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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)

CONTINUING CONNECTED TRANSACTIONS

(1) FRAMEWORK AGREEMENT BETWEEN MAYNILAD WATER SERVICES, INC. AND D.M. CONSUNJI, INC.

(2) RENEWAL CONTRACT BETWEEN MAYNILAD WATER SERVICES, INC. AND DMCI PROJECT DEVELOPERS, INC.

Reference is made to the Company's announcement dated 20 January 2012 in relation to the entering into of the Previous Framework Agreement between Consunji and Maynilad and the Lease Agreement between DMCIPD and Maynilad.

The Previous Framework Agreement expired in accordance with its terms on 31 December 2014. In order to continue performance of the Services under the Previous Framework Agreement and allow Consunji to continue to submit proposals for business put out to competitive tender by Maynilad, Consunji and Maynilad have entered into a new Framework Agreement on substantially the same terms as the Previous Framework Agreement.

The Lease Agreement between DMCIPD and Maynilad in relation to the lease by Maynilad of certain premises located in Makati City, the Philippines will expire in accordance with its terms on 31 January 2015. DMCIPD and Maynilad have entered into a Renewal Contract, pursuant to which they have mutually agreed to further renew the Lease Agreement for a period of three years.

Details of the Framework Agreement and the Renewal Contract are set out below in this announcement.

The Directors (including the independent non-executive Directors) consider that the terms of the Framework Agreement and the Renewal Contract are on normal commercial terms (or better, as far as the Company is concerned) and are fair and reasonable and in the interests of the Company and its shareholders as a whole.

The First Pacific group has an approximately 51.3% interest in MWHC, the holding company of Maynilad. By virtue of Rule 14A.07(1) of the Listing Rules, one of the shareholders owning an approximately 27.2% interest in MWHC, DMCI, is a connected person of the Company. Consunji and DMCIPD are subsidiaries of DMCI, hence, connected persons of the Company. Accordingly, the entering into of the Framework Agreement and the Renewal Contract each constitutes a continuing connected transaction for the Company under Chapter 14A of the Listing Rules.

Since Consunji and DMCIPD are connected persons only at the subsidiary level of the Company, the Framework Agreement and the Renewal Contract and their related annual caps are subject only to reporting and announcement requirements and are exempt from circular (including independent financial advice) and independent shareholders' approval requirements pursuant to Rule 14A.101 of the Listing Rules.

Reference is made to the announcement of First Pacific Company Limited (the "**Company**") dated 20 January 2012 (the "**2012 Announcement**"), in relation to the entering into of the framework agreement between D.M. Consunji, Inc. ("**Consunji**"), a subsidiary of DMCI Holdings Inc. ("**DMCI**"), and Maynilad Water Services, Inc. ("**Maynilad**") dated 20 January 2012 (the "**Previous Framework Agreement**") and the lease agreement between DMCI Project Developers, Inc. ("**DMCIPD**"), a subsidiary of DMCI, and Maynilad dated 23 March 2009, as renewed by a renewal contract dated 20 January 2012 (the "**Lease Agreement**"). Unless otherwise defined or the context otherwise requires, capitalised terms referred to in this announcement shall have the meanings given to them in the 2012 Announcement.

The Previous Framework Agreement expired in accordance with its terms on 31 December 2014. In order to continue performance of the Services under the Previous Framework Agreement and allow Consunji to continue to submit proposals for business put out to competitive tender by Maynilad, Consunji and Maynilad have entered into a new Framework Agreement on substantially the same terms as the Previous Framework Agreement.

The Lease Agreement between DMCIPD and Maynilad in relation to the lease by Maynilad of certain premises located in Makati City, the Philippines will expire in accordance with its terms on 31 January 2015. DMCIPD and Maynilad have entered into a Renewal Contract, pursuant to which they have mutually agreed to further renew the Lease Agreement for a period of three years.

Details of the Framework Agreement and the Renewal Contract are set out below in this announcement.

FRAMEWORK AGREEMENT

The Company announces the entering into between Consunji and Maynilad of a new framework agreement (the “**Framework Agreement**”) in relation to the provision of construction services by Consunji to Maynilad.

The key terms of the Framework Agreement are set out below:

- Date of contract: 13 January 2015
- Parties: Maynilad as customer and Consunji as supplier of construction services
- Term: 13 January 2015 to 31 December 2017
- Services to be rendered: Engineering, procurement and/or construction services to be provided by Consunji to Maynilad (the “**Services**”).
- Provision of Services: If Maynilad requires any Services from Consunji, it may enter into a specific service contract (“**Service Contract**”) with Consunji 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 provided that aggregate consideration under all Service Contracts entered into by Consunji and Maynilad under the Framework Agreement shall not exceed 25% of Maynilad’s annual budget for capital expenditure projects (“**CAPEX**”) in respect of the years ending 31 December 2015, 2016 and 2017. For the purposes of the Framework Agreement, Maynilad’s annual CAPEX budget includes the total costs of labour, materials and overhead associated with all projects classified as capital expenditures 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 provides that details of all fees and payments due to Consunji shall be specified in each Service Contract.

