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## **FIRST PACIFIC COMPANY LIMITED**

*(Incorporated in Bermuda with limited liability)*

### **Discloseable and Connected Transaction Acquisition of further interests in Philippine Long Distance Telephone Company from Metro Pacific Corporation and Metro Asia Link Holdings, Inc.**

The Board of Directors of First Pacific announces that First Pacific, through a Philippine affiliate, has entered into an agreement with MPC pursuant to which First Pacific will acquire an effective 7.98 per cent. interest in PLDT at a price of Pesos 900 per PLDT Common Share. The total consideration payable to MPC is Pesos 12.1 billion (US\$274.9 million, HK\$2,144.2 million).

As the First Pacific Group has an aggregate direct and indirect attributable economic interest of 80.62 per cent. in MPC, the Transaction will increase First Pacific's economic interest in PLDT by 1.55 per cent. from 23.06 per cent. to 24.61 per cent. The First Pacific Group's voting interest following the Transaction will remain unchanged at 31.74 per cent. of PLDT's total voting capital. Pesos 2.3 billion (US\$53.3 million, HK\$415.7 million) of the consideration payable will be attributable to the minority shareholders of MPC.

The price of Pesos 900 per PLDT Common Share represents a premium of 14.4 per cent. to the average closing price per PLDT Common Share for the 20 trading days immediately preceding the date of the Share Purchase Agreement and a premium of 13.9 per cent. to the closing price per PLDT Common Share on the date immediately preceding the date of the Share Purchase Agreement.

The consideration was negotiated on an arm's length basis between MPC and First Pacific having regard to the prevailing market prices for PLDT Common Shares. The Directors of First Pacific believe that the Transaction represents an attractive opportunity to consolidate First Pacific's holding in PLDT having regard to First Pacific's assessment as to the underlying value of PLDT, the strength of PLDT's core businesses and PLDT's prospects for growth both in revenues and profits.

## **Introduction**

The Board of Directors of First Pacific announces that MPRI, First Pacific's Philippine affiliate, has reached agreement with MPC pursuant to which MPRI will acquire:-

- (1) MPC's entire direct holding of 9,704,199 PLDT Common Shares (representing a 5.76 per cent. interest in PLDT) at a price of Pesos 900 per share; and
- (2) MALH's entire direct holding of 6,163,163 PLDT Common Shares (representing a 3.66 per cent. interest in PLDT) at a price of Pesos 900 per share.

The Transaction will result in First Pacific acquiring (through MPRI) an aggregate 9.42 per cent. interest in PLDT. However, MALH is owned as to 60.59 per cent. by MPC and as to 39.41 per cent. by ALBV, a wholly owned subsidiary of First Pacific. Accordingly, First Pacific will acquire a net interest of 7.98 per cent. in PLDT for a net consideration to MPC worth Pesos 12.1 billion (US\$274.9 million, HK\$2,144.2 million), of which Pesos 2.3 billion (US\$53.3 million, HK\$415.7 million) will be attributable to the minority shareholders of MPC.

In addition, under the Share Purchase Agreement, MPRI will procure the agreement of ALBV to the conversion of the shares ALBV holds in MALH into preferred shares which will have limited dividend rights and no additional rights to participate in the profits or assets of MALH. Accordingly, upon completion of the Share Purchase Agreement, ALBV will have no material economic interest in MALH.

As the First Pacific Group has an aggregate direct and indirect attributable economic interest of 80.62 per cent. in MPC, the Transaction will increase First Pacific's economic interest in PLDT by 1.55 per cent. from 23.06 per cent. to 24.61 per cent. The First Pacific Group's voting interest following the Transaction will remain unchanged at 31.74 per cent. of PLDT's total voting capital.

## **Discloseable and connected transaction**

The Transaction constitutes a discloseable transaction for First Pacific for the purposes of the Listing Rules. Further, the First Pacific Group has an aggregate direct and indirect attributable economic interest of 80.62 per cent. in MPC and certain directors of First Pacific namely, Messrs. Manuel V. Pangilinan, Ricardo S. Pascua, Edward A. Tortorici and Thomas Y. Yasuda (who is regarded as a director under the Listing Rules for the purposes of any connected transaction for a period of 12 months from the effective date of his resignation on 1st January, 2000) are shareholders of MPC holding, in aggregate, less than 2 per cent. of MPC. Accordingly, the Transaction also constitutes a connected transaction for First Pacific and therefore is subject to

compliance with the relevant requirements under the Listing Rules, including approval by the independent shareholders of First Pacific. Messrs. Manuel V. Pangilinan, Ricardo S. Pascua, Edward A. Tortorici and Thomas Y. Yasuda will not vote at the Special General Meeting.

