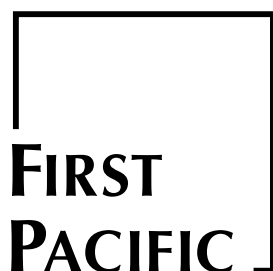


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## **FIRST PACIFIC COMPANY LIMITED**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 00142)**

### **DISCLOSEABLE TRANSACTION**

First Pacific is pleased to announce that the Republic of the Philippines' Metropolitan Waterworks and Sewerage System has accepted a bid to acquire an 83.97% interest in Maynilad Water Services, Inc. made by a company established by a Consortium which includes a Philippine subsidiary of First Pacific. Maynilad holds an exclusive concession 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 Consortium's winning bid was made as part of a competitive tender process, the result of which was announced on 5 December 2006. MPIC, a subsidiary of First Pacific, has a 50% interest in the Consortium. The other member of the Consortium is DMCI, which holds the remaining 50% interest in the Consortium.

The terms of the Consortium's winning bid comprise:

- (a) the payment of an amount of US\$56.7 million in cash (being the minimum cash bid prescribed by the terms of the bidding process) 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;
- (b) the contribution by the Consortium's bidding vehicle 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; and
- (c) as mandatory requirements of the terms of the bidding process, the establishment of a performance bond 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\$19.6 million.

Agreement in principle has been reached with Ashmore for funds managed by Ashmore to directly or indirectly participate in up to 50% of First Pacific'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 First Pacific's attributable interest in, and commitment in respect of, the proposed investment in Maynilad.

The proposed investment is a discloseable transaction for First Pacific under the Listing Rules and a circular containing further details of the proposed investment will be despatched to First Pacific's shareholders in accordance with the requirements of the Listing Rules.

## **INTRODUCTION**

First Pacific Company Limited ("First Pacific") is pleased to announce that the Republic of the Philippines' Metropolitan Waterworks and Sewerage System ("MWSS") has accepted a bid to acquire an 83.97% interest in Maynilad Water Services, Inc. ("Maynilad") made by a company established by a consortium which includes a Philippine subsidiary of First Pacific which is currently wholly owned (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 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. Metro Pacific Investments Corporation ("MPIC"), a Philippine subsidiary of First Pacific, has a 50% interest in the Consortium.

The other member of the Consortium is DMCI Holdings, Inc. ("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 Philippines Stock Exchange since 1995.

Agreement in principle has been reached with Ashmore Investment Management Limited ("Ashmore") for special situations funds managed by Ashmore to directly or indirectly participate in up to 50% of First Pacific'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 First Pacific'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 over 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 directors of First Pacific, having made all reasonable enquiries, each of MWSS, Maynilad, Ashmore and DMCI are third parties independent of First Pacific and its connected persons.

## **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 the Consortium's bidding vehicle 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 the Consortium's bidding vehicle 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\$19.6 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 the Consortium's bidding vehicle to make an additional equity contribution to Maynilad, as referred to in (b) above, will also be delivered on completion.

The Consortium's bidding vehicle, The DMCI-MPIC Water Company Inc. ("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 First Pacific, MPIC, DMCI and the Ashmore managed funds, or by a 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 First Pacific 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 directors of First Pacific believe 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 First Pacific'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. First Pacific believes that there is significant up side 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.

## **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.

First Pacific 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.

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

## **LISTING RULES IMPLICATIONS**

The Consortium has been formed as a 50:50 venture and, accordingly, currently anticipates that First Pacific, 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 First Pacific'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 First Pacific under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”). A circular containing further details of the proposed investment will be despatched to First Pacific’s shareholders in accordance with the requirements of the Listing Rules.

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

Hong Kong, 5 December 2006

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

Anthoni Salim, *Chairman*  
Manuel V. Pangilinan,  
*Managing Director and CEO*  
Edward A. Tortorici  
Robert C. Nicholson  
Ambassador Albert F. del Rosario  
Edward K.Y. Chen\*,  
*GBS, CBE, JP*

Tedy Djuhar  
Sutanto Djuhar  
Ibrahim Risjad  
Benny S. Santoso  
Graham L. Pickles\*  
David W.C. Tang\*,  
*OBE, Chevalier de  
L’Ordre des Arts et  
des Lettres*

\* *Independent Non-executive Directors*

“Please also refer to the published version of this announcement in South China Morning Post.”