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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: www.firstpacific.com

(Stock Code: 00142)

CONTINUING CONNECTED TRANSACTION

FURTHER RENEWAL OF FRAMEWORK AGREEMENT BETWEEN MAYNILAD WATER SERVICES, INC. AND D.M. CONSUNJI, INC.

FURTHER RENEWAL OF FRAMEWORK AGREEMENT

Reference is made to the 2018 Announcement in relation to the entering into of the Renewal Agreement between DMCI and Maynilad to renew the Framework Agreement.

The Renewal Agreement expired in accordance with its terms on 31 December 2020. In order to continue performance of the Services under the Framework Agreement and allow DMCI to continue to submit proposals for business put out to competitive tender by Maynilad, on 19 February 2021 (after trading hours of the Stock Exchange), DMCI and Maynilad entered into the Second Renewal Agreement, pursuant to which DMCI and Maynilad have agreed to further renew the Framework Agreement for a term of approximately three years. Save for the revised term and new annual caps set for the years ending 31 December 2021, 2022 and 2023, all other terms and conditions of the Framework Agreement will remain in full force and effect.

Details of the Framework Agreement (as renewed by the Second Renewal Agreement) are set out below in this announcement.

DIRECTORS' VIEW

The Directors (including the independent non-executive Directors) consider the terms of the Framework Agreement (as renewed by the Second Renewal Agreement) to be fair and reasonable and that the execution of the Second Renewal Agreement is on normal commercial terms (or better, as far as the Company is concerned), in the ordinary and usual course of business of the Group and in the interests of the Company and its shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

The Group has an approximately 51.3% interest in MWHC, the holding company of Maynilad. DMCI Holdings, being the 27.2% shareholder of MWHC, is a connected person of the Company. DMCI is a subsidiary of DMCI Holdings and is, therefore, a connected person of the Company. Accordingly, the execution of the Second Renewal Agreement constitutes a continuing connected transaction for the Company under Chapter 14A of the Listing Rules.

The Second Renewal Agreement is on normal commercial terms or better (as far as the Company is concerned) and DMCI is a connected person of the Company at the subsidiary level. The Board has approved the execution of the Second Renewal Agreement, and the independent non-executive Directors have confirmed that its terms are fair and reasonable and that its execution 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, pursuant to Rule 14A.101 of the Listing Rules, the execution of the Second Renewal Agreement is exempt from the circular, independent financial advice and shareholders' approval requirements under Chapter 14A of the Listing Rules.

FURTHER RENEWAL OF FRAMEWORK AGREEMENT

Reference is made to the 2018 Announcement in relation to the entering into of the Renewal Agreement between DMCI and Maynilad to renew the Framework Agreement.

Reference is also made to the announcement of the Company dated 10 October 2019, where the Company announced that DMCI and Maynilad entered into the Revised Framework Agreement to revise Maynilad's estimated annual CAPEX budget and the annual caps for 2019 and 2020 in respect of the continuing connected transactions contemplated under the Framework Agreement (as amended by a letter agreement dated 10 October 2019 between DMCI and Maynilad). Save for Maynilad's revised estimated annual CAPEX budget and the revised annual caps set for the years ended 31 December 2019 and 2020, respectively, all other terms and conditions of the Framework Agreement remained in full force and effect prior to its expiry.

The Renewal Agreement expired in accordance with its terms on 31 December 2020. In order to continue performance of the Services under the Framework Agreement and allow DMCI to continue to submit proposals for business put out to competitive tender by Maynilad, on 19 February 2021 (after trading hours of the Stock Exchange), DMCI and Maynilad entered into the Second Renewal Agreement, pursuant to which DMCI and Maynilad have agreed to further renew the Framework Agreement for a term of approximately three years. Save for the revised term and new annual caps set for the years ending 31 December 2021, 2022 and 2023, all other terms and conditions of the Framework Agreement will remain in full force and effect.

