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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 2021 Announcement in relation to the entering into of the Second Renewal Agreement between DMCI and Maynilad to renew the Framework Agreement.

The Second Renewal Agreement will expire in accordance with its terms on 31 December 2023. 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 29 December 2023 (after trading hours of the Stock Exchange), DMCI and Maynilad entered into the Third Renewal Agreement, pursuant to which DMCI and Maynilad have agreed to further renew the Framework Agreement for a term of three years. Save for the revised term and new annual caps set for the years ending 31 December 2024, 2025 and 2026, 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 Third Renewal Agreement) are set out below in this announcement.

LISTING RULES IMPLICATIONS

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 Third Renewal Agreement constitutes a continuing connected transaction for the Company under Chapter 14A of the Listing Rules.

The Third 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 Third 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 Third Renewal Agreement is exempt from the circular, independent financial advice and shareholders' approval requirements under Chapter 14A of the Listing Rules.

DIRECTORS' VIEW

The Directors (including the independent non-executive Directors) consider the terms of the Framework Agreement (as renewed by the Third Renewal Agreement) to be fair and reasonable and that its execution 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.

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

- Date of agreement: 29 December 2023

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

- Term: 1 January 2024 to 31 December 2026

- 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 Third Renewal Agreement), provided that aggregate consideration under all service contracts entered into by DMCI and Maynilad under the Framework Agreement (as renewed by the Third Renewal Agreement) shall not exceed 40% of Maynilad’s annual commitment for CAPEX projects in respect of the years ending 31 December 2024, 2025 and 2026. For the purposes of the Framework Agreement (as renewed by the Third Renewal Agreement), Maynilad’s annual CAPEX commitment 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 wastewater services and improvement and rehabilitation of existing facilities.

- Payment: The Framework Agreement (as renewed by the Third 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 Third Renewal Agreement) for the relevant periods are set out below:

For the year ending 31 December 2024	For the year ending 31 December 2025	For the year ending 31 December 2026
<i>US\$ million</i> <i>(HK\$ million)</i>	<i>US\$ million</i> <i>(HK\$ million)</i>	<i>US\$ million</i> <i>(HK\$ million)</i>
281 (2,192)	332 (2,582)	78 (616)

The annual caps are, in each case, equal to approximately 40% of Maynilad’s estimated annual CAPEX commitment target 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.

Maynilad holds an exclusive 25-year Concession granted in 1997 by the MWSS, on behalf of the Philippine Government, to provide water and wastewater services in the West Zone of the MWSS service area. In April 2010, Maynilad’s Concession was extended for 15 years, thus moving the Concession’s expiry from 2022 to 2037. On 22 January 2022, with approximately 15 years left in the Concession, RA 11600, the law granting Maynilad a 25-year franchise or until 2047 to operate the Concession, became effective. RA 11600 did not automatically extend the term of the Concession from 2037 to 2047. However, RA 11600 authorised the MWSS, if public interest for affordable water security requires, to amend the Concession agreement by extending its term to coincide with the term of the franchise, upon Maynilad’s application and after due notice and hearing. Maynilad’s application for extension of the Concession until 2047 is now pending with the MWSS.

On 10 November 2022, the MWSS approved the tariff increase of Maynilad for the Sixth Rate Rebasing Period (2023-2027) which shall be implemented on a staggered basis for each year, beginning January 2023 until January 2027. To enable it to meet all its service obligations, Maynilad, in its approved Business Plan for the Sixth Rate Rebasing Period, committed to invest approximately US\$6,286 million (equivalent to approximately HK\$49.0 billion) in CAPEX, from 2023 until 2047 (should the MWSS approve Maynilad’s term extension application). The bulk of Maynilad’s investments to improve the delivery of water and wastewater services and accelerate its sewer coverage in the West Zone is concentrated in the next four years. Accordingly, Maynilad has estimated a significant increase in its annual CAPEX commitment, especially in the next two years ending 31 December 2024 and 2025.

From the target CAPEX commitment of US\$355 million (equivalent to approximately HK\$2,769 million) for the year ending 31 December 2023, Maynilad's estimated annual CAPEX commitment for the year ending 31 December 2024 has almost doubled to US\$702 million (equivalent to approximately HK\$5,476 million). About 48% of this is planned to be spent on wastewater projects in order to increase Maynilad's sewer coverage from the current 27% to 29% by the end of 2024, increase the wastewater treatment capacity of existing facilities and cause the effluents of some of the existing facilities to comply with the more stringent effluent standards set by the Department of Environment and Natural Resources. The balance of the 2024 CAPEX commitment will be spent (i) on water-related projects such as laying of a primary distribution line for a new 300-MLD water treatment plant that will be constructed in Teresa, Rizal ("**Teresa Water Treatment Plant**"), construction of water reservoirs and the expansion and improvement of an existing modular treatment plant; and (ii) in bringing down non-revenue water.

