

**Tuesday, 25 June 2002**

**FIRST PACIFIC CLARIFIES RECENT PRESS REPORTS CONCERNING NTT'S SHAREHOLDER'S RIGHTS; PLDT'S BYLAW PROVISIONS; AND ALLEGED PENALTIES**

**Press reports concerning NTT's shareholder's rights in PLDT**

First Pacific notes recent press reports concerning the possible veto right of NTT Communications Corporation (NTT), as a shareholder in Philippine Long Distance Telephone Company (PLDT). This possible veto right was disclosed as a condition in First Pacific's 5 June 2002 announcement which outlined a proposed transaction to establish joint venture arrangements, with the Manila-based Gokongwei Group, in relation to the First Pacific Group's interests in PLDT and Bonifacio Land Corporation (BLC).

NTT is First Pacific's valued long-term partner in its Philippines telecommunications investments, and owns a 15 per cent interest in PLDT.

First Pacific affirms that the Shareholders Agreement between NTT and First Pacific (Shareholders Agreement) states that, unless agreed to by NTT and First Pacific, there may be no transfer of any PLDT and Philippine Telecommunications Investment Corporation (PTIC) shares, which are subject to the Shareholders Agreement, to a "strategic investor" at any time prior to 24 March 2003.

PTIC is a privately held corporation established under the laws of the Philippines, which owns an approximately 15.4 per cent interest in PLDT.

The Shareholders Agreement defines a "strategic investor" as a person, other than a party to the Shareholders Agreement, which directly or indirectly engages in a business involving, as its principal component, the provision of telephone, telecommunications, paging, internet, data or voice transmission services, whether or not terrestrial, including, without limitation, any person carrying on or engaging in multi-media services as an ancillary or collateral part of the foregoing businesses.

Based on the currently proposed structure for the transaction, as outlined in the First Pacific's 5 June 2002 announcement, and related Philippine legal advice received by First Pacific, the proposed structure should not involve any "strategic investor" in the transaction.

The Shareholders Agreement also provides that, prior to 24 March 2003, to the extent permissible under applicable laws and regulations, First Pacific will maintain its direct or indirect aggregate percentage shareholding in PTIC, whether through the existing PTIC shareholders or otherwise. Based on Philippine legal advice, First Pacific believes that the proposed transaction structure should not violate this provision.

In addition, NTT has rights of first offer, in relation to transfers of those PLDT and PTIC shares which are subject to the Shareholders Agreement, and these rights are applicable for so long as the Shareholders Agreement remains in effect.

As previously stated in First Pacific's 5 June 2002 announcement, the proposed transaction with the Gokongwei Group is subject to NTT not having exercised any right of first refusal or any applicable veto under the Shareholders Agreement. In that context, First Pacific, without the participation or involvement of Mr. Manuel V. Pangilinan, as its Executive Chairman, already has held constructive discussions with senior management of NTT, in relation to the establishment of the proposed joint venture arrangements with the Gokongwei Group and to issues generally arising out of the proposed transaction, including NTT's rights of first offer and the other provisions referred to above.

First Pacific will continue its constructive dialogue with NTT, with a view toward achieving a mutually satisfactory resolution of the issues that the proposed transaction raise for NTT and First Pacific as current and future shareholder partners in PLDT.

**Press reports concerning PLDT's bylaw provisions on board of directors' nominations and elections; press reports concerning alleged penalties**

First Pacific also notes recent press reports stating that the proposed joint venture arrangements, as disclosed by First Pacific on 5 June 2002, are violative of PLDT's bylaws governing the nomination and election of PLDT directors. In addition, certain press reports state that, as a consequence, First Pacific will be unable to culminate the transaction and, accordingly, will be subject to the payment of "huge and substantial" penalties to the Gokongwei Group.

**a. PLDT's bylaw provisions on board of directors' nominations and elections**

First Pacific has taken Philippine legal advice and wishes to clarify that, in relation to PLDT's bylaws governing the qualifications of directors, the bylaw in question is relevant only to the nomination and election of directors to the board of PLDT and does not affect the transfers of interests in PLDT as contemplated by the proposed transaction.

Moreover, the bylaw sets forth a process that allows the PLDT Board to evaluate, and either accept or reject by a majority vote (namely seven of PLDT's thirteen directors), whether an individual engaged in a competitive business should be permitted to sit on the PLDT board.

The bylaw does this by stating that "no person shall qualify or be eligible for nomination or election to the Board of Directors if he is engaged in any business that competes with or is antagonistic to that of [PLDT] or its subsidiaries" and sets out certain categories of persons "deemed to be so engaged". However, the bylaw allows for a PLDT board majority vote to determine whether a person is, in fact, so engaged; while categories of persons "deemed to be so engaged" are only deemed to be so engaged in circumstances where the PLDT board has so determined by a majority vote.

The bylaws do not provide for restrictions on the transfers of shares or for any shareholder disqualification.

First Pacific does not anticipate that this bylaw should prevent the proposed transaction from proceeding and being completed as agreed.

**b. Alleged penalties**

On the matter of penalties, First Pacific states that these various press assertions clearly are based upon unsubstantiated rumour and are patently false. The documentation of the proposed transaction does not contain any provisions for any penalty being levied on any matter connected with the transaction.

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