

*Hong Kong Exchanges and Clearing Limited and the Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



## **FIRST PACIFIC COMPANY LIMITED**

### **第一太平有限公司**

*(Incorporated with limited liability under the laws of Bermuda)*

Website: [www.firstpacific.com](http://www.firstpacific.com)

**(Stock Code: 00142)**

## **MAJOR TRANSACTION**

### **KKR TO INVEST IN THE HOSPITALS BUSINESS OF METRO PACIFIC INVESTMENTS CORPORATION**

#### **OVERVIEW**

On 14 October 2019, MPHHI and MPIC entered into the Share Subscription Agreement and the Exchangeable Bond Subscription Agreement, respectively, with an investment vehicle established by KKR as Investor. The Share Subscription Agreement and the Exchangeable Bond Subscription Agreement collectively relate to an investment by the Investor in MPIC's hospitals and healthcare business conducted by its subsidiary, MPHHI.

MPIC is a Philippine affiliate of the Company, in which the Company has a 41.9% economic interest as at the date of this announcement. MPHHI, together with its subsidiaries, associates and joint ventures operate a healthcare network in the Philippines, with interests in hospitals, clinics, cancer care centers, healthcare colleges and a central clinical laboratory.

The Share Subscription Agreement provides for the subscription by the Investor of ₱5.2 billion (approximately US\$100.2 million or HK\$781.7 million) for new common shares in MPHHI representing approximately 6.25% of the aggregate par value of MPHHI.

The Exchangeable Bond Subscription Agreement provides for the subscription by the Investor of ₱30.1 billion (approximately US\$580.1 million or HK\$4.5 billion) for a mandatorily exchangeable bond to be issued by MPIC, which is exchangeable for 239,932,962 MPHHI Shares held by MPIC, representing approximately 36.29% of the enlarged issued common share capital of MPHHI on closing of the subscription for new MPHHI Shares under the Share Subscription Agreement. The exchange rights under the Exchangeable Bond are mandatorily exercisable on the earlier of the tenth anniversary of the date of issue of the Exchangeable Bond or closing of an initial public offering of MPHHI.

An affiliate of GIC which currently holds approximately 7.25% of the voting share capital of MPHHI and an exchangeable bond issued by MPIC will restructure its existing investments in MPHHI and reinvest in MPHHI alongside KKR pursuant to the Share Subscription Agreement and the Exchangeable Bond Subscription Agreement. That reinvestment will be made by GIC's affiliate investing alongside KKR in the Investor.

#### **DIRECTORS' VIEWS**

The Directors (including the Independent Non-executive Directors) consider that the terms of the Transaction are fair and reasonable, and that the Transaction is on normal commercial terms (as far as the Company is concerned), in the interests of the Company and the Shareholders as a whole.

#### **LISTING RULES IMPLICATIONS**

As one of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Transaction is more than 25% but all the applicable percentage ratios are less than 75%, the Transaction is a major transaction for the Company under Chapter 14 of the Listing Rules and is, therefore, subject to the notification, announcement, circular and Shareholders' approval requirements for a major transaction under the Listing Rules.

#### **DESPATCH OF CIRCULAR**

It is anticipated that a circular containing further information relating to the Transaction and other information required by the Listing Rules and convening the SGM at which a resolution to approve the Transaction will be proposed for consideration and, if thought fit, approval by Shareholders, will be despatched to Shareholders on or before 31 October 2019.