The key terms of the Framework Agreement, as renewed by the Second Renewal Agreement, are set out below:

- Date of agreement: 19 February 2021

- Parties: Maynilad as customer and DMCI as supplier of construction services

- Term: 19 February 2021 to 31 December 2023

- Services to be rendered: Engineering, procurement and/or construction services to be provided by DMCI to Maynilad

- Provision of Services: If Maynilad requires any Services from DMCI, it may enter into a specific service contract with DMCI prior to the provision of the relevant services. The service contract and the relevant service order, once executed, shall form part of the Framework Agreement (as renewed by the Second Renewal Agreement), provided that aggregate consideration under all service contracts entered into by DMCI and Maynilad under the Framework Agreement (as renewed by the Second Renewal Agreement) shall not exceed 40% of Maynilad’s annual budget for CAPEX projects in respect of the years ending 31 December 2021, 2022 and 2023. For the purposes of the Framework Agreement (as renewed by the Second Renewal Agreement), Maynilad’s annual CAPEX budget includes the total costs of labour, materials and overhead associated with all projects classified as CAPEX in Maynilad’s business plan such as, but not limited to, pipe-laying, construction of facilities related to the provision of water and sewerage services and improvement of existing facilities.

Payment: The Framework Agreement (as renewed by the Second Renewal Agreement) provides that details of all fees and payments due to DMCI shall be specified in each service contract.

Under Rule 14A.53 of the Listing Rules, an annual cap is required to be set for each continuing connected transaction. The proposed annual caps in respect of the Framework Agreement (as renewed by the Second Renewal Agreement) for the relevant periods are set out below:

From 19 February 2021 to 31 December 2021	For the year ending 31 December 2022	For the year ending 31 December 2023
<i>US\$ million</i> <i>(HK\$ million)</i>	<i>US\$ million</i> <i>(HK\$ million)</i>	<i>US\$ million</i> <i>(HK\$ million)</i>
45.7 (356.5)	173.5 (1,353.3)	152.4 (1,188.7)

The annual caps are, in each case, equal to approximately 40% of Maynilad’s estimated annual CAPEX budget for the relevant year. The annual caps have been determined based on the approximate cost of the services which DMCI has provided to Maynilad historically, with the assumption that the Philippine Government Review (as defined below) has been concluded in favour of Maynilad by 2021 and there are no material implications on Maynilad’s business or operations under the Concession for the remainder of the year ending 31 December 2021 and the years ending 31 December 2022 and 2023.

Maynilad holds an exclusive Concession granted by the MWSS on behalf of the Philippine Government, to provide water and sewerage services in the West Zone of the MWSS service area. On 11 December 2019, Maynilad received a letter from MWSS informing it of the revocation of the extension of Maynilad’s Concession period to 2037 from its original expiry date in 2022. However, the MWSS Regulatory Office subsequently confirmed on 23 December 2019 that the 25-year Concession agreement that covers the years 1997 to 2022 and the memorandum of agreement that provides for the 15-year extension of the Concession period from year 2022 to 2037 have not yet been cancelled. As at the date of this announcement, a final determination is yet to be announced, pending the conclusion of a review and amendment of Maynilad’s Concession agreement ordered by the Philippine Government (the “**Philippine Government Review**”). As a result of the uncertainty in the business environment caused by the Philippine Government Review, Maynilad has decreased its estimated annual CAPEX budget from US\$693.0 million (equivalent to approximately HK\$5.4 billion) for 2020 to approximately US\$114.3 million (equivalent to approximately HK\$891.5 million) for 2021. However, assuming that the Philippine Government Review has been concluded in favour of Maynilad by 2021, Maynilad has estimated an increase in the estimated annual CAPEX budget from approximately US\$114.3 million (equivalent to approximately HK\$891.5 million) for 2021 to US\$433.8 million

(equivalent to approximately HK\$3.4 billion) for 2022. Maynilad's estimated annual CAPEX budget for the year ending 31 December 2022 has taken into account Maynilad's scheduled (i) purchase of two lots that will be used as sites for two water reclamation facilities, and (ii) the construction of the second phase of another existing water reclamation facility, all located within Maynilad's service area. While Maynilad anticipates other projects to be carried out in 2023, in the absence of any water reclamation facility currently scheduled for construction in 2023 as at the date of this announcement, there is a 12% decrease in Maynilad's estimated annual CAPEX budget for the year ending 31 December 2023 as compared to the year ending 31 December 2022.

