

*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 AND CONNECTED TRANSACTION**

#### **PROPOSED DISPOSAL BY METRO PACIFIC INVESTMENTS CORPORATION OF AN APPROXIMATE 56% INTEREST IN GLOBAL BUSINESS POWER CORPORATION TO MERALCO POWERGEN CORPORATION**

##### **PROPOSED DISPOSAL BY MPIC**

On 23 December 2020 (outside trading hours of the Stock Exchange), MPIC (a Philippine affiliate of the Company), through its subsidiary, Beacon Powergen Holdings Inc. (Beacon Powergen) (as seller) and Meralco PowerGen Corporation (MGen) (a wholly owned subsidiary of Meralco and an associated company of the Group) (as buyer) entered into the SPA, pursuant to which Beacon Powergen conditionally agreed to sell (or procure the sale of), and MGen conditionally agreed to purchase, the Sale Shares representing approximately 56% of the total issued and outstanding capital stock of GBP, for an aggregate purchase price of Php 22,443 million (equivalent to approximately US\$466.6 million or HK\$3.6 billion) (subject to adjustment), plus the Interest Payment Amount.

Following the Closing, the financial results of GBP will be deconsolidated and be equity accounted for in the financial statements of the Group.

## **LISTING RULES IMPLICATIONS**

As one of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Proposed Disposal is more than 25% but all the applicable percentage ratios are less than 75%, the Proposed Disposal 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.

As at the date of this announcement, MPIC holds a 100% economic interest in Beacon Powergen. MPIC is a Philippine affiliate of the Company in which the Group indirectly holds a 43.1% economic interest.

As at the date of this announcement, FPM Power is a 60% owned subsidiary of the Company. MGen, being a 40% shareholder of FPM Power, is a connected person of the Company as a substantial shareholder of FPM Power. The Proposed Disposal is, therefore, a connected transaction for the Company under Chapter 14A of the Listing Rules.

The Proposed Disposal is on normal commercial terms or better (as far as the Company is concerned) and MGen is a connected person of the Company at the subsidiary level. The Board has approved the Proposed Disposal and the Directors (including the independent non-executive Directors) are of the view that the terms of the Proposed Disposal are fair and reasonable and that the Proposed Disposal is on normal commercial terms or better (as far as the Company is concerned) and in the interests of the Company and its Shareholders as a whole. Therefore, the Proposed Disposal is exempted from the circular, independent financial advice and Shareholders' approval requirements under Chapter 14A of the Listing Rules pursuant to Rule 14A.101 of the Listing Rules (but is subject to the announcement and annual reporting requirements applicable to a connected transaction under Chapter 14A of the Listing Rules).

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Director is regarded as having a material interest in the Proposed Disposal and, hence, no Director is required under the Listing Rules to abstain from voting on the Board resolutions considering and approving the Proposed Disposal.

## **SGM**

The SGM will be convened for the Shareholders to consider and, if thought fit, approve the Proposed Disposal.

## **DESPATCH OF CIRCULAR**

A circular containing further information relating to the Proposed Disposal and other information required by the Listing Rules and convening the SGM at which a resolution to approve the Proposed Disposal will be proposed for consideration and, if thought fit, approval by Shareholders, is expected to be despatched to Shareholders on or around the end of January 2021, as more time is required to finalise the information to be disclosed in the circular.

**Closing of the Proposed Disposal is subject to the satisfaction and/or waiver, where applicable, of the conditions precedent set forth in the SPA and summarised below in this announcement. The Proposed Disposal may or may not proceed to Closing. Shareholders and potential investors in the Company are advised to exercise caution when dealing in the securities of the Company.**

## **PROPOSED DISPOSAL BY MPIC**

On 23 December 2020 (outside trading hours of the Stock Exchange), MPIC (a Philippine affiliate of the Company), through its subsidiary, Beacon Powergen Holdings Inc. (Beacon Powergen) (as seller) and Meralco PowerGen Corporation (MGen) (a wholly owned subsidiary of Meralco and an associated company of the Group) (as buyer) entered into the SPA, pursuant to which Beacon Powergen conditionally agreed to sell (or procure the sale of), and MGen conditionally agreed to purchase, the Sale Shares representing approximately 56% of the total issued and outstanding capital stock of GBP, for an aggregate purchase price of Php 22,443 million (equivalent to approximately US\$466.6 million or HK\$3.6 billion) (subject to adjustment), plus the Interest Payment Amount.

