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## **Budweiser Brewing Company APAC Limited**

**百威亞太控股有限公司**

*(A company incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1876)**

### **CONTINUING CONNECTED TRANSACTIONS**

#### **(1) RENEWAL OF THE GENERAL SERVICES FRAMEWORK AGREEMENT**

**AND**

#### **(2) SETTING OF NEW ANNUAL CAPS FOR THE STRATEGIC SERVICES, PROCUREMENT SERVICES AND ADMINISTRATIVE SERVICES**

We refer to the section headed “Connected Transactions — Non-Exempt Connected Transactions” in the prospectus of Budweiser Brewing Company APAC Limited (the “**Company**”) dated 18 September 2019 (the “**Prospectus**”) in relation to, among other things, the (i) Strategic Services Framework Agreement, (ii) Procurement Services Framework Agreement and (iii) General Services Framework Agreement entered into between the Company and Anheuser-Busch InBev SA/NV (“**AB InBev**”) (the “**Services Agreements**”). Unless otherwise stated, capitalised terms used in this announcement shall have the same meaning ascribed in the Prospectus.

#### **RENEWAL OF THE GENERAL SERVICES FRAMEWORK AGREEMENT**

The Company and AB InBev have entered into a renewal agreement to the General Services Framework Agreement on 28 March 2022, pursuant to which the General Services Framework Agreement shall be renewed for a further term of three years commencing from 30 September 2022 and ending on 29 September 2025. All other terms of the General Services Framework Agreement remain unchanged.

## **SETTING OF NEW ANNUAL CAPS FOR THE STRATEGIC SERVICES, PROCUREMENT SERVICES AND ADMINISTRATIVE SERVICES**

In accordance with Rule 14A.53 of the Listing Rules, the Directors (including the independent non-executive Directors but excluding the Directors who have abstained from voting) have agreed to set (1) the new annual caps for the Strategic Services and Administrative Services to be provided for each of the three years ending 31 December 2022, 2023 and 2024 are USD26 million, USD32 million and USD38 million respectively, and (2) the new annual caps for the Procurement Services to be provided for each of the three years ending 31 December 2022, 2023 and 2024 are USD44 million, USD58 million and USD75 million respectively.

### **LISTING RULES IMPLICATION**

As AB InBev is the controlling shareholder of the Company, the Strategic Services, Procurement Services and Administrative Services to be provided to the Group constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest relevant percentage ratio (as set out in Rule 14.07 of the Listing Rules) with respect to (1) the Strategic Services, (2) the Procurement Services, and (3) the Administrative Services, on an aggregated and annual basis, is expected to be more than 0.1% but less than 5%, such transactions are considered to be partially exempt continuing connected transactions pursuant to Rule 14A.76(2)(a) of the Listing Rules exempt from the circular and independent shareholders' approval requirements but will be subject to the reporting, annual review and announcement requirements under Chapter 14A of the Listing Rules.

Directors who are members of senior management of AB InBev have a material interest in the Strategic Services Framework Agreement, Procurement Services Framework Agreement and Renewed General Services Framework Agreement, and the Strategic Services, Procurement Services and Administrative Services contemplated thereunder respectively. Accordingly, they had abstained from voting on the resolutions of the Board to approve the renewal of the General Services Framework Agreement and the setting of new annual caps for the Strategic Services, Procurement Services and Administrative Services. Except for those Directors, none of the Directors have a material interest in the Strategic Services Framework Agreement, Procurement Services Framework Agreement and Renewed General Services Framework Agreement, and the Strategic Services, Procurement Services and Administrative Services contemplated thereunder respectively.

The Directors (including the independent non-executive Directors but excluding the Directors who have abstained from voting) are of the view that (i) the Strategic Services Framework Agreement, Procurement Services Framework Agreement and Renewed General Services Framework Agreement, and the Strategic Services, Procurement Services and Administrative Services contemplated thereunder respectively, have been and will be entered into in the ordinary and usual course of business of the Group, on normal commercial terms or better, and are fair and reasonable and in the interests of our Shareholders as a whole; and (ii) the proposed annual caps are fair and reasonable and are in the interests of the Company and our Shareholders as a whole.