In 2018, the projects awarded to DMCI amounted to US\$23.2 million (equivalent to approximately HK\$181.0 million), representing approximately 13% of the CAPEX budget of US\$174.0 million (equivalent to approximately HK\$1.4 billion) for the year 2018. In 2019, the project awarded to DMCI (the "**CAMANA Project**") amounted to US\$126.6 million (equivalent to approximately HK\$987.5 million), representing approximately 16% of the CAPEX budget of US\$777.0 million (equivalent to approximately HK\$6.1 billion) for the year 2019. In 2020, the projects awarded to DMCI amounted to US\$119.3 million (equivalent to approximately HK\$930.5 million), the large part of which was contributed by the construction of a water treatment plant that will draw water from Laguna Lake (the "**Laguna Lake Project**"), representing approximately 17% of the CAPEX budget of US\$693.0 million (equivalent to approximately HK\$5.4 billion) for the year 2020. The awarding of the Laguna Lake Project to DMCI was intended to take place in December 2019, but was delayed to January 2020 in light of the Philippine Government Review. If the Laguna Lake Project was awarded to DMCI during the year 2019 as contemplated by the parties under the Revised Framework Agreement, the aggregate cost of the projects awarded to DMCI in 2019 (being the aggregate cost of the CAMANA Project and the Laguna Lake Project) would have amounted to approximately US\$245.9 million (equivalent to approximately HK\$1.9 billion), representing approximately 32% of the CAPEX budget of US\$777.0 million (equivalent to approximately HK\$6.1 billion) for the year 2019.

The 446% increase in the amount of projects awarded to DMCI in 2019 compared to 2018 follows the implementation of Maynilad's 2019 CAPEX catch up plan (the "**Catch up Plan**") to address the intense political, regulatory and legal pressure to accelerate water and wastewater infrastructure projects in the Philippines, as further described in the 2019 Announcement in relation to the increase in the annual caps for 2019 and 2020 from 25% to 40% of Maynilad's estimated CAPEX budget for the transactions contemplated under the Revised Framework Agreement. Part of the Catch up Plan involves (i) the CAMANA Project in respect of the design and construction of a 205-million litres per day water reclamation facility that will treat the wastewater generated by three cities in the Philippines and (ii) the Laguna Lake Project. The CAMANA Project was awarded to a consortium between DMCI and JFE Engineering Corporation, and costs approximately US\$200 million (equivalent to approximately HK\$1.6 billion) (of which approximately US\$126.6 million (equivalent to approximately

HK\$987.5 million) was attributable to DMCI, as a result of DMCI's approximate 63% shareholding in the DMCI-JFE Consortium). The 6% decrease in the amount of projects awarded to DMCI in 2020 compared to 2019 is mainly due to the lower cost of the Laguna Lake Project.

Currently, there exists intense, multi-sectoral competition for construction contractors in the Philippines owing to the current Philippine Government administration's "Build, Build, Build" program which promotes the prioritization and accelerated implementation of infrastructure projects. This has resulted in the increasing scarcity of technically qualified, financially capable and cost-efficient contractors that could implement Maynilad's large-scale, complex, multi-year and highly-visible construction projects. DMCI is one of the leading construction companies in the Philippines, and was qualified to bid for a number of projects of Maynilad in the past. In light of the continued expansion of the construction sector in the Philippines, there remains a high probability of DMCI being awarded projects in accordance with Maynilad's standard bidding process (as described below). Accordingly, the annual caps reflect current projections of the activity levels between Maynilad and DMCI for 2021, 2022 and 2023 (being equal to approximately 40% of Maynilad's estimated annual CAPEX budget for the relevant year).

The Second Renewal Agreement was entered into on normal commercial terms, in the ordinary course of business of Maynilad and DMCI, and on an arm's length basis. The contracts to be awarded to DMCI under the Framework Agreement (as renewed by the Second Renewal Agreement) will be in accordance with Maynilad's standard bidding process which is fair and reasonable and made on an arm's length basis. Payments to be made by Maynilad to DMCI pursuant to such contracts will, in Maynilad's reasonable opinion, satisfy the efficiency and prudence test imposed by the Concession agreement entered between Maynilad and the MWSS on behalf of the Philippine Government.

Maynilad's standard bidding process is set out below:

- (1) As a company policy of Maynilad, all contractors, including DMCI, undergo yearly accreditation to demonstrate that they have the technical and financial capabilities, as well as the management system required to perform Maynilad's infrastructure projects. The principles for accepting the services for infrastructure projects is best value for money and engaging partnerships with the best contractors in the industry to ensure quality of work.
- (2) Maynilad's proposed projects are posted in the company website, advertised through direct invitation to all accredited contractors, and published in newspapers of general circulation. The bidding process starts with the selection and invitation of capable contractors who will bid for Maynilad's infrastructure projects. Selection of contractors is based on their overall grade in the most recent monitoring sheet. Overall grade is an objective measure that considers such factors as quality and level of technical capability, financial capacity and stability, past performance record with similar installations, and management systems.

