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SWIRE PACIFIC LIMITED

太古股份有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Codes: 00019 and 00087)

Announcement

Continuing Connected Transaction regarding the Management Services Agreement

Reference is made to the Company's announcement dated 28th June 2023 in relation to, among others, the Management Services Agreement proposed to be entered into by SCCL, JS&SL and the Recipient, for the provision of management and administrative support services by SCCL to the Recipient Group.

The Management Services Agreement was entered into on 18th July 2023.

The transaction contemplated under the Management Services Agreement constitutes a continuing connected transaction of the Company subject to the announcement, annual review and annual reporting requirements (but exempt from the circular and shareholders' approval requirements) under Chapter 14A of the Listing Rules.

MANAGEMENT SERVICES AGREEMENT dated 18th July 2023

Parties: (1) SCCL;
(2) JS&SL (as the Recipient Holdco); and
(3) Swire Pacific Holdings Inc. (as the Recipient).

PARTICULARS

Scope of the Services

SCCL will provide management and administrative support services to the Recipient Group, including but not limited to provision of support in: (a) strategy development and implementation; (b) relationship management with respect to key stakeholders; (c) business review, including the review of business plan and budget and the monitoring of business performance; (d) finance and reporting matters; (e) digital and information technology matters; (f) risk management and sustainable development; (g) corporate development, including the identification, evaluation and cultivation of mergers and

acquisitions and partnership opportunities; (h) supply chain management; (i) human resources matters; and (j) public affairs and communications.

Management fee and payment

An annual management fee will be payable by the Recipient to SCCL in consideration of the Services, which will be the greater of:

- (a) HK\$117 million (plus a mark-up of 5%), which shall be increased for each subsequent Financial Year commencing after 31st December 2023 in line with the Hong Kong Composite Consumer Price Index for that Financial Year, as published by the Census and Statistics Department of Hong Kong; and
- (b) 6% of the recurring earnings before interest and tax of the Recipient Group for that Financial Year.

The annual management fee will be payable annually by the Recipient to SCCL on the 10th Business Day after the date of the approval by the board of directors of the Recipient of the audited financial statements of the Recipient for that Financial Year. If the audited financial statements of the Recipient for a Financial Year are not approved by 30th June of the next Financial Year, an interim payment of the management fee for that Financial Year will be payable by 30th June of the next Financial Year in the amount determined by the Recipient, acting reasonably, on the basis of the management accounts of the Recipient Group for that Financial Year on account of the management fee, subject to true-up after the audited financial statements of the Recipient for the relevant Financial Year have been approved.

The management fee under the Management Services Agreement was determined after arm's length negotiations between the parties having regard to the costs associated with the Services to be provided plus a markup comparable to market terms.

Term of the Management Services Agreement

The initial term of the Management Services Agreement will be from the date of SPA Completion until 27th April 2037 (both days inclusive), and thereafter, subject to mutual agreement, will be renewed on the same terms for successive terms of 10 years, unless terminated earlier pursuant to its terms.

THE ANNUAL CAPS

The Company estimates that the aggregate annual amount receivable by SCCL under the Management Services Agreement will not exceed the annual caps set out below:

<u>For Services provided during</u>	<u>Proposed annual cap</u> <u>(HK\$ million)</u>
The period from the date of SPA Completion until 31st December 2023	60
Year ending 31st December 2024	170
Year ending 31st December 2025	180
Year ending 31st December 2026	180

Year ending 31st December 2027	190
Year ending 31st December 2028	200
Year ending 31st December 2029	210
Year ending 31st December 2030	220
Year ending 31st December 2031	230
Year ending 31st December 2032	240
Year ending 31st December 2033	260
Year ending 31st December 2034	270
Year ending 31st December 2035	280
Year ending 31st December 2036	300
The period from 1st January 2037 to 27th April 2037	110

The above annual caps have been determined by reference to the formula for determining the annual management fee under the Management Services Agreement, the historical financial performance of the Recipient Group, the growth potential of the Recipient Group and a reasonable buffer to cater for unforeseen increases in the Recipient Group's earnings. For illustration purposes, the management fees that would have been payable by the Recipient to SCCL in the three years ended 31st December 2022 had the Management Services Agreement become effective on 1st January 2020 (with corresponding changes to date references therein) are set out below.