The Salim Investor Group has undertaken to exercise its voting rights in respect of its 43.65 per cent. shareholding in First Pacific in favour of any resolution to approve the Transaction.

An independent board committee of the Board of Directors of First Pacific, composed of the two independent directors of First Pacific, Prof. Edward K.Y. Chen, CBE, JP and Mr. David W.C. Tang, OBE, will be formed to consider the Transaction and N M Rothschild & Sons (Hong Kong) Limited has been appointed to advise the independent board committee regarding the Transaction. A circular containing, among other things, details on the Transaction as required by the Listing Rules will be sent to shareholders as soon as practicable.

### **Principal elements of the Transaction**

The following is a summary of the principal elements of the Transaction:-

<b>Date of the Share Purchase Agreement:</b>	12th July, 2000.
<b>Vendor:</b>	MPC.
<b>Purchaser:</b>	MPRI.
<b>Assets sold or procured to be sold:</b>	(a) By MPC, 9,704,199 PLDT Common Shares, representing a 5.76 per cent. interest in PLDT.  (b) By MALH, 6,163,163 PLDT Common Shares, representing a 3.66 per cent. interest in PLDT.
<b>Consideration:</b>	Pesos 12,094,398,000 (US\$274.9 million, HK\$2,144.2 million), representing an effective price of Pesos 900 (US\$20.4, HK\$159.5) per PLDT Common Share, payable as to Pesos 1,760.0 million (US\$40 million, HK\$312.0 million), in cash on Completion and as to the balance of Pesos 10,334.4 million (US\$234.9 million, HK\$1,832.0 million) to be satisfied in full by MPRI not later than 30th June, 2001.  MPC will receive consideration worth Pesos 12,094,398,000 (US\$274.9 million, HK\$2,144.2 million), of which Pesos 3,360,618,900 (US\$76.4 million, HK\$595.9 million) will be attributable to MALH.

ALBV will not receive any consideration from MPRI in respect of ALBV's attributable interest (through its shareholding in MALH) in the PLDT Common Shares being sold by MALH because First Pacific owns the entire economic interest in both ALBV and MPRI. Accordingly, ALBV has agreed to vary its rights to receive dividends and other distributions under the MALH shares held by it in favour of MPC. The practical effect of the variation is that ALBV will not receive any part of the consideration attributable to MALH by MPRI for the PLDT Common Shares, notwithstanding ALBV's shareholding in MALH. This structure alleviates payment of any monies by MPRI to MALH in respect of First Pacific's attributable interest (through ALBV's shareholding) in MALH. These funds, otherwise would become repayable to First Pacific, in any event, through ALBV, by virtue of ALBV's interest in MALH.

The aggregate consideration payable by First Pacific will be funded from within its own resources, out of available credit facilities and from the net proceeds of First Pacific's continuing asset disposal program.

**Conditions:**

- (a) Approval by the independent shareholders of First Pacific in accordance with the Listing Rules;
- (b) Such consents as may be required under the relevant PLDT acquisition and shareholders agreements;
- (c) Such other regulatory or contractual consents as may be required, including any consents or approvals required from the Securities and Exchange Commission of the Philippines.

**Expected completion date:**

A special general meeting of First Pacific shareholders to consider and, if deemed fit, approve the Transaction is expected to take place on or around 7th August, 2000. Completion of the Transaction is expected to take place shortly thereafter.

**Value of the assets being acquired**

The average closing price per PLDT Common Share for the 20 trading days immediately preceding the date of the Share Purchase Agreement was Pesos 787.0 (US\$17.89, HK\$139.51) and the closing price per PLDT Common Share on the date immediately preceding the date of the Share Purchase Agreement was Pesos 790.00 (US\$17.96, HK\$140.05). Accordingly, the effective consideration per PLDT Common Share under the Share Purchase Agreement of Pesos 900 represents a premium of 14.4 per cent. and 13.9 per cent., respectively, to the average closing price per PLDT Common Share for the 20 trading days immediately preceding the date of the Share Purchase Agreement and to the closing price on the date immediately preceding the date of the Share Purchase Agreement.