## **PRINCIPAL TERMS OF THE SPA**

The principal terms of the SPA are summarized below:

### **Date**

23 December 2020

### **Parties**

- (1) Beacon Powergen (as seller)
- (2) MGen (as buyer)

## **Subject Matter**

Beacon Powergen conditionally agreed to sell (or in respect of the Sale Shares held by nominee directors for the benefit of Beacon Powergen, procure the sale of), and MGen conditionally agreed to purchase, together with all benefits and rights attached to, the Sale Shares (including any new shares issued by GBP by way of stock dividends on the Sale Shares, any property or cash dividend paid on the Sale Shares, all rights accruing on the Sale Shares (including dividend rights), and the proceeds of any of the foregoing). The Sale Shares in aggregate represent approximately 56% of the total issued and outstanding capital stock of GBP.

## **Purchase Price**

The Purchase Price (subject to adjustment) for the Sale Shares is Php 22,443 million (equivalent to approximately US\$466.6 million or HK\$3.6 billion), payable by MGen to Beacon Powergen in cash as follows:

- (a) Php 13,465.8 million (equivalent to approximately US\$280.0 million or HK\$2.2 billion), being 60% of the Purchase Price, on the Closing Date;
- (b) Php 4,488.6 million (equivalent to approximately US\$93.3 million or HK\$727.9 million), being 20% of the Purchase Price (the “**Second Instalment**”), on the date falling six months after the Closing Date (the “**Second Instalment Payment Date**”); and
- (c) Php 4,488.6 million (equivalent to approximately US\$93.3 million or HK\$727.9 million), being the balance of 20% of the Purchase Price (the “**Third Instalment**”), on the date falling eighteen months after the Closing Date (the “**Third Instalment Payment Date**”).

## *Interest Payment Amount*

On the Second Instalment Payment Date and the Third Instalment Payment Date, MGen shall, respectively, pay an additional amount (the “**Interest Payment Amount**”) reflecting interest calculated at the rate of 2% per annum to Beacon PowerGen as follows:

- (a) on the Second Instalment Payment Date, such interest amount charged on the Second Instalment for the period beginning from the Closing Date up to and including the Second Instalment Payment Date; and
- (b) on the Third Instalment Payment Date, such interest amount charged on the Third Instalment for the period beginning from the Closing Date up to and including the Third Instalment Payment Date.

### *Additional penalty interest*

On the Second Instalment Payment Date or Third Instalment Payment Date, if MGen fails to pay the Second Instalment or the Third Instalment (as the case may be), or the relevant Interest Payment Amount calculated pursuant to the paragraph headed “*Interest Payment Amount*” above, MGen shall pay Beacon Powergen additional penalty interest calculated at the rate of 5.65% per annum on the unpaid portion of the Purchase Price, in each case accruing from the default date up to and including the actual payment date.

### *Adjustment to the Purchase Price*

The Purchase Price shall be adjusted downwards by the same amount representing the dividends in respect of the Sale Shares (or any portion thereof) paid to and actually received by Beacon Powergen after the date of the SPA, as declared by the board of directors of GBP and which amount will be finalized on or before the Closing Date.

### *Basis of determination of the Purchase Price and the Interest Payment Amount*

The Purchase Price for the Sale Shares and the Interest Payment Amount were determined based on arm’s length negotiations between MGen and Beacon Powergen after taking into account, among other things, the value of the assets of GBP and potential dividends expected to be declared by GBP.

### *Land Carve-Out*

The Purchase Price for the Sale Shares did not take into consideration the fair market value of, or any economic benefit that may arise or be derived from, certain parcels of land owned by GBP’s subsidiaries (“**Carved-Out Land**”). Given this, the shareholders of GBP as of the date of the SPA (including Beacon Powergen) have the option to acquire the Carved-Out Land, *pro indiviso*, in the proportion of their respective shareholding percentages in GBP as of the date of the SPA, which acquisition shall be structured in the most tax-efficient manner and at a purchase price no greater than its book value. In addition, in the event a commercial agreement is entered into under which revenue or other economic benefit will be derived from the Carved-Out Land, Meralco PowerGen shall account and pay to the shareholders of GBP as of the date of the SPA (including Beacon PowerGen) certain portion of the revenue derived from the Carved-Out Land in the proportion of their respective shareholding percentages in GBP as of the date of the SPA.

