim directly holds 100 per cent of the issued share capital). Anthoni Salim also owns 56.8 per cent of First Pacific Investments Limited which, in turn, is interested in 790,229,364 ordinary shares in the Company. Of this 10 per cent is held by Anthoni Salim directly, and 46.8 per cent by Salerni International Limited.*

*The remaining 43.2 per cent interest in First Pacific Investments Limited is owned as to 30 per cent by Sutanto Djuhar, 10 per cent by Tedy Djuhar and 3.2 per cent by Ibrahim Risjad, all of whom are Non-executive Directors of the Company.*

(b) *Long positions in shares in associated corporations*

- Manuel V. Pangilinan owned 188,101 common shares<sup>(p)</sup> and 564,303 warrants<sup>(p)</sup> in MPIC, 201,933 common shares<sup>(p)</sup> in Philippine Long Distance Telephone Company (“PLDT”) and 360 preferred shares<sup>(p)</sup> in PLDT as beneficial owner and a further 15,417 common shares in PLDT as nominee for another person, as well as 3,500,000 common shares<sup>(p)</sup> in Pilipino Telephone Corporation.
- Edward A Tortorici owned 767,469 common shares<sup>(p)</sup> in Metro Pacific Corporation, 17,399 common shares<sup>(c)</sup> and 52,197 warrants<sup>(c)</sup> in MPIC and 104,874 common shares<sup>(p)</sup> in PLDT.
- Sutanto Djuhar owned 15,520,335 ordinary shares<sup>(c)</sup> in PT Indofood Sukses Makmur Tbk (“Indofood”).
- Tedy Djuhar owned 15,520,335 ordinary shares<sup>(c)</sup> in Indofood.
- Ibrahim Risjad owned 6,406,180 ordinary shares<sup>(c)</sup> in Indofood.
- Anthoni Salim owned 632,370 ordinary shares<sup>(c)</sup> in Indofood.
- Albert F. del Rosario owned 100,025 common shares<sup>(p)</sup> in PLDT, 1,560 preferred shares<sup>(p)</sup> in PLDT, 32,231,970 preferred shares<sup>(p)</sup> in Prime Media Holdings, Inc. (“PMH”) as nominee for another person, 4 common shares<sup>(p)</sup> in PMH as beneficial owner, 100 common shares<sup>(p)</sup> in Negros Navigation Co., Inc., 4,922 common shares<sup>(p)</sup> in Costa de Madera Corporation, 19,999 common shares<sup>(p)</sup> in FPD Savills Consultancy Philippines, Inc. as beneficial owner and one common share<sup>(p)</sup> in FPD Savills Consultancy Philippines, Inc. as beneficiary of certain trusts, 15,000 common shares<sup>(p)</sup> in Metro Pacific Land Holdings Inc., and 80,000 common shares<sup>(p)</sup> in Metro Strategic Infrastructure Holdings, Inc.

<sup>(p)</sup> = *Personal interest*, <sup>(c)</sup> = *Corporate interest*

As at the Latest Practicable Date, save as disclosed above, none of the Directors and chief executive of the Company were interested, or were deemed to be interested in the long and short positions in the shares, underlying shares of equity derivatives and debentures of the Company or any associated corporation (within the meaning of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or (b) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code, to be notified to the Company and Stock Exchange.

**(ii) Interests of Substantial Shareholders**

As at the Latest Practicable Date, so far as is known to the Directors or the chief executive of the Company, the following parties, other than a Director or chief executive of the Company, have an interest or short position in the shares of the Company and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

- (a) Salerni International Limited (Salerni), which was incorporated in the British Virgin Islands, is interested in 1,418,525,963 ordinary shares of the Company (long position) at the Latest Practicable Date, representing approximately 44.26 per cent of the Company's issued share capital, by way of its 46.8 per cent interest in First Pacific Investments Limited (FPIL-Liberia) and its 66.666 per cent interest in First Pacific Investments (BVI) Limited (FPIL- BVI).
- (b) FPIL-Liberia, which was incorporated in the Republic of Liberia, beneficially owned 790,229,364 ordinary shares at the Latest Practicable Date, representing approximately 24.66 per cent of the Company's issued share capital. FPIL-Liberia is owned by the Chairman (Anthoni Salim) and three Non-executive Directors (Sutanto Djuhar, Tedy Djuhar and Ibrahim Risjad), in the proportion specified in footnote (i), above of the table on page 9 of this Circular. Anthoni Salim is taken to be interested in the shares owned by FPIL-Liberia.
- (c) FPIL-BVI, which was incorporated in the British Virgin Islands, beneficially owned 628,296,599 ordinary shares at the Latest Practicable Date, representing approximately 19.60 per cent of the Company's issued share capital. Anthoni Salim, the Chairman of the Company, beneficially owns the entire issued share capital of FPIL-BVI and, accordingly, is taken to be interested in the shares owned by FPIL-BVI.

- (d) Brandes Investment Partners, L.P. (Brandes), a U.S. company, notified the Company that it held 348,724,702 ordinary shares of the Company in December 2006, representing approximately 10.88 per cent of the Company's current issued share capital. At the Latest Practicable Date, the Company has not received any other notification from Brandes of any change to such holding.
- (e) Marathon Asset Management Limited (Marathon), a U.K. incorporated company, notified the Company that it held 204,709,173 ordinary shares of the Company in November 2005, representing approximately 6.39 per cent of the Company's current issued share capital. At the Latest Practicable Date, the Company has not received any other notification from Marathon of any change to such holding.

### 3. SERVICE CONTRACTS

Mr. Tortorici has a service contract with the Company expiring on 31 December 2007. The amount of fixed remuneration payable under the contract, excluding arrangements for pension payments, is currently US\$1,035,000 per annum, payable in arrears over 12 months at the rate of US\$86,250 per month.

The amounts of any variable remuneration payable under the contract include annual discretionary bonus equal to 0% to 50% of the base annual fee, participation in the share option scheme of the Company adopted on 24 May 2004, as well as any other perquisites and benefits customarily provided to senior executive officers of the Company. Upon the expiration of Mr. Tortorici's employment, he will be granted an augmented retirement benefit calculated based on two months' pay for every completed year of full time service to the Company, starting from August 1987.

Other than as described above, no Director has an unexpired contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

### 4. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened by or against any member of the Group.

### 5. COMPETING INTERESTS

As at the Latest Practicable Date, so far as the Directors are aware, none of the Directors or their respective associates have a controlling interest in a business which competes either directly or indirectly with the business of the Company.

**6. MISCELLANEOUS**

- (i) The company secretary of the Company is Nancy L.M. Li, MSc (Corporate Governance and Directorship), BA, FCS, FCIS.
- (ii) The qualified accountant of the Company is Richard L. Beacher, BA(Hon) in Economics and Accounting, FCCA, CPA.
- (iii) The registered office of the Company is at Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda. The head office and principal place of business of the Company is at 24th Floor, Two Exchange Square, 8 Connaught Place, Central, Hong Kong.
- (iv) The principal share registrar and transfer office is Butterfield Fund Services (Bermuda) Limited, Rosebank Centre, 11 Bermudiana Road, Pembroke, HM08, Bermuda.
- (v) The share registrar and transfer office (Hong Kong Branch) is Computershare Hong Kong Investor Services Limited at 46th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (vi) The English text of this circular shall prevail over the Chinese text in case of any inconsistency.