<u>For Services provided during</u>	<u>Management fees payable by the Recipient to SCCL had the Management Services Agreement become effective on 1st January 2020 (HK\$ million)</u>
Year ended 31st December 2020	123
Year ended 31st December 2021	125
Year ended 31st December 2022	127

REASONS FOR, AND BENEFITS OF, THE TRANSACTION

The Management Services Agreement will enable the beverages division of the Company to continue to strengthen its global franchise relationship with The Coca-Cola Company, while providing an additional fee income stream to the Company.

The Company believes that the entry into the Management Services Agreement is beneficial to the Company and its shareholders as a whole.

CONNECTION BETWEEN THE PARTIES

The Swire Group owns approximately 60.31% of the equity of the Company and controls 68.13% of the voting rights attached to shares in the Company. JS&SL is therefore a connected person of the Company under the Listing Rules.

JS&SL is a private company incorporated in England and is a controlling shareholder of the Company. It owns a highly diversified global portfolio of investments and has a business presence in over 30 countries, spanning over 13 sectors.

Upon SPA Completion, the Recipient will become a wholly-owned subsidiary of JS&SL and will therefore be a connected person of the Company under the Listing Rules.

The Recipient is a company incorporated in the State of Delaware, US and is a wholly-owned subsidiary of the Company as at the date of this announcement. The Recipient Group is primarily engaged in the preparation, packaging, distribution and sale of Coca-Cola and other beverages in 13 states across the western US.

COMPLIANCE WITH LISTING RULES

As the highest of the relevant percentage ratios as defined under Rule 14.07 of the Listing Rules (other than the profits ratio) in respect of the highest annual cap applicable to the Transaction is 0.1% or more but less than 5%, the Transaction constitutes a continuing connected transaction of the Company subject to the announcement, annual review and annual reporting requirements (but exempt from the circular and independent shareholders' approval requirements) under Chapter 14A of the Listing Rules.

As the term of the Management Services Agreement exceeds three years, in accordance with Rule 14A.52 of the Listing Rules, the Company has appointed the Independent Financial Adviser to explain the reasons for the term of the Management Services Agreement being longer than three years and confirm that it is normal business practice for agreements of such type to be of such duration.

In assessing the reasons for the Management Services Agreement to have a duration longer than three years, the Independent Financial Adviser has taken into account the following factors:

- (a) the Company's management team has been responsible for the management of the Group's beverages division as a whole (including the business of the Recipient Group) and setting overall strategic direction for the Recipient Group, among others. The Management Services Agreement would ensure a continuation of such arrangement without affecting the business of the Recipient Group. The annual management fee is expected to cover the associated costs of the Group, while providing for a potential upside to the Group based on future earnings of the Recipient Group;
- (b) the Group's relationship with the global executives of The Coca-Cola Company has also been centrally managed by the Company's management team, which is expected to continue after SPA Completion pursuant to the Management Services Agreement. As such, the Group's strategic relationship with The Coca-Cola Company, supported by the combined scale of operation of the Recipient Group and the remaining beverages business of the Group, is not expected to be negatively affected and hence the Company's franchise strength will be preserved;

- (c) the Recipient Group's manufacturing and distribution of products of The Coca-Cola Company is currently governed by a number of arrangements with The Coca-Cola Company. The Independent Financial Adviser understands from the management of the Group that (i) the duration of the Management Services Agreement has been determined after considering the duration of the current arrangements as described above, and (ii) the long-term nature of the Management Services Agreement will provide certainty and stability that a long-term business relationship will continue to be in place among the Company, the Recipient Group and The Coca-Cola Company;
- (d) according to the public disclosure of The Coca-Cola Company, most of its bottlers in US operate under a comprehensive beverage agreement with The Coca-Cola Company, usually with a term of 10 years, which is renewable, in most cases by the bottler, indefinitely for successive additional terms of 10 years each subject to conformity with the requirements of The Coca-Cola Company. The above shows that arrangements between bottlers (including the Recipient Group) and The Coca-Cola Company are usually long-term in nature; and
- (e) based on a review of similar management services agreements or framework bottling agreements of companies listed on the Stock Exchange principally engaged in the production and/or distribution of beverage products, the durations of such agreements range from 3 to 39 years. Accordingly, the duration of the Management Services Agreement falls within the above range.