## **1. STRATEGIC SERVICES FRAMEWORK AGREEMENT AND STRATEGIC SERVICES PROVIDED BY THE AB INBEV GROUP TO THE GROUP**

The major terms of the Strategic Services Framework Agreement are as follows:

### **Subject matter**

On 2 July 2019, the Company and AB InBev entered into the Strategic Services Framework Agreement effective on the Listing Date for a 10 year term, pursuant to which AB InBev will agree to procure members of the AB InBev Group to provide strategic advice and support services in relation to (1) management support, (2) marketing, (3) supply, (4) human resources, (5) finance, (6) legal and corporate affairs, and (7) innovation and R&D, to members of the Group.

The respective Group member and AB InBev Group member shall enter into subsidiary agreements which will set out more specific terms and conditions based on the principles and terms of the Strategic Services Framework Agreement. The subsidiary agreements will set out, among other terms, the service provider and recipient, duration, price, payment terms and other service terms.

According to the Strategic Services Framework Agreement, in case of any inconsistency in principles and terms between the subsidiary agreements and the Strategic Services Framework Agreement, the Strategic Services Framework Agreement shall prevail.

### **Term and Termination**

The Strategic Services Framework Agreement has a term of 10 years effective on the Listing Date.

The Strategic Services Framework Agreement may be terminated by AB InBev if (a) AB InBev ceases to hold at least 30% of shares of the Company and (b) as to the application of the Strategic Services Framework Agreement to any subsidiary of the Company only, sale or transfer of such Company subsidiary to a third party, or a third party otherwise holding, more than 10% of such subsidiary's shares.

Any subsidiary agreement under the Strategic Services Framework Agreement may be terminated if (a) there is a material breach of the agreement, (b) there is non-payment of amounts owed thereunder, subject to a grace period, or (c) upon the parties' mutual written consent.

### **Pricing policy**

The payment terms will be determined among the respective parties from time to time on an arm's length basis.

Costs incurred by the AB InBev Group to deliver the strategic services (except for certain innovation and R&D services) will be centralized and mapped onto cost and functional centers, which will be on-charged to the service recipients. Where services directly benefit a particular service recipient, the costs will be directly charged to such service recipient. Where services benefit a number of service recipients (some of which are subsidiaries of the Group and others are other subsidiaries of AB InBev), the costs will be allocated based on specific direct cost drivers, or indirect allocation keys, which reasonably reflect the service recipients' economic benefit from such services. AB InBev and the Company will agree the direct and indirect allocation keys intended to reflect the benefit received by each subsidiary of the Company from such strategic service.

The allocated costs will be subject to a mark-up determined on an arm's length basis in accordance with accepted methods of transfer pricing, such as comparable uncontrolled price transfer pricing method, in accordance with a benchmark transfer pricing report prepared by an accounting or tax advisor.

For technical value engineering projects provided under innovation and R&D services, the fee charged will be calculated based on a percentage of savings generated by the technological innovations made available to the service recipient. The initial fee in 2019 will be based on 50% of savings generated by such technological innovations.

The mark-up or fee payable may be reviewed periodically and adjusted, including retrospectively, to the extent an adjustment is necessary to ensure that the payments are on an arm's length basis as mutually agreed by the parties.

### **Historical Transaction Amounts and Annual Caps**

During the three years ended 31 December 2019, 2020 and 2021, the transaction amounts for the Strategic Services provided to the Group and Administrative Services provided to the Group were recorded on a combined basis. The historical transaction amounts of the Strategic Services and Administrative Services provided to the Group are USD22 million, USD17 million and USD15 million for the years ended 31 December 2019, 2020 and 2021, respectively. In accordance with Rule 14A.53 of the Listing Rules, the Directors (including the independent non-executive Directors but excluding the Directors who have abstained from voting) have agreed to set the new annual caps for the maximum aggregate fees payable for the Strategic Services and the Administrative Services to be provided to the Group at USD26 million, USD32 million and USD38 million for the years ending 31 December 2022, 2023 and 2024, respectively.

The annual cap was determined after taking into account the following factors: (a) the historical transaction amounts for the Strategic Services and the Administrative Services provided to the Group; and (b) anticipated services and estimated fees that will be provided in the coming years. Further, in order to accommodate centralization and optimization of the Strategic Services and Administrative Services and anticipating increasing cost on general IT services and data security protection systems to accommodate the digital transformation of the entire business, the Company has included a reasonable buffer of 20% in the annual caps.