## **Closing**

### *Conditions to Closing*

Closing of the Proposed Disposal is conditional on the satisfaction and/or waiver, where applicable, of the following conditions:

- (1) The approval on ruling in respect of the Proposed Disposal from, or an acknowledgement that the Proposed Disposal is not subject to mandatory merger review by the Philippine Competition Commission.

- (2) Third party approvals required from (i) lenders under certain loan agreements or arrangements entered into by GBP or its subsidiaries and (ii) certain shareholders pursuant to a shareholders' agreement of a subsidiary, having been obtained.
- (3) Approval of the Proposed Disposal as a major transaction for the Company under Chapter 14 of the Listing Rules, by an ordinary resolution of Shareholders passed at the SGM for the Shareholders to consider and, if thought fit, approve the Proposed Disposal.
- (4) The absence of any injunction, restraining order or similar action preventing the implementation of the Proposed Disposal or any portion thereof having been issued by a court of competent jurisdiction.
- (5) The absence of any material adverse change.
- (6) Other customary conditions such as (i) all necessary corporate approvals and shareholders' approval(s) having been obtained, (ii) the representations and warranties given by each of Beacon Powergen and MGen under the SPA being true and correct in all material respects, and (iii) no material breach of the obligations, covenants and undertakings of each of Beacon Powergen and MGen under the SPA.
- (7) Simultaneous occurrence of the JGS Sale Completion.

#### *Closing Date*

Closing shall take place on the fifth Business Day after the date on which all of the conditions referred to above have been satisfied and/or waived, where applicable.

#### **INFORMATION ON 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, telecommunications, infrastructure and natural resources.

#### **INFORMATION ON BEACON POWERGEN**

As at the date of this announcement, Beacon Powergen is wholly owned by Beacon Electric, which MPIC holds a 100% economic interest. MPIC is a Philippine affiliate of the Company in which the Group indirectly holds a 43.1% economic interest. Beacon Electric has an economic interest of approximately 35.0% in Meralco while MPIC has a direct economic interest of approximately 10.5% in Meralco. Further information on Meralco is set forth in the paragraph headed "Information on MGen" below.

The principal activity of Beacon Powergen is the holding of the approximate 56% interest of GBP, being the subject of the disposal by Beacon Powergen under the SPA.

## **INFORMATION ON MGEN**

MGen is a wholly owned subsidiary of Meralco and hence an associated company of the Group. As at the date of this announcement, MPIC owns approximately 10.5% in Meralco directly and, together with a further effective economic interest of approximately 35.0% in Meralco through its 100% economic interest in Beacon Powergen, MPIC has an effective economic interest of approximately 45.5% in each of Meralco and MGen.

MGen is principally engaged in the power generation business in the Philippines.

## **INFORMATION ON GBP**

As at the date of this announcement, MPIC has an approximate 56% interest in GBP through its 100% economic interest in Beacon Electric (which in turn wholly owns Beacon Powergen). MGen also directly owns a 14% interest in GBP.

GBP is a holding company that, through its subsidiaries, is a leading power producer in the Visayas Region and Mindoro Island in the Philippines, having almost 30 power generation facilities spread across the Visayas Region and Mindoro Island with an aggregate of more than 850 megawatts (“MW”) of coal and diesel powered generating capacity and more than 1.3 gigawatts for further expansion. The main development project is a 670 MW super-critical coal fired plant in La Union, Pangasinan. GBP also has presence in the emerging Mindanao region through its 50% interest in Alsons Thermal Energy Corporation which owns 2,105 MW units through Sarangani Energy Corporation and a potential expansion project under San Ramon Power, Inc.