Having considered the factors set out above, the Independent Financial Adviser is of the opinion that the duration of the Management Services Agreement is a normal commercial term for a transaction of this nature and it is normal business practice for agreements of this type to be of such duration.

OPINION OF THE DIRECTORS

The directors of the Company (including the independent non-executive directors) consider that the Transaction is in the ordinary and usual course of business of the Group, is on normal commercial terms or better, which are fair and reasonable, and is in the interest of the Company and its shareholders as a whole.

The non-executive directors of the Company (being shareholders and directors of JS&SL) have declared their interests in the Transaction and have abstained from voting on the relevant board resolutions of the Company in respect of the Transaction.

DIRECTORS

As at the date of this announcement, the Directors of the Company are:

Executive Directors: G.M.C. Bradley (Chairman), D.P. Cogman, P. Healy, M.J. Murray, Z.P. Zhang;

Non-Executive Directors: G.D. McCallum, M.B. Swire; and

Independent Non-Executive Directors: P.K. Etchells, R.W.M. Lee, E.M. Ngan, G.R.H. Orr, Y. Xu and B.Y. Zhang.

DEFINITIONS

“Business Day”	A day (other than a Saturday or a Sunday) on which banks are open for general business in Hong Kong, London and New York.
“Company”	Swire Pacific Limited 太古股份有限公司, an investment holding company incorporated in Hong Kong with limited liability whose shares are listed on the Stock Exchange, the subsidiaries, associates and joint ventures of which are engaged principally in the property, beverages and aviation businesses, as well as new areas of growth in healthcare and sustainable foods.
“Financial Year”	Each financial year of the Recipient, being each year beginning on 1st January and ending on 31st December.
“Group”	The Company and its subsidiaries 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.
“Independent Financial Adviser”	Somerley Capital Limited, a corporation licensed by the Securities and Futures Commission to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), being the independent financial adviser appointed for the purpose of Rule 14A.52 of the Listing Rules.
“JS&SL” or “Recipient Holdco”	John Swire & Sons Limited, a private limited company incorporated in England and a controlling shareholder of the Company.
“Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.
“Management Services Agreement”	The management services agreement dated 18th July 2023 entered into between SCCL, JS&SL and the Recipient for the provision of the Services by SCCL to the Recipient Group with effect from SPA Completion.
“Recipient”	Swire Pacific Holdings Inc. (doing business as Swire Coca-Cola, USA), a wholly-owned subsidiary of the Company as at the date of this announcement incorporated in the State of Delaware, US. Upon SPA Completion, the Recipient will become a wholly-owned subsidiary of the Recipient Holdco.
“Recipient Group”	The Recipient and its subsidiaries from time to time.

“SCCL”	Swire Coca-Cola Limited 太古可口可樂有限公司, a wholly-owned subsidiary of the Company incorporated in Hong Kong, the principal activities of which are investment holding and the preparation, packaging, distribution and sale of beverages.
“Services”	The management and administrative support services to be provided by SCCL to the Recipient Group under the Management Services Agreement as described in the section headed “Particulars – Scope of the Services” of this announcement.
“Share Purchase Agreement”	The share purchase agreement dated 28th June 2023 entered into between, among others, the Recipient Holdco and the Company for the sale and purchase of shares of the Recipient, details of which are set out in the Company’s announcement dated 28th June 2023.
“SPA Completion”	The completion of the transaction contemplated under the Share Purchase Agreement.
“Stock Exchange”	The Stock Exchange of Hong Kong Limited 香港聯合交易所有限公司.
“Swire Group”	JS&SL and its subsidiaries from time to time, other than members of the Group.
“Transaction”	The transaction contemplated under the Management Services Agreement.
“US”	The United States of America.

By Order of the Board
SWIRE PACIFIC LIMITED
太古股份有限公司
Bernadette M. Lomas
Company Secretary

Hong Kong, 18th July 2023