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**FIRST PACIFIC COMPANY LIMITED**  
**第一太平有限公司**

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

Website: <http://www.firstpacific.com>

(Stock Code: 00142)

**ANNOUNCEMENT MADE PURSUANT TO LISTING RULE 13.09(1)**

PLDT announced on 16 October 2012 that it has entered into a subscription agreement for the issue of new Voting Preferred Shares in PLDT to BTF Holdings, a company wholly owned by the PLDT Beneficial Trust Fund. The transaction was announced following the promulgation of a final decision of the Supreme Court of the Philippines dealing with the application of the foreign ownership restrictions applicable to public utilities under the Philippines Constitution.

As a result of the issue of the new Voting Preferred Shares, the aggregate voting interest of the Company and its Philippine affiliates in PLDT will be reduced from approximately 25.6% to approximately 15.1%; but their aggregate attributable economic interest in PLDT will not be materially affected.

**Background**

Under Section 11, Article XII of the Philippines Constitution, at least 60% of the “capital” of Philippine Long Distance Telephone Company (“PLDT”) is required to be owned by Philippine nationals and no more than 40% of the “capital” can be owned by non-Philippine nationals. The restriction applies because PLDT operates a public utility in the Philippines. Previously issued opinions of the Philippine Securities and Exchange Commission (the “Philippine SEC”) confirmed that the term “capital” includes both common shares and preferred shares, without qualification or distinction. In reliance on those opinions, PLDT’s issued capital currently (prior to completion of the share subscription described in this announcement) comprises voting common shares and non-voting preferred shares; with approximately 58.4% of the voting common shares held by non-Philippine nationals and all of the non-voting preferred shares held by Philippine nationals.

As previously disclosed on page 50 of the 2012 interim report of First Pacific Company Limited (the “Company”), in June 2011 the Supreme Court of the Philippines promulgated a decision (the “Decision”) in the case of Wilson P. Gamboa vs. Finance Secretary Margarito B. Teves, et. al. (the “Gamboa Case”), where the Supreme Court held that the term “capital” in Section 11, Article XII of the Constitution refers only to shares entitled to vote in the election of directors; and not to the total outstanding capital stock including non-voting preferred shares. The Decision reversed the earlier opinions issued by the Philippine SEC to the effect that non-voting preferred shares were to be included as “capital” in determining compliance with the nationality requirements. A Motion for Reconsideration of the Decision was filed by each of the respondents.

### **Resolution of the Supreme Court of the Philippines promulgated, denying the Motions for Reconsideration**

The Supreme Court of the Philippines has now promulgated a resolution in the Gamboa Case denying, with finality, the Motions for Reconsideration of the Decision.

### **Potential Implications for PLDT**

PLDT is not a party to the Gamboa Case. However, the Supreme Court directed the Philippine SEC in the Gamboa Case to apply the definition of the term “capital” to PLDT in determining the extent of allowable foreign ownership in PLDT. To the best of PLDT’s knowledge, the Philippine SEC has not yet commenced any proceeding to determine whether PLDT is in violation of Section 11, Article XII of the Constitution. However, as previously disclosed in the Company’s 2012 interim report, were the Philippine SEC to do so, and were there to be a finding by the Philippine SEC of a violation of Section 11, Article XII of the Constitution, such a finding could subject PLDT to sanctions under Philippine law, including possible revocation of PLDT’s franchise.

### **Issue of new Voting Preferred Shares by PLDT**

In order to mitigate the possibility of sanctions under Philippine law, the Board of Directors of PLDT announced on 16 October 2012 that PLDT had entered into a subscription agreement with BTF Holdings, Inc. (“BTF Holdings”) for the subscription by BTF Holdings of 150,000,000 shares of a new class of voting preferred shares (“Voting Preferred Shares”). BTF Holdings is wholly owned by the Board of Trustees for the Account of PLDT’s Beneficial Trust Fund (the “BTF”). The issue of the Voting Preferred Shares is being made pursuant to an amendment of the Articles of Incorporation of PLDT dated 22 March 2012 creating 150,000,000 Voting Preferred Shares and authorizing the Board of Directors of PLDT to issue the Voting Preferred Shares under such terms and conditions as may be determined by the Board of Directors of PLDT.