Under Rule 14A.53 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“**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 for the years ending 31 December 2015, 2016 and 2017 are set out below (“**Caps**”):

2015	2016	2017
<i>US\$ million</i> <i>(HK\$ million)</i>	<i>US\$ million</i> <i>(HK\$ million)</i>	<i>US\$ million</i> <i>(HK\$ million)</i>
96.8 (755.0)	48.4 (377.5)	41.8 (326.0)

The Caps are, in each case, equal to 25% of Maynilad’s estimated annual CAPEX budget for the relevant year. The Caps have been determined based on the approximate cost of the services which Consunji has provided to Maynilad in 2012, 2013 and 2014. In 2012, the projects awarded to Consunji amounted to Php1.1 billion (approximately US\$26.1 million and approximately HK\$203.6 million), representing approximately 15% of the CAPEX budget of Php7.4 billion (approximately US\$175.8 million and approximately HK\$1.4 billion) for the year 2012. In 2013, the projects awarded to Consunji amounted to Php0.2 billion (approximately US\$4.8 million and approximately HK\$37.4 million), representing approximately 2% of the CAPEX budget of Php10.8 billion (approximately US\$253.3 million and approximately HK\$2.0 billion) for the year 2013. In 2014, the projects awarded to Consunji amounted to Php2.4 billion (approximately US\$53.3 million and approximately HK\$416.0 million), representing approximately 14% of the CAPEX budget of Php16.9 billion (approximately US\$375.6 million and approximately HK\$2.9 billion) for the year 2014.

The decrease in the amount and percentage of projects awarded to Consunji in 2013 as compared to 2012 was due to the fact that most of the contracts awarded in 2013 were for secondary and tertiary pipe laying where Consunji was not as competitive as other smaller contractors. The increase in amount and percentage of projects awarded to Consunji in 2014 was due to the award of a significant sewerage conveyance contract worth Php1.5 billion (approximately US\$33.3 million and approximately HK\$260.0 million).

The Framework Agreement was entered into on normal commercial terms, in the ordinary course of business of Maynilad and Consunji, and on an arm’s length basis. The contracts to be awarded to Consunji under the Framework 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 Consunji pursuant to such contracts will satisfy the efficiency and prudence test imposed by the concession agreement entered between Maynilad and the Metropolitan Waterworks and Sewerage System 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 Consunji 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. The bidding process starts with the selection and invitation of capable contractors who will bid in 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 factors such 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 technical assessment. 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 below 70% and above 120% 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 between 70% and 120% of the reference estimate. Cost comparison refers to the examination of the accurateness of the computation found in bids and making the necessary corrections. If it turns out that the lowest evaluated bid falls between 100% and 120% 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 Contracts and Awards Committee ("CAC"), which approves and enters into contracts and other binding documents on behalf of Maynilad. The President must be present for approval of projects worth more than Php500 million (approximately US\$11.1 million or HK\$86.7 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. The notice would state the amount of the award, the award date, and further requirements that the contractor needs to comply within seven days from its issuance. 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.

RENEWAL OF LEASE AGREEMENT

The Company also announces the entering into between DMCIPD and Maynilad of a renewal of contract of lease (the “**Renewal Contract**”) dated 14 January 2015. Under the Renewal Contract, DMCIPD and Maynilad agree to further renew the term of the Lease Agreement for a period of three years commencing on 1 February 2015, or until the close of business on 31 January 2018. There is an increase in the rental rate under the Renewal Contract, and all other terms and conditions of the Lease Agreement remain in full force and effect. The principal terms of the Renewal Contract are summarised below:

- Date of original Lease Agreement: 23 March 2009
- Date of first renewal contract: 20 January 2012
- Date of Renewal Contract: 14 January 2015
- Term of Renewal Contract: 1 February 2015 to 31 January 2018
- Rented premises: 4/F 1321 Apolinario Street, Barangay Bangkal, Makati City, the Philippines together with twelve parking units
- Consideration: Php404,675 (approximately US\$8,993 and approximately HK\$70,144) per month; or Php4,856,100 (approximately US\$107,913 and approximately HK\$841,724) per annum; or Php14,568,300 (approximately US\$323,740 and approximately HK\$2,525,172) over the renewed 3 year term of the lease (i.e. from 1 February 2015 to 31 January 2018).

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 Renewal Contract for the years ending 31 December 2015, 2016 and 2017 are set out below:

2015^(note)	2016	2017
<i>US\$ million</i> <i>(HK\$ million)</i>	<i>US\$ million</i> <i>(HK\$ million)</i>	<i>US\$ million</i> <i>(HK\$ million)</i>
0.2	0.2	0.2
(1.6)	(1.6)	(1.6)

Note: the annual cap for the year ending 31 December 2015 consists of the annual caps for the period from 1 January 2015 to 31 January 2015 under the existing Lease Agreement and the period from 1 February 2015 to 31 December 2015 under the Renewal Contract.

