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JAPAN'S NTT TO PAY US\$214 MILLION FOR FURTHER 22% STAKE IN SMART COMMUNICATIONS

First Pacific announced today that Nippon Telegraph & Telephone Corporation (NTT) has agreed in principle to pay approximately US\$214 million (HK\$1.659 billion) to increase its holding in Smart Communications, Inc., the Philippines leading cellular carrier, to approximately 37 per cent from 15 per cent.

The transaction, which values Smart at US\$880 million (HK\$6.82 billion) and is subject to NTT Board approval, is expected to be completed by early March. It had been flagged in November when First Pacific disclosed that it had invested US\$749 million to acquire, through Philippine and other affiliates, a significant interest in Philippine Long Distance Telephone Company (PLDT).

NTT will acquire US\$42 million (HK\$326 million) of Smart shares from Metro Pacific Corporation, First Pacific's Philippine flagship, and a further US\$107 million (HK\$829 million) of Smart shares from other affiliates of First Pacific. In addition, it will subscribe for US\$65 million (HK\$504 million) of new Smart shares, which increases the company's market value to US\$945 million (HK\$7.324 billion).

As a result of the transaction, First Pacific will record an exceptional gain of approximately US\$90 million (HK\$698 million), and Metro Pacific will record a gain of approximately US\$73 million (HK\$566 million). The exceptional gains reflect both the premium being paid above the companies' investment cost and the dilution effect from NTT's further investment in Smart.

Following the NTT purchase, Metro Pacific's economic interest in Smart will decline to 38 per cent, and First Pacific's economic interest, held through Philippine affiliates, will decline to 18 per cent. The remainder of Smart is held by private Philippine investors and management.

First Pacific Managing Director Manuel V. Pangilinan, who also serves as Chairman of Metro Pacific, said: "Today's transaction continues First Pacific's drive to crystallize the value it has built up over the years in its various business activities. It strengthens Smart's capital base through the injection of new funds which will be used to expand its cellular and fixed-line network, and it allows both First Pacific and Metro Pacific to further bolster their own balance sheets."

Following its commercial launch in 1994, Smart had more than 791,000 cellular subscribers as at year-end 1998, representing approximately 50 per cent of the Philippine cellular market, as well as approximately 110,000 subscribers to its fixed-line service.