- (3) Invited contractors undergo either of the two general methods of bidding – competitive and alternative bidding. As a policy, competitive bidding is Maynilad’s primary method of bidding used for awarding infrastructure projects to winning contractors. Alternative methods like raffle and negotiation are done under exceptional circumstances and upon prior approval from management.
- (4) Complex projects require a two-step process, in which financial assessment is performed on those contractors who have passed the qualification and technical assessments. Simple projects such as secondary pipelaying require only the submission of financial proposals.
- (5) Contractors who have submitted their bids before the deadline are evaluated by reference to Maynilad’s reference estimate. Bids above 115% of the reference estimate are disqualified and will merit no further cost comparison and detailed cost analysis. On the other hand, cost comparison is performed in respect of bids up to 115% of the reference estimate. Cost comparison refers to the examination of the accuracy of the computation found in bids and making the necessary corrections. If it turns out that the lowest evaluated bid falls between 100% and 115% of the reference estimate, a maximum of three lowest complying bidders are asked to submit their sealed discounted proposals prior to recommendation for award.
- (6) The recommendation is presented to Maynilad’s designated signing authorities, usually its CAC, which approves contracts (of more than Php5 million which is equivalent to approximately US\$0.1 million or approximately HK\$0.8 million) on behalf of Maynilad. The President must be present for approval of projects worth more than Php500 million (equivalent to approximately US\$10.4 million or HK\$81.1 million). The contracts must be approved by a majority of the CAC members.
- (7) The notice of award is issued once the recommended contractor is approved by the CAC for projects worth up to Php1 billion (equivalent to approximately US\$20.8 million or approximately HK\$162.2 million) or by the board of Maynilad for projects worth more than Php1 billion (equivalent to approximately US\$20.8 million or approximately HK\$162.2 million). The notice would state the amount of the award, the award date, and further requirements which the contractor may need to comply with within the time indicated in the notice, reckoned from the notice’s issuance to the contractor. Upon confirmation of the contractor’s compliance with the further requirements, the contract agreement is entered into, and the notice to proceed is issued to the contractor.

Having considered Maynilad's standard competitive bidding process described above, the Directors are of the view that the transactions under the Framework Agreement (as renewed by the Second Renewal Agreement) will be conducted on normal commercial terms and not prejudicial to the interest of the Company and its shareholders. In addition, the pricing and annual caps of the transactions will be subject to annual reviews by the Company's external auditor and the Audit and Risk Management Committee pursuant to the requirements under the Listing Rules.

DIRECTORS' VIEW AND REASONS FOR AND BENEFITS OF THE ENTERING INTO OF THE SECOND RENEWAL AGREEMENT

The Directors (including the independent non-executive Directors) consider the terms of the Framework Agreement (as renewed by the Second Renewal Agreement) to be fair and reasonable and that the execution of the Second Renewal Agreement is on normal commercial terms (or better, as far as the Company is concerned), in the ordinary and usual course of business of the Group and in the interests of the Company and its shareholders as a whole.

In view of the continuing nature of the transactions which are the subject of the Framework Agreement (as renewed by the Second Renewal Agreement), the Directors (including the independent non-executive Directors) believe that the execution of the Second Renewal Agreement has the benefit of reducing the administrative burden and costs associated with compliance with laws and regulations by the Group.

To the best of the Directors' knowledge and information, no Director has any material interest in, or otherwise is required to abstain from voting on, the Board resolutions considering and approving the Second Renewal Agreement and the transactions contemplated thereunder.

IMPLICATIONS UNDER THE LISTING RULES

The Group has an approximately 51.3% interest in MWHC, the holding company of Maynilad. DMCI Holdings, being the 27.2% shareholder of MWHC, is a connected person of the Company. DMCI is a subsidiary of DMCI Holdings and is, therefore, a connected person of the Company. Accordingly, the execution of the Second Renewal Agreement constitutes a continuing connected transaction for the Company under Chapter 14A of the Listing Rules.

The Second Renewal Agreement is on normal commercial terms or better (as far as the Company is concerned) and DMCI is a connected person of the Company at the subsidiary level. The Board has approved the execution of the Second Renewal Agreement, and the independent non-executive Directors have confirmed that its terms are fair and reasonable and that its execution 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, pursuant to Rule 14A.101 of the Listing Rules, the execution of the Second Renewal Agreement is exempt from the circular, independent financial advice and shareholders' approval requirements under Chapter 14A of the Listing Rules.