## **2. GENERAL SERVICES FRAMEWORK AGREEMENT AND ADMINISTRATIVE SERVICES PROVIDED BY THE AB INBEV GROUP TO THE GROUP**

The major terms of the General Services Framework Agreement are as follows:

### **Subject matter**

On 2 July 2019, the Company and AB InBev entered into the General Services Framework Agreement effective on the Listing Date for a three year term, pursuant to which AB InBev will agree to procure members of the AB InBev Group to provide IT services, outsourcing services and other administrative services, to members of the Group.

The respective Group and AB InBev Group member shall enter into subsidiary agreements which will set out more specific terms and conditions based on the principles and terms of the General Services Framework Agreement. The subsidiary agreements will set out, among other terms, the service provider and recipient, duration, price, payment terms and other service terms.

According to the General Services Framework Agreement, in case of any inconsistency in principles and terms between the subsidiary agreements and the General Services Framework Agreement, the General Services Framework Agreement shall prevail.

### **Term and Termination**

AB InBev (on the one hand) and the Company (on the other hand) have entered into a renewal agreement to the General Services Framework Agreement on 28 March 2022, pursuant to which the General Services Framework Agreement shall be renewed for a further term of three years commencing from 30 September 2022 and ending on 29 September 2025 (the “**Renewed General Services Framework Agreement**”).

The Renewed General Services Framework Agreement may be terminated by AB InBev if (a) AB InBev ceases to hold at least 30% of shares of the Company and (b) as to the application of the Renewed General Services Framework Agreement to any subsidiary of the Company only, sale or transfer of such Company subsidiary to a third party, or a third party otherwise holding, more than 10% of such subsidiary’s shares.

Any subsidiary agreement under the Renewed General Services Framework Agreement may be terminated if (a) there is a material breach of the agreement, (b) there is non-payment of amounts owed thereunder, subject to a grace period, or (c) upon the parties’ mutual written consent.

### **Pricing policy**

The payment terms will be determined among the respective parties from time to time on an arm’s length basis in accordance to the pricing policy for strategic services as described under ‘1. Strategic Services Framework Agreement’ above.

Notwithstanding the renewal of the term of the General Services Framework Agreement, all other terms of the General Services Framework Agreement remain unchanged.

### **Historical Transaction Amounts and Annual Caps**

See ‘1. Strategic Services Framework Agreement’ above.

### **3. PROCUREMENT SERVICES FRAMEWORK AGREEMENT AND PROCUREMENT SERVICES PROVIDED BY THE AB INBEV GROUP TO THE GROUP**

The major terms of the Procurement Services Framework Agreement are as follows:

#### **Subject matter**

On 2 July 2019, the Company and AB InBev entered into the Procurement Services Framework Agreement effective on the Listing Date for a 10 year term, pursuant to which AB InBev will agree to procure members of the AB InBev Group to provide procurement services to members of the Group.

The respective Group and AB InBev Group member shall enter into subsidiary agreements which will set out more specific terms and conditions based on the principles and terms of the Procurement Services Framework Agreement. The subsidiary agreements will set out, among other terms, the service provider and recipient, duration, price, payment terms and other service terms.

According to the Procurement Services Framework Agreement, in case of any inconsistency in principles and terms between the subsidiary agreements and the Procurement Services Framework Agreement, the Procurement Services Framework Agreement shall prevail.

#### **Term and Termination**

The Procurement Services Framework Agreement has a term of 10 years effective on the Listing Date.

The Procurement Services Framework Agreement may be terminated by AB InBev if (a) AB InBev ceases to hold at least 30% of shares of the Company and (b) as to the application of the Procurement Services Framework Agreement to any subsidiary of the Company only, sale or transfer of such Company subsidiary to a third party, or a third party otherwise holding, more than 10% of such subsidiary's shares.

Any subsidiary agreement under the Procurement Services Framework Agreement may be terminated if (a) there is a material breach of the agreement, (b) there is non-payment of amounts owed thereunder, subject to a grace period, or (c) upon the parties' mutual written consent.

#### **Fees**

The payment terms will be determined among the respective parties from time to time on an arm's length basis.