## **KKR TO INVEST IN THE HOSPITALS BUSINESS OF MPIC**

First Pacific Company Limited (the “**Company**”) is pleased to announce that, on 14 October 2019, outside trading hours of the Stock Exchange:

- (a) Metro Pacific Hospital Holdings, Inc. (“**MPHHI**”) and an investment vehicle (the “**Investor**”) established by KKR & Co. Inc. (“**KKR**”) entered into an agreement (the “**Share Subscription Agreement**”) pursuant to which the Investor has agreed to subscribe ₱5.2 billion (approximately US\$100.2 million or HK\$781.7 million) for new common shares in MPHHI (“**MPHHI Shares**”) representing approximately 6.25% of the aggregate par value of MPHHI (the “**MPHHI Subscription Shares**”); and
- (b) Metro Pacific Investments Corporation (“**MPIC**”) and the Investor entered into an agreement (the “**Exchangeable Bond Subscription Agreement**”) pursuant to which the Investor has agreed to subscribe ₱30.1 billion (approximately US\$580.1 million or HK\$4.5 billion) for a mandatorily exchangeable bond to be issued by MPIC on closing under the Exchangeable Bond Subscription Agreement (the “**Exchangeable Bond**”), which is mandatorily exchangeable for 239,932,962 MPHHI Shares held by MPIC, representing approximately 36.29% of the enlarged issued common share capital of MPHHI on closing of the subscription for new MPHHI Shares under the Share Subscription Agreement. The exchange rights under the Exchangeable Bond are mandatorily exercisable on the earlier of the tenth anniversary of the date of issue of the Exchangeable Bond or closing of an initial public offering of MPHHI. The exchange rights can also be exercised by the holder of the Exchangeable Bond on the occurrence of certain events of default specified in the Exchangeable Bond. Pending exercise of the exchange rights under the Exchangeable Bond, the holder of the Exchangeable Bond is entitled to receive interest payments equal to the dividend yield of the MPHHI Shares for which the Exchangeable Bond is exchangeable. The exchange rights are supported by a pledge over the underlying shares.

An affiliate of GIC Private Limited (“**GIC**”), which currently holds approximately 7.25% of the voting share capital of MPHHI and an exchangeable bond issued by MPIC will restructure its existing investments in MPHHI and reinvest in MPHHI alongside KKR pursuant to the Share Subscription Agreement and the Exchangeable Bond Subscription Agreement. That reinvestment will be made by GIC’s affiliate investing alongside KKR in the Investor.

## **PRINCIPAL TERMS OF THE SHARE SUBSCRIPTION AGREEMENT**

The principal terms of the Share Subscription Agreement are summarized below:

### **Date**

14 October 2019

### **Parties**

- (1) MPHHI
- (2) Investor

### **Subject Matter**

The Investor has agreed to subscribe for the MPHHI Subscription Shares to be issued by MPHHI.

### **Subscription Amount**

The subscription price for the MPHHI Subscription Shares is ₱5.2 billion (approximately US\$100.2 million or HK\$781.7 million), payable by the Investor to MPHHI in cash. The subscription price is payable as to an amount of ₱2.6 billion (approximately US\$50.1 million or HK\$390.8 million) in cash on closing under the Share Subscription Agreement and as to the balance of ₱2.6 billion (approximately US\$50.1 million or HK\$390.8 million) deferred for three years. The subscription price for the MPHHI Subscription Shares was determined based on arm's length negotiations between MPIC, MPHHI and KKR after taking into account, among other things, indicative competing bids and trading comparables in the public market.

## **PRINCIPAL TERMS OF THE EXCHANGEABLE BOND SUBSCRIPTION AGREEMENT**

The principal terms of the Exchangeable Bond Subscription Agreement are summarized below:

### **Date**

14 October 2019

### **Parties**

- (1) MPIC
- (2) Investor

### **Subject Matter**

The Investor has agreed to subscribe for the Exchangeable Bond to be issued by MPIC.

### **Subscription Amount**

The subscription price for the Exchangeable Bond is ₱30.1 billion (approximately US\$580.1 million or HK\$4.5 billion), payable by the Investor to MPIC in cash in three instalments. The first instalment, of ₱26.1 billion (approximately US\$503.0 million or HK\$3.9 billion), is payable by the Investor on closing under the Exchangeable Bond Subscription Agreement. The second instalment, of ₱1.6 billion (approximately US\$30.8 million or HK\$240.5 million), is payable by the Investor within six months of closing. The third and final instalment, of ₱2.4 billion (approximately US\$46.3 million or HK\$360.8 million), is payable by the Investor not later than the first anniversary of closing.

The subscription price for the Exchangeable Bond was determined based on arm's length negotiations between MPIC and KKR, after taking into account, among other things, indicative competing bids and trading comparables in the public market.

### **Closing**

Closing of the Transaction is conditional on the fulfilment of the following principal conditions:

- (1) The approval on ruling or waiver of review by the Philippine Competition Commission in respect of the Transaction.
- (2) Certain third party consents.
- (3) Approval of the Transaction as a major transaction for the Company under Chapter 14 of the Listing Rules, by an ordinary resolution of Shareholders passed at a special general meeting of Shareholders (“**SGM**”) to be convened for the Shareholders to consider and, if thought fit, approve the Transaction.

Subject to the fulfilment of the conditions referred to above, closing under each of the Share Subscription Agreement and the Exchangeable Bond Subscription Agreement is expected to take place by 31 December 2019.

## **INFORMATION OF THE PARTIES**

### **MPIC**

The Company indirectly holds a 41.9% economic interest in MPIC, which is the largest infrastructure investment management and holding company in the Philippines, with investments in the country's largest electricity distributor, hospital group, toll road operator and water distributor. MPIC also holds substantial investments in major light rail and logistics operations, and in the largest electricity generator in the Visayas region of the Philippines.

### **MPHHI**

MPHHI, together with its subsidiaries, associates and joint ventures (the “**MPHHI Group**”) is the operator of the largest private hospitals and healthcare network in the Philippines in terms of authorised bed capacity and revenue, with interests in 14 hospitals and approximately 3,200 beds across the country. MPHHI is focused on delivering high-quality healthcare solutions to patients at a time when more Filipinos are seeking premium medical services, driven by rising per capita incomes and rapid urbanisation.

Set out below is the financial information of MPHHI extracted from its audited consolidated financial statements for the two financial years ended 31 December 2018 and 31 December 2017:

- (1) For the financial year ended 31 December 2018, MPHHI's audited profit before taxation was ₱2.3 billion (approximately US\$44.6 million or HK\$347.9 million) and MPHHI's audited profit after taxation was ₱1.7 billion (approximately US\$32.8 million or HK\$255.8 million).
- (2) For the financial year ended 31 December 2017, MPHHI's audited profit before taxation was ₱1.7 billion (approximately US\$33.6 million or HK\$262.1 million) and MPHHI's audited profit after taxation was ₱1.2 billion (approximately US\$22.9 million or HK\$178.6 million).
- (3) As at 31 December 2018, MPHHI's audited net asset value attributable to its shareholders was ₱14.4 billion (approximately US\$273.6 million or HK\$2.1 billion).

### **The Investor**

The Investor is a private limited company incorporated under the laws of Singapore, established by an affiliate of KKR for the purposes of the Transaction.

## **KKR**

KKR is a leading global investment firm that manages multiple alternative asset classes, including private equity, energy, infrastructure, real estate and credit, with strategic partners that manage hedge funds. KKR aims to generate attractive investment returns for its fund investors by following a patient and disciplined investment approach, employing world-class people, and driving growth and value creation with KKR portfolio companies. KKR invests its own capital alongside the capital it manages for fund investors and provides financing solutions and investment opportunities through its capital markets business. References to KKR's investments may include the activities of its sponsored funds.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiry, the Investor and KKR, and their respective ultimate beneficial owner(s) are third parties independent of the Company and connected persons (as defined in the Listing Rules) of the Company.

## **GIC**

GIC is a leading global investment firm established in 1981 to manage Singapore's foreign reserves. A disciplined long-term value investor, GIC is uniquely positioned for investments across a wide range of asset classes, including equities, fixed income, private equity, real estate and infrastructure. In private equity, GIC invests through funds as well as directly in companies, partnering with its fund managers and management teams to help world class businesses achieve their objectives. GIC has investments in over 40 countries and has been investing in emerging markets for more than two decades. Headquartered in Singapore, GIC employs over 1,500 people across 10 offices in key financial cities worldwide.

An affiliate of GIC currently holds approximately 7.25% of the voting share capital of MPHHI and an exchangeable bond issued by MPIC. As part of the Transaction, such affiliate will restructure its existing investments in MPHHI and reinvest in MPHHI alongside KKR pursuant to the Share Subscription Agreement and the Exchangeable Bond Subscription Agreement. That reinvestment will be made by GIC's affiliate investing alongside KKR in the Investor.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiry, apart from the existing investments in MPHHI by an affiliate of GIC described in the paragraph immediately above, GIC and its ultimate beneficial owner(s) are third parties independent of the Company and connected persons (as defined in the Listing Rules) of the Company.

## **The Company**

The Company is a Hong Kong-based investment management and holding company with operations located in Asia-Pacific. Its principal business interests relate to consumer food products, infrastructure, natural resources and telecommunications.

## **USE OF PROCEEDS**

MPHHI expects to use the proceeds from the subscription by the Investor of the MPHHI Subscription Shares to support MPHHI's potential investments in additional hospitals and new healthcare businesses.

MPIC intends to use the proceeds of its issuance of the Exchangeable Bond to reduce bank borrowings.

## **FURTHER INFORMATION**

As a result of closing of the Transaction, MPHHI's financial results would cease to be consolidated in the Company's financial statements and the Company expects to accrue a gain to the profit and loss of approximately US\$200 million (approximately HK\$1.56 billion), calculated on the basis of deconsolidation of MPHHI from the Company's financial statements.

On completion of the subscription and issue of the MPHHI Subscription Shares and assuming the exercise of the Exchangeable Bond to its full extent but no other changes to the share capital of MPHHI as at the date of this announcement, the indirect economic interest of the Company in MPHHI would be reduced from approximately 25.2% to approximately 8.4%.

In addition to the Investor's subscription for the MPHHI Subscription Shares and the Exchangeable Bond, the Investor also entered into a subscription agreement with Metropac Apollo Holding Inc. ("**Apollo**") on 14 October 2019. Apollo is a Filipino corporation which holds voting preferred shares of par value ₱0.10 (approximately US\$0.0019 or HK\$0.015) each in MPHHI. Under that subscription agreement, the Investor agreed to subscribe ₱29.7 million (approximately US\$0.6 million or HK\$4.5 million) of shares in Apollo which would result in the Investor holding approximately 34.9% of the issued share capital of Apollo on the issuance of those new shares, with the balance of approximately 65.1% of Apollo's issued share capital held by MPIC. Preferred shares in MPHHI confer voting rights, are non-convertible, redeemable and entitled to fixed, cumulative cash dividends not exceeding 10% of their par value per annum. Holders of preferred shares in MPHHI are not entitled to any participation or share in the retained earnings remaining after any fixed dividend payments have been made.

Bank of America Merrill Lynch and UBS acted as financial advisers to MPIC in relation to the Transaction.



## REASONS FOR AND BENEFITS OF THE TRANSACTION

The principal reasons for and benefits of the Transaction are to:

- (a) ***Realize the “true” value of the Hospitals Business:*** the Hospitals Business is considered by the Directors to be significantly undervalued currently. The Transaction realizes the “true” value of the Hospitals Business, for the benefit of both MPIC and the Company and its Shareholders.
- (b) ***Reduction of gearing/funding of capital expenditure requirements and funding of the expansion of the MPHHI Group:*** the Directors believe that the proceeds from the creation and issue of the Exchangeable Bond by MPIC will enable MPIC to reduce its gearing, which in turn will strengthen its financial position and increase its ability to raise funds for future business expansion, with consequential benefits for the Company and its Shareholders. The proceeds of the subscription of the MPHHI Subscription Shares to be received by MPHHI is expected to enable the MPHHI Group, in which the Company will retain an indirect economic interest following closing of the Transaction, to finance its proposed expansion plans.
- (c) ***Allow MPIC to maintain level of dividends for the benefit of its shareholders:*** the reduction of MPIC’s gearing is expected to reduce its interest expense and allow it to maintain the level of dividends to its shareholders. The Directors believe that this will be beneficial to the extent of the dividends that the Company receives by virtue of its indirect interest in MPIC.

The Directors (including the Independent Non-executive Directors) consider that the terms of the Transaction are fair and reasonable, and that the Transaction is on normal commercial terms (as far as the Company is concerned) and in the interests of the Company and the Shareholders as a whole.

## LISTING RULES IMPLICATIONS

As one of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Transaction is more than 25% but all the applicable percentage ratios are less than 75%, the Transaction constitutes a major transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to the notification, announcement, circular and Shareholders’ approval requirements for a major transaction under the Listing Rules.

## DESPATCH OF CIRCULAR AND VOTING UNDERTAKINGS

It is anticipated that a circular containing further information relating to the Transaction and other information required by the Listing Rules and convening a SGM at which a resolution to approve the Transaction will be proposed for consideration and, if thought fit, approval by Shareholders, will be despatched to Shareholders on or before 31 October 2019.

Mr. Anthoni Salim, the Chairman of the Company, and companies controlled by him are beneficially interested in 1,925,474,957 shares in the Company, representing approximately 44.32% of the Company's issued share capital. Mr. Salim and those companies controlled by him have undertaken to the Company to vote those shares in favour of the resolution to approve the Transaction to be proposed at the SGM.

Mr. Manuel V. Pangilinan, the Managing Director and Chief Executive Officer of the Company, is beneficially interested in 70,493,078 shares in the Company representing approximately 1.62% of the Company's issued share capital. Mr. Pangilinan has undertaken to the Company to vote those shares in favour of the resolution to approve the Transaction to be proposed at the SGM.

### **TRANSACTION SUPERSEDES PROPOSED SPIN-OFF ANNOUNCED ON 12 SEPTEMBER 2019**

The Transaction supersedes the proposal referred to in the Company's 12 September 2019 announcement for the spin-off and separate listing of MPHHI. The proposed spin-off and separate listing of MPHHI contemplated by the Company's 12 September 2019 announcement will not proceed.

### **DEFINITIONS**

In addition to the terms defined above in the body of this announcement, the following terms used in this announcement shall have the following meanings:

“Board”	the board of directors of the Company;
“connected person”	has the meaning assigned to it under the Listing Rules;
“Directors”	the directors of the Company;
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong;
“Hospitals Business”	the hospitals business carried on by the MPHHI Group as described above in this announcement in the section headed “Information of the Parties – MPHHI”;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“₱”	Philippine Peso, the lawful currency of the Philippines;
“Shareholders”	holders of shares in the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;

“Transaction”	collectively, the transactions described in this announcement including those contemplated by the Share Subscription Agreement and the Exchangeable Bond Subscription Agreement;
“US\$”	United States dollar, the lawful currency of the United States of America; and
“%”	per cent.

*In this announcement, unless stated otherwise, translations of quoted currency values are made on an approximate basis and at the rate of US\$1.00 = ₱51.89 = HK\$7.80. Percentages and figures expressed in millions and billions have been rounded.*

By Order of the Board  
**First Pacific Company Limited**  
**Nancy L.M. Li**  
*Company Secretary*

Hong Kong, 14 October 2019

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

***Executive Directors:***

Manuel V. Pangilinan, *Managing Director and Chief Executive Officer*  
Christopher H. Young, *Chief Financial Officer*

***Non-executive Directors:***

Anthoni Salim, *Chairman*  
Benny S. Santoso  
Tedy Djuhar

***Independent Non-executive Directors:***

Prof. Edward K.Y. Chen, *GBS, CBE, JP*  
Margaret Leung Ko May Yee, *SBS, JP*  
Philip Fan Yan Hok  
Madeleine Lee Suh Shin