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Budweiser Brewing Company APAC Limited

百威亞太控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1876)

CONTINUING CONNECTED TRANSACTIONS AMENDED ABI LICENSES TO IMPORT

We refer to the sections headed “Connected Transactions — Non-Exempt Continuing Connected Transactions” and “Connected Transactions — Fully Exempt Continuing 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 Importation Framework Agreement entered into between the Company and Anheuser-Busch InBev SA/NV (“**AB InBev**”) and the Existing ABI Licenses to Import contemplated thereunder. Unless otherwise stated, capitalised terms used in this announcement shall have the same meaning ascribed in the Prospectus.

AMENDMENT OF THE IMPORTATION FRAMEWORK AGREEMENT

The Company and AB InBev have entered into an amendment letter to the Importation Framework Agreement on 29 September 2023, pursuant to which the licenses granted to the AB InBev Group to import, sell, distribute, advertise and promote the Group’s products for sale outside of the APAC Territories shall be expanded to cover both the Group’s products and the AB InBev Products. All other terms of the Importation Framework Agreement remain unchanged.

SETTING OF ANNUAL CAPS FOR THE AMENDED ABI LICENSES TO IMPORT

The Company has set the annual caps for the transactions contemplated under the Amended ABI Licenses to Import for the period from 29 September 2023 to 31 December 2023 and each of the two years ending 31 December 2024 and 2025 as US\$100 million, US\$130 million and US\$170 million, respectively.

1. IMPORTATION FRAMEWORK AGREEMENT AND THE AMENDED ABI LICENSES TO IMPORT

As disclosed in the section headed “Connected Transactions — Fully Exempt Continuing Connected Transactions” in the Prospectus, pursuant to the Importation Framework Agreement, the Group has granted the AB InBev Group exclusive licenses to import for sale, sell and distribute, and non-exclusive licenses to advertise and promote, the Group’s products outside of Asia Pacific, pursuant to which the AB InBev Group will import the relevant products from the Group for sale outside of the APAC Territories (the “**Existing ABI Licences to Import**”).

On 29 September 2023, the Company and AB InBev have entered into an amendment letter to the Importation Framework Agreement, pursuant to which the Existing ABI Licences to Import shall be expanded to cover both the Group’s products and AB InBev Products. All other terms of the Importation Framework Agreement remain unchanged.

The major terms of the amended Importation Framework Agreement are as follows:

Subject matter

On 2 July 2019, the Company and AB InBev entered into the Importation Framework Agreement (as amended on 12 September 2019 and 29 September 2023), pursuant to which the Company agrees to procure members of the Group to grant, subject to limited exceptions, the relevant AB InBev Group members: (i) exclusive licenses to import for sale, sell and distribute and (ii) non-exclusive licenses to advertise and promote the Group’s products and the AB InBev Products outside of the APAC Territories.

The licenses granted will be subject, in particular, to (i) the terms of agreements between the Group and third parties existing as of the date of the Importation Framework Agreement and (ii) any limitations in the licenses granted to 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 Importation Framework Agreement. The subsidiary agreements will set out, among other terms, the licensee and licensor, license scope, territory, duration, import price, delivery and title transfer terms