GENERAL

DMCI, which is a subsidiary of DMCI Holdings, is a leading construction and engineering company in the Philippines.

DMCI Holdings, the ultimate beneficial owner of DMCI, was incorporated in 1995 in the Philippines to consolidate the business interests of the Consunji family in construction and engineering, real estate (property development), power, water and mining. DMCI Holdings' shares have been listed on the Philippine Stock Exchange since 1995. The information regarding DMCI Holdings' substantial shareholders in the public domain include beneficial owners of at least 5% of any class of DMCI Holdings' voting shares. As at 31 December 2020, Dacon Corporation, DFC Holdings, Inc. and PCD Nominee Corporation are interested in approximately 50.0%, 18.4% and 29.8% of DMCI Holdings' voting shares, respectively.

Both Dacon Corporation and DFC Holdings, Inc. are holding companies of the Consunji family in the Philippines. PCD Nominee Corporation is a wholly owned subsidiary of the Philippine Depository and Trust Corporation, in whose name the shares of DMCI Holdings are registered when investors hold scripless shares of DMCI Holdings.

The Group has an approximately 51.3% interest in MWHC, the holding company of Maynilad. Maynilad is a company incorporated in the Philippines and holds an exclusive Concession granted by the MWSS on behalf of the Philippine Government, to provide water and sewerage services in the West Zone of the MWSS service area which includes certain parts of the province of Cavite.

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.

DEFINITIONS

In this announcement, the following terms and expressions have the following meanings, unless the context requires otherwise:

“2018 Announcement”	the Company’s announcement dated 12 March 2018 in relation to the Renewal Agreement;
“2019 Announcement”	the Company’s announcement dated 10 October 2019 in relation to Maynilad’s revised estimated annual CAPEX budget for each of the years ending 31 December 2019 and 2020;
“Board”	board of Directors of the Company;
“CAC”	Maynilad’s Contracts Award Committee;

“CAPEX”	capital expenditure;
“Catch up Plan”	has the meaning given to it under the paragraph headed “Further Renewal of Framework Agreement” in this announcement;
“Company”	First Pacific Company Limited, an exempted company incorporated in Bermuda and having its shares listed on The Stock Exchange of Hong Kong Limited;
“Concession”	an exclusive concession granted to Maynilad by the MWSS on behalf of the Philippine Government, to provide water and sewerage services in the West Zone of the MWSS service area which includes certain parts of the province of Cavite;
“Director(s)”	the director(s) of the Company;
“DMCI”	D.M. Consunji, Inc., a company incorporated in the Philippines;
“DMCI Holdings”	DMCI Holdings, Inc., a company incorporated in the Philippines;
“Framework Agreement”	the framework agreement dated 13 January 2015 entered into between DMCI and Maynilad in relation to the provision of Services by DMCI to Maynilad;
“Group”	the Company, its subsidiaries, and/or its Philippine affiliates, from time to time;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	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 of Hong Kong Limited;
“Maynilad”	Maynilad Water Services, Inc., a company incorporated in the Philippines;
“MWHC”	Maynilad Water Holdings Company, Inc., a company incorporated in the Philippines;

“MWSS”	Metropolitan Waterworks and Sewerage System;
“Philippine Government Review”	has the meaning given to it under the paragraph headed “Further Renewal of Framework Agreement” in this announcement;
“Php”	Philippine Peso, the lawful currency of the Republic of the Philippines;
“Renewal Agreement”	the renewal agreement dated 12 March 2018 entered into between DMCI and Maynilad in relation to the Framework Agreement for the provision of Services by DMCI to Maynilad;
“Revised Framework Agreement”	the Framework Agreement as amended by the letter agreement dated 10 October 2019 between DMCI and Maynilad, as described in the Company’s announcement dated 10 October 2019;
“Second Renewal Agreement”	the second renewal agreement dated 19 February 2021 entered into between DMCI and Maynilad in relation to the Framework Agreement for the provision of Services by DMCI to Maynilad;
“Services”	the engineering, procurement and/or construction services provided by DMCI to Maynilad under the Framework Agreement;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“US\$”	United States dollars, the lawful currency of the United States of America; and
“%”	per cent.

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

Hong Kong, 19 February 2021

Unless stated otherwise, translations of quoted currency values are made on an approximate basis and at the rate of US\$1.00 = Php48.1 = HK\$7.8. Percentages and figures expressed have been rounded.

As at the date of this announcement, the Board 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