For 2025, Maynilad's CAPEX commitment will be at a record high – approximately US\$829 million (equivalent to approximately HK\$6,466 million). About 58% of this amount is planned to be spent on the design and build of the Teresa Water Treatment Plant which will draw water from the Kaliwa Dam, a new water source project being developed by the Philippine Government through the MWSS. The Teresa Water Treatment Plant will involve the laying of submarine pipes in Laguna Lake in order to bring the treated water from Teresa, Rizal to the south of the service concession area of Maynilad.

The CAPEX commitment will then go down to approximately US\$196 million (equivalent to approximately HK\$1,529 million) for 2026. The bulk of the 2026 CAPEX commitment will go to the rehabilitation of two tunnels that convey water from the Angat Dam to Ipo Dam, and the rehabilitation of the Central Manila Sewerage System and various pump stations and water reservoirs. Maynilad will also rehabilitate certain creeks by installing interceptor systems that will capture the wastewater from the drainage (before it reaches the creek) and convey the same to the wastewater treatment plant.

In 2021, projects awarded to DMCI, which consist of laying of primary pipelines and the relocation of pipelines, amounted to approximately US\$0.3 million (equivalent to approximately HK\$2.3 million), representing approximately 0.3% of the total CAPEX commitment for that year. In 2022, DMCI was awarded only one project, i.e., laying of a primary water pipeline and a sewer line, which costs approximately US\$14.3 million (equivalent to approximately HK\$111.5 million) which represents approximately 2.7% of the total CAPEX commitment for that year. In 2023, projects awarded to DMCI amounted to US\$116.9 million (equivalent to approximately HK\$911.8 million), representing approximately 33% of the CAPEX commitment for that year. A significant portion of this amount pertains to the design and construction of the remaining works for a wastewater treatment plant in Las Pinas City and another wastewater treatment plant in Muntinlupa City and the laying of primary pipelines in the south of Maynilad's service area.

The Third 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 Third 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 Pesos 5 million which is equivalent to approximately US\$0.1 million or approximately HK\$0.7 million) on behalf of Maynilad. The President must be present for approval of projects worth more than Pesos 500 million (equivalent to approximately US\$9.0 million or HK\$70.0 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 Pesos 1 billion (equivalent to approximately US\$18.0 million or approximately HK\$140.0 million) or by the board of Maynilad for projects worth more than Pesos 1 billion (equivalent to approximately US\$18.0 million or approximately HK\$140.0 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 Third 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.

LISTING RULES IMPLICATIONS

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 Third Renewal Agreement constitutes a continuing connected transaction for the Company under Chapter 14A of the Listing Rules.

The Third 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 Third 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 Third Renewal Agreement is exempt from the circular, independent financial advice and shareholders' approval requirements under Chapter 14A of the Listing Rules.

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

The Directors (including the independent non-executive Directors) consider the terms of the Framework Agreement (as renewed by the Third Renewal Agreement) to be fair and reasonable and that the execution of the Third 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 Third Renewal Agreement), the Directors (including the independent non-executive Directors) believe that the execution of the Third 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 Third Renewal Agreement and the transactions contemplated thereunder.

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 15 December 2023, Dacon Corporation, DFC Holdings, Inc. and PCD Nominee Corporation hold approximately 49.9%, 17.9% and 28.7% 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 holding company with investments located in Asia-Pacific. The Company's principal investments are in 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:

“2021 Announcement”	the Company's announcement dated 19 February 2021 in relation to the Second Renewal Agreement;
“Board”	board of Directors of the Company;
“CAC”	Maynilad's Contracts and Awards Committee;
“CAPEX”	capital expenditure;
“Company”	First Pacific Company Limited, an exempted company incorporated in Bermuda and having its shares listed on the Stock Exchange;
“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;
“Maynilad”	Maynilad Water Services, Inc., a company incorporated in the Philippines;
“MWHC”	Maynilad Water Holding Company, Inc., a company incorporated in the Philippines;
“MWSS”	Metropolitan Waterworks and Sewerage System;
“Pesos”	Philippine Peso, the lawful currency of the Philippines;
“RA 11600”	Republic Act No. 11600, being the law that granted Maynilad a 25-year franchise to operate the Concession;
“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;
“Teresa Water Treatment Plant”	has the meaning given to it under the paragraph headed “Further Renewal of Framework Agreement” in this announcement;
“Third Renewal Agreement”	the third renewal agreement dated 29 December 2023 entered into between DMCI and Maynilad in relation to the Framework Agreement for the provision of Services by DMCI to Maynilad;
“US\$”	United States dollars, the lawful currency of the United States of America; and

“%” per cent.

Unless stated otherwise, translations of quoted currency values are made on an approximate basis and at the rate of Pesos 55.7 = US\$1.0 = HK\$7.8. Percentages and figures expressed have been rounded.

By Order of the Board
First Pacific Company Limited
Chiu Wing Man, Fiona
General Counsel and Company Secretary

Hong Kong, 29 December 2023

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

Non-executive Directors:

Anthoni Salim, *Chairman*
Benny S. Santoso
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