The consideration in respect of the Lease Agreement, as renewed by the Renewal Contract, is determined based on prevailing lease rates in the relevant area in the Philippines as advised by an independent broker.

The Renewal Contract was entered into on normal commercial terms, in the ordinary course of business of Maynilad and DMCIPD, and on an arm's length basis. There is an increase in the rental rate under the Renewal Contract reflecting the general increase in rental rates in the relevant area in the Philippines and inflation. Accordingly, Maynilad confirmed that entering into the Renewal Contract would be the most cost-effective option available to them.

AGGREGATED ANNUAL CAPS

The aggregated annual caps in respect of the Framework Agreement and the Renewal Contract for the years ending 31 December 2015^(note), 2016 and 2017 are set out below:

2015^(note)	2016	2017
<i>US\$ million</i> <i>(HK\$ million)</i>	<i>US\$ million</i> <i>(HK\$ million)</i>	<i>US\$ million</i> <i>(HK\$ million)</i>
97.0	48.6	42.0
(756.6)	(379.1)	(327.6)

Note: the aggregated annual cap in respect of the Framework Agreement and the Renewal Contract for the year ending 31 December 2015 consists of the annual caps for (1) in respect of the Framework Agreement, the period from 13 January 2015 to 31 December 2015 and (2) in respect of the Renewal Contract, the period from 1 January 2015 to 31 January 2015 under the existing Lease Agreement and the period from 1 February 2015 to 31 December 2015 under the Renewal Contract.

DIRECTORS' VIEWS

The directors of the Company (the “**Directors**”) (including the independent non-executive Directors) consider that the terms of the Framework Agreement and the Renewal Contract are on normal commercial terms (or better, as far as the Company is concerned) and are fair and reasonable 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, the Directors (including the independent non-executive Directors) believe that the entering into of the Framework Agreement has the benefit of reducing the administrative burden and costs associated with compliance with laws and regulations of the First Pacific group.

The Directors (including the independent non-executive Directors) also believe that the entering into of the Renewal Contract will be beneficial to the Company because the Renewal Contract contains terms that are more favourable than those in other comparable lease contracts that are readily available to Maynilad.

The Directors (including the independent non-executive Directors) confirm that none of them has a material interest in the Framework Agreement and/or the Renewal Contract. None of the Directors was required to abstain from voting on the board resolution approving the transactions contemplated under the Framework Agreement and the Renewal Contract.

LISTING RULES IMPLICATIONS

The First Pacific group has an approximately 51.3% interest in Maynilad Water Holding Company, Inc. (“**MWHC**”) (formerly DMCI-MPIC Water Company, Inc.), the holding company of Maynilad. By virtue of Rule 14A.07(1) of the Listing Rules, one of the shareholders owning an approximately 27.2% interest in MWHC, DMCI, is a connected person of the Company. Consunji and DMCIPD are subsidiaries of DMCI, hence, connected persons of the Company. Accordingly, the entering into of the Framework Agreement and the Renewal Contract each constitutes a continuing connected transaction for the Company under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.54 of the Listing Rules, where a relevant agreement is renewed, the Company must re-comply with the reporting, announcement and/or independent shareholders’ approval requirements (as appropriate) as set out in Chapter 14A of the Listing Rules.

Since Consunji and DMCIPD are connected persons only at the subsidiary level of the Company, the Framework Agreement and the Renewal Contract and their related annual caps are subject only to reporting and announcement requirements and are exempt from circular (including independent financial advice) and independent shareholders’ approval requirements pursuant to Rule 14A.101 of the Listing Rules.

GENERAL

The Company is a Hong Kong-based investment management and holding company with operations located in Asia. The Company's principal business interests relate to telecommunications, infrastructure, consumer food products and natural resources.

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 Philippine Stock Exchange since 1995.

Consunji and DMCPID are subsidiaries of DMCI.

Maynilad is a company incorporated in the Philippines and holds an exclusive concession granted by Metropolitan Waterworks and Sewerage System on behalf of the Philippine government, to provide water and sewerage services in the area of West Metro Manila.

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

Hong Kong, 16 January 2015

Unless stated otherwise, translations of quoted currency values are made on an approximate basis and at the rate of US\$1.00 = Php45.00 = 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 CEO*
Edward A. Tortorici
Robert C. Nicholson

Non-executive Directors:

Anthoni Salim, *Chairman*
Benny S. Santoso
Tedy Djuhar
Napoleon L. Nazareno

Independent Non-executive Directors:

Graham L. Pickles
Prof. Edward K.Y. Chen, *GBS, CBE, JP*
Margaret Leung Ko May Yee, *SBS, JP*
Philip Fan Yan Hok