The Voting Preferred Shares agreed to be issued to BTF Holdings have full voting rights (including, without limitation, the right to vote in the election of directors) and may only be owned by Philippine nationals. The Voting Preferred Shares confer the right to a fixed preferred cumulative dividend of 6.5% of their issue price per annum (payable quarterly in arrears) and a preferred return of not more than 110% (but not less than 100%) of their issue price on a winding up of PLDT; but have no further rights to participate in dividends or other distributions. The Voting Preferred Shares are redeemable by PLDT at the option of PLDT's Board of Directors; are not convertible into voting common shares and confer no pre-emptive rights to subscribe for or purchase any shares, securities or warrants issued, sold or disposed of by PLDT. The 150,000,000 Voting Preferred Shares to be issued to BTF Holdings will represent approximately 41% of the voting rights conferred by PLDT's enlarged issued voting share capital. Upon the issue of the Voting Preferred Shares to BTF Holdings, the total percentage of issued voting share capital of PLDT held by non-Philippine nationals will be reduced to approximately 34.5%.

The 150,000,000 new Voting Preferred Shares will be issued to BTF Holdings at a subscription price of PHP1.00 (approximately HK\$0.188 or US\$0.024) per Voting Preferred Share, payable in full in cash on issue of the shares, resulting in an aggregate subscription price of PHP150,000,000 (approximately HK\$28.2 million or US\$3.6 million).

The BTF is an employee benefit trust of PLDT, established pursuant to PLDT's beneficial trust plan to meet the payment of benefits due to qualified employees under the plan in case of termination of service in circumstances specified in the plan. All of the beneficiaries of the BTF are Philippine citizens. The BTF is managed and administered by a Board of Trustees. The Board of Trustees comprises five trustees, all of whom are Philippine citizens. Two of the trustees are independent trustees and three of the trustees are directors, officers or employees of PLDT. The trustees are appointed to the Board of Trustees, and may be removed and replaced, by the Board of Directors of PLDT.

### **Implications for the Company**

The Company and its Philippine affiliates collectively hold an approximately 25.6% attributable economic interest and an approximately 25.6% voting interest in PLDT, before the issue of the 150,000,000 new Voting Preferred Shares. Immediately following the issue of the new Voting Preferred Shares, the aggregate voting interest of the Company and its Philippine affiliates in PLDT will be reduced to approximately 15.1%; but their aggregate attributable economic interest will not be materially affected by the fixed dividend payable in respect of the new Voting Preferred Shares agreed to be issued.

The issue of the Voting Preferred Shares to BTF Holdings is not expected to result in any changes to the operation or management of PLDT, which is currently in the hands of Filipinos, or any of its businesses. The Company expects to continue to work with all key stakeholders of PLDT to strengthen the business of PLDT and to achieve shared strategic goals for its business.

By Order of the Board  
**First Pacific Company Limited**  
**Manuel V. Pangilinan**  
*Managing Director and Chief Executive Officer*

Hong Kong, 16 October 2012

*Unless stated otherwise, translations of quoted currency values are made on an approximate basis and at the rate of US\$1.00 = HK\$7.8 = PHP41.44. Percentages and figures expressed have been rounded.*

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

Anthoni Salim, *Chairman*

Manuel V. Pangilinan, *Managing Director and CEO*

Edward A. Tortorici

Robert C. Nicholson

Graham L. Pickles\*

Tedy Djuhar

Benny S. Santoso

Napoleon L. Nazareno

Jun Tang\*

Prof. Edward K.Y. Chen\*, *GBS, CBE, JP*

\* *Independent Non-executive Directors*