Set out below is the financial information of GBP extracted from its audited consolidated financial statements for the two financial years ended 31 December 2019 and 31 December 2018:

- (1) For the financial year ended 31 December 2019, GBP’s audited consolidated profit before taxation was Php5.0 billion (equivalent to approximately US\$97.0 million or HK\$756.3 million) and GBP’s audited consolidated profit after taxation was Php3.9 billion (equivalent to approximately US\$75.6 million or HK\$589.9 million).
- (2) For the financial year ended 31 December 2018, GBP’s audited consolidated profit before taxation was Php4.6 billion (equivalent to approximately US\$87.3 million or HK\$681.0 million) and GBP’s audited consolidated profit after taxation was Php3.5 billion (equivalent to approximately US\$66.4 million or HK\$518.1 million).
- (3) As at 31 December 2019, GBP’s audited consolidated net asset value attributable to its shareholders was Php25.7 billion (equivalent to approximately US\$507.5 million or HK\$4.0 billion).

## **FINANCIAL EFFECTS OF THE PROPOSED DISPOSAL AND USE OF PROCEEDS**

Following the Closing of the Proposed Disposal, GBP's financial results would cease to be consolidated in the Group's financial statements and the Group expects to accrue a gain to the profit and loss of approximately US\$30 million (equivalent to approximately HK\$234 million) calculated on the basis of deconsolidation of GBP from the Group's financial statements. GBP's financial results would then be equity accounted for by the Group through its investment in Meralco, an associated company of the Group.

It is intended that the sale proceeds will be used by MPIC as general operating expenses, working capital and the repayment of existing loans of Beacon Powergen.

## **REASONS FOR AND BENEFITS OF THE PROPOSED DISPOSAL**

The Directors consider that the Proposed Disposal represents a unification of the Group's strategy on power generation. The Proposed Disposal will consolidate the Group's power generation portfolio and assets, with all of the power distribution and generation assets to be held by Meralco, the Group's flagship infrastructure company. The Proposed Disposal is, among others, conditional upon the simultaneous occurrence of the JGS Sale Completion. Upon the Closing of the Proposed Disposal and the JGS Sale Completion, Meralco, through MGen (which directly owns a 14% interest in GBP as at the date of this announcement), will become interested in 100% of the issued and outstanding capital stock of GBP. Such consolidation of power distribution and generation assets in Meralco is expected to yield scale and cost efficiencies to the Group while at the same time streamline capital for MPIC's other growth areas.

Moreover, it is expected that the sale proceeds received by MPIC will fund its capital expenditure requirements, reduce existing debts, and increase its working capital.

## **LISTING RULES IMPLICATIONS**

As one of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Proposed Disposal is more than 25% but all the applicable percentage ratios are less than 75%, the Proposed Disposal 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.

As at the date of this announcement, MPIC holds a 100% economic interest in Beacon Powergen. MPIC is a Philippine affiliate of the Company in which the Group indirectly holds a 43.1% economic interest.

As at the date of this announcement, FPM Power is a 60% owned subsidiary of the Company. MGen, being a 40% shareholder of FPM Power, is a connected person of the Company as a substantial shareholder of FPM Power. The Proposed Disposal is, therefore, a connected transaction for the Company under Chapter 14A of the Listing Rules.

The Proposed Disposal is on normal commercial terms or better (as far as the Company is concerned) and MGen is a connected person of the Company at the subsidiary level. The Board has approved the Proposed Disposal and the independent non-executive Directors have confirmed that the terms of the Proposed Disposal are fair and reasonable and that the Proposed Disposal is on normal commercial terms or better (as far as the Company is concerned) and in the interests of the Company and its Shareholders as a whole. Therefore, the Proposed Disposal is exempted from the circular, independent financial advice and Shareholders' approval requirements under Chapter 14A of the Listing Rules pursuant to Rule 14A.101 of the Listing Rules (but is subject to the announcement and annual reporting requirements applicable to a connected transaction under Chapter 14A of the Listing Rules).

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Director is regarded as having a material interest in the Proposed Disposal and, hence, no Director is required under the Listing Rules to abstain from voting on the Board resolutions considering and approving the Proposed Disposal.

#### **DESPATCH OF CIRCULAR AND VOTING UNDERTAKINGS**

A circular containing further information relating to the Proposed Disposal and other information required by the Listing Rules and convening the SGM at which a resolution to approve the Proposed Disposal will be proposed for consideration and, if thought fit, approval by Shareholders, is expected to be despatched to Shareholders on or around the end of January 2021, as more time is required to finalise the information to be disclosed in the circular.