The fee charged to provide the procurement services will be calculated based on a percentage of realized and demonstrated annual cost savings capped by a percentage of the service recipient's direct and indirect annual spend for products and services in respect of which the service recipient receives procurement services. Realized and demonstrated annual cost savings is composed of variable industrial cost savings, indirect savings (cost savings or increase, cost avoidance, value creation), and variable logistic costs savings.

The Group adopts a standard process of procurement of services and products from suppliers which include sourcing directly from independent third parties or sourcing from other suppliers through the AB InBev Group's global procurement office. The formulae used to calculate the fee payable for the procurement services provided by the AB InBev Group is designed to motivate both the service recipients and the AB InBev Group's centralized procurement function to achieve cost savings for the service recipients.

The split of cost savings and the cap may be reviewed periodically and adjusted, including retrospectively, to the extent necessary to ensure the payments are on an arm's length basis as mutually agreed by the parties.

### **Historical Transaction Amounts and Annual Cap**

The historical transaction amounts of the Procurement Services provided to the Group are USD31 million, USD25 million and USD34 million for the years ended 31 December 2019, 2020 and 2021, respectively.

In accordance with Rule 14A.53 of the Listing Rules, the Directors (including the independent non-executive Directors but excluding the Directors who have abstained from voting) have agreed to set the new annual cap for the maximum aggregate fees payable for the Procurement Services to be provided to the Group at USD44 million, 58 million and 75 million for the years ending 31 December 2022, 2023 and 2024, respectively.

The annual cap was determined after taking into account the following factors: (a) the historical transaction amounts for the Procurement Services provided to the Group; and (b) anticipated procurement services to be provided and estimated future cost savings and strategic spend categories based on currently available information to the Company. As the procurement fee is calculated as a percentage of realised and demonstrated annual cost savings and the maximum cap is based on a percentage of the service recipient's annual strategic spend categories, it is difficult to anticipate the estimated fee, and as such, the Company has included a reasonable buffer of 30% in the annual caps, in line with the increase in historical transaction amounts from 2020 to 2021.

#### **4. REASONS FOR AND BENEFITS OF THE STRATEGIC SERVICES, ADMINISTRATIVE SERVICES AND PROCUREMENT SERVICES**

Prior to the Listing Date, the AB InBev Group had been providing Strategic Services, Administrative Services and Procurement Services to the Group. Such arrangements are part of the AB InBev Group's modus operandi from an operational point of view and the transactions are entered into by the Group in the ordinary and usual course of business based on the Company's business needs in order to carry out and support the Company's business activities. The Company is able to select freely among connected persons or independent third parties to provide such services.

The Strategic Services and Administrative Services provided to the Group allow the Group to benefit from AB InBev's global industry experience and knowledge to enhance the effectiveness of regional management in all areas of activities, as well as allowing AB InBev to support its brands licensed to the Group under the Licenses by providing global management support, legal and corporate affairs, human resources, finance services, marketing, sales and supply services to Group that are aligned with the global brand and strategy of AB InBev. For example,

- AB InBev's global legal team is responsible for ensuring the protection of intellectual properties of the global brands;
- AB InBev's global finance team is able to provide advice regarding hedging of commodities specific to the beer industry; and
- AB InBev's global human resources team provides industry-specific learning and development programs.

The Procurement Services provided to the Group allow the Group to remain competitive by leveraging the economies of scale and bargaining power of the AB InBev Group to source products (such as raw materials) and services required for the Company's operations from third parties at a lower cost than if the Group had sourced such products and services on its own or through an independent third party procurement agent. This is also an efficient way to facilitate maintaining the quality of AB InBev Products manufactured by the Group consistent and aligned with the quality of those manufactured globally by the AB InBev Group.

The Company from time to time reviews the terms of the Services Agreements internally and re-assesses the commercial desirability of arrangements under these agreements.



## 5. LISTING RULES IMPLICATIONS

As AB InBev is the controlling shareholder of the Company, the Strategic Services, Procurement Services and Administrative Services to be provided to the Group constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest relevant percentage ratio (as set out in Rule 14.07 of the Listing Rules) with respect to (1) the Strategic Services, (2) the Procurement Services, and (3) the Administrative Services, on an aggregated and annual basis, is expected to be more than 0.1% but less than 5%, such transactions are considered to be partially exempt continuing connected transactions pursuant to Rule 14A.76(2)(a) of the Listing Rules exempt from the circular and independent shareholders' approval requirement but will be subject to the reporting, annual review and announcement requirements under Chapter 14A of the Listing Rules.

Directors who are members of senior management of AB InBev have a material interest in the Strategic Services Framework Agreement, Procurement Services Framework Agreement and Renewed General Services Framework Agreement, and the Strategic Services, Procurement Services and Administrative Services contemplated thereunder respectively. Accordingly, they had abstained from voting on the resolutions of the Board to approve the renewal of the General Services Framework Agreement and the setting of new annual caps for the Strategic Services, Procurement Services and Administrative Services. Except for those Directors, none of the Directors have a material interest in the Strategic Services Framework Agreement, Procurement Services Framework Agreement and Renewed General Services Framework Agreement, and the Strategic Services, Procurement Services and Administrative Services contemplated thereunder respectively.

The Directors (including the independent non-executive Directors but excluding the Directors who have abstained from voting) are of the view that (i) the Strategic Services Framework Agreement, Procurement Services Framework Agreement and Renewed General Services Framework Agreement, and the Strategic Services, Procurement Services and Administrative Services contemplated thereunder respectively, have been and will be entered into in the ordinary and usual course of business of the Group, on normal commercial terms or better, and are fair and reasonable and in the interests of our Shareholders as a whole; and (ii) the proposed annual caps are fair and reasonable and are in the interests of the Company and our Shareholders as a whole.

At the end of the year 2024, the Company will re-comply with the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules, where and if applicable, including the requirements for the setting of new annual caps for the maximum aggregate fees payable for the Strategic Services, Procurement Services and Administrative Services for an additional three-year period.

## 6. GENERAL INFORMATION

### The Company

The Company is a company incorporated under the laws of the Cayman Islands as an exempted company with limited liability and the Shares are listed on the main board of the Stock Exchange. The Company is an investment holding company. The Group is principally engaged in the brewing and distribution of beer in the Asia Pacific region.

### AB InBev

AB InBev is the world's largest brewer by volume and by value and a publicly traded company (Euronext: ABI), with secondary listings on the Mexico (MEXBOL: ANB) and South Africa (JSE: ANH) stock exchanges and with American Depositary Receipts listed on the New York Stock Exchange (NYSE: BUD).

## 7. DEFINITIONS

Unless the context otherwise requires, the following expressions have the following meanings in this announcement:

“AB InBev”	Anheuser-Busch InBev SA/NV (Euronext: ABI; NYSE: BUD; MEXBOL: ANB; JSE: ANH) (which incorporated for an unlimited duration under the laws of Belgium), or the AB InBev Group, as the context requires. AB InBev is the controlling shareholder of the Company
“AB InBev Group”	AB InBev and its subsidiaries (excluding the Group)
“Board”	the board of Directors of the Company
“Company”	Budweiser Brewing Company APAC Limited, a company incorporated under the laws of the Cayman Islands with limited liability on 10 April 2019, the shares of which are listed on the main board of the Stock Exchange
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing”	the listing of the Shares on the main board of the Stock Exchange on 30 September 2019
“Listing Date”	30 September 2019, being the date on which the Shares were first listed and from which dealings in the Shares were permitted to take place on the main board of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended or supplemented from time to time

“PRC”	the People’s Republic of China
“Prospectus”	the prospectus of the Company dated 18 September 2019
“Share(s)”	ordinary share(s) with a nominal value of US\$0.00001 each in the share capital of the Company and a “Share” means any of them
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“USD”	U.S. dollars, the lawful currency of the United States of America

By Order of the Board  
**Budweiser Brewing Company APAC Limited**  
**Bryan Warner**  
*Joint Company Secretary*

Hong Kong, 28 March 2022

*As at the date of this announcement, the Board of Directors of the Company comprises Mr. Jan Craps as Co-Chair and Executive Director, Mr. Michel Doukeris as Co-Chair and Non-executive Director, Ms. Katherine Barrett (Mr. John Blood as her alternate) and Mr. Nelson Jamel (Mr. David Almeida as his alternate) as Non-executive Directors, and Mr. Martin Cubbon, Ms. Marjorie Mun Tak Yang and Ms. Katherine King-suen Tsang as Independent Non-executive Directors.*