## **Determination of consideration**

The consideration was negotiated on an arm's length basis between MPC and First Pacific having regard to the prevailing market prices for PLDT Common Shares. The Directors of First Pacific believe that the Transaction represents an attractive opportunity to consolidate First Pacific's holding in PLDT having regard to First Pacific's assessment as to the underlying value of PLDT, the strength of PLDT's core businesses and PLDT's prospects for growth in both revenues and profits.

The audited consolidated net profits of PLDT for the years ended 31st December, 1999 and 31st December, 1998, being the two financial years immediately preceding the date of the Share Purchase Agreement, as shown in the audited financial statements of PLDT in respect of those periods, were Pesos 2,777.9 million (US\$63.1 million, HK\$492.4 million) and Pesos 1,106.7 million (US\$25.2 million, HK\$196.2 million), respectively.

## **Rationale for the Transaction**

The First Pacific Group acquired a 17.2 per cent. direct and indirect interest in PLDT in November 1998 and increased such interest in PLDT to 23.06 per cent. through the merger of PLDT and Smart Communications, Inc., effective 24th March, 2000. PLDT is a core investment of the First Pacific Group.

The Transaction will allow First Pacific to increase its economic interest in PLDT, while at the same time aligning the First Pacific Group's ownership structure of PLDT with its strategy of sector focus. Completion of the Transaction will also enable MPC to advance its stated strategy of focusing on its property businesses in the Philippines and to strengthen its balance sheet.

## **Businesses of PLDT**

PLDT is the principal supplier of domestic and international telecommunications services in the Philippines and is utilising its five principal business lines - Fixed Line, Mobile, Internet, Cable and Satellite - as the foundation for its convergence strategy. Having established the most extensive broadband and integrated networks in the country, PLDT is now positioned as the preferred full service provider, offering a comprehensive menu of products and services to match the needs of a growing and increasingly sophisticated market.

## **Definitions**

“ALBV”

Asia Link B.V., a company incorporated in the Netherlands

and a wholly-owned subsidiary of First Pacific;

“First Pacific”	First Pacific Company Limited, a company incorporated in Bermuda whose securities are listed on the Stock Exchange;
“First Pacific Group”	First Pacific and certain of its foreign subsidiaries and Philippine affiliates, including the Metro Pacific Group;
“HK\$”	Hong Kong dollars, the lawful currency of the Hong Kong Special Administrative Region of the People’s Republic of China;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“MALH”	Metro Asia Link Holdings, Inc., a corporation established under the laws of the Republic of the Philippines, and in which MPC owns 60.59 per cent. and ALBV owns 39.41 per cent.;
“Metro Pacific Group”	MPC and its subsidiaries;
“MPC”	Metro Pacific Corporation, a corporation established under the laws of the Republic of the Philippines and the securities of which are listed on the Philippine Stock Exchange, and in which the First Pacific Group has an aggregate direct and indirect attributable economic interest of 80.62 per cent.;
“MPRI”	Metro Pacific Resources, Inc., a corporation established under the laws of the Republic of the Philippines that holds a 44.86 per cent. shareholding in MPC and a 0.74 per cent. shareholding in PLDT, and in which FPC owns the entire attributable economic interest;
“Pesos”	Philippine Pesos, the lawful currency of the Republic of the Philippines;
“PLDT”	Philippine Long Distance Telephone Company, a corporation established under the laws of the Republic of the Philippines whose shares of common stock and shares of preferred stock are listed and traded on the Philippine Stock Exchange and whose common stock as represented by American Depositary Shares is listed and traded on the New York Stock Exchange and the Pacific Exchange, San Francisco, California;
“PLDT Common Shares”	Shares of common capital stock of PLDT;
“Salim Investor Group”	Messrs. Soedono Salim, Anthoni Salim, Sutanto Djuhar, Tedy Djuhar, Ibrahim Risjad, Sudwikatmono and Andree Halim, and companies controlled by them;

“Share Purchase Agreement”	the share purchase agreement dated 12th July, 2000 by and between MPC and MPRI;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Transaction”	the Share Purchase Agreement and the transactions contemplated thereby; and
“US\$”	United States dollars, the lawful currency of the United States of America.

For illustration purposes, translations of amounts have been made on an approximate basis at the rates of US\$1 = Pesos 44.0 = HK\$7.8. Percentages, and figures expressed in billions and millions, have been rounded.

**By Order of the Board**  
**Ronald A. Brown**  
**Executive Director and Company Secretary**

Hong Kong, 12th July, 2000

Please also refer to the published version of this announcement in the South China Morning Post & Hong Kong Economic Journal.