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 Proposed Disposal 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 Proposed Disposal to be proposed at the SGM.

## 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:

“Beacon Electric”	Beacon Electric Asset Holdings, Inc., a company incorporated in the Philippines, in which MPIC has a 100% economic interest;
“Beacon Powergen”	Beacon Powergen Holdings Inc., a company incorporated in the Philippines which is a wholly owned subsidiary of Beacon Electric;
“Board”	the board of directors of the Company;
“Business Day”	a day which is not a Saturday, a Sunday or a public holiday in Taguig City and Pasig City in the Philippines;
“Closing”	closing of the Proposed Disposal in accordance with the terms and conditions of the SPA;
“Closing Date”	the date on which Closing occurs;
“Company”	First Pacific Company Limited, an exempted company incorporated in Bermuda and having its shares listed on the Stock Exchange;
“Directors”	the directors of the Company;
“FPM Power”	FPM Power Holdings Limited, a company incorporated in the British Virgin Islands and a non-wholly owned subsidiary of the Company;
“GBP”	Global Business Power Corporation, a holding company incorporated in the Philippines, that, through its subsidiaries, is a leading power producer in the Visayas Region and Mindoro Island;
“Group”	the Company, its subsidiaries and Philippine affiliates from time to time;
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;

“Interest Payment Amount”	has the meaning given to it in the section headed “Principal terms of the SPA – Purchase Price – Interest Payment Amount” in this announcement;
“JGS Sale Completion”	completion under a sale and purchase agreement dated 23 December 2020 between MGen (as buyer) and JG Summit Holdings, Inc. (a third party, as seller), in relation to the sale and purchase of 577,206,290 common shares (representing approximately 30% of the issued and outstanding capital stock) of GBP;
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
“MPIC”	Metro Pacific Investments Corporation, a Philippine affiliate of the Company, in which the Group has a 43.1% economic interest as at the date of this announcement, having its shares listed on the PSE;
“Meralco”	Manila Electric Company, a company incorporated in the Philippines, in which MPIC has an approximate 45.5% economic interest as at the date of this announcement, having its shares listed on the PSE;
“MGen”	Meralco PowerGen Corporation, a company incorporated in the Philippines and more particularly described above in the section headed “Information on MGen” in this announcement;
“Php”	Philippine Peso, the lawful currency of the Philippines;
“Proposed Disposal”	the proposed disposal by Beacon Powergen of approximately 56% of the issued and outstanding capital stock of GBP to MGen pursuant to the SPA;
“PSE”	Philippine Stock Exchange;
“Purchase Price”	the purchase price payable by MGen for the Proposed Disposal under the SPA;
“Sale Shares”	1,077,451,739 common shares (representing approximately 56% of the issued and outstanding capital stock) of GBP, conditionally agreed to be purchased by MGen pursuant to the SPA;

“Second Instalment”	has the meaning given to it in the section headed “Principal terms of the SPA – Purchase Price” in this announcement;
“Second Instalment Payment Date”	has the meaning given to it in the section headed “Principal terms of the SPA – Purchase Price” in this announcement;
“SGM”	a special general meeting of Shareholders to be convened for the Shareholders to consider and, if thought fit, approve the Proposed Disposal;
“Shareholders”	holders of shares in the Company;
“SPA”	the share purchase agreement dated 23 December 2020 entered into between Beacon Powergen (as seller) and MGen (as buyer) in relation to the disposal by Beacon Powergen of approximately 56% of the issued and outstanding capital stock of GBP to MGen;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Third Instalment”	has the meaning given to it in the section headed “Principal terms of the SPA – Purchase Price” in this announcement;
“Third Instalment Payment Date”	has the meaning given to it in the section headed “Principal terms of the SPA – Purchase Price” in this announcement;
“US\$”	United States dollars, 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 Php48.1 = US\$1.00 = HK\$7.80. Percentages and figures have been rounded.*

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

Hong Kong, 23 December 2020

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  
Axton Salim

***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  
Blair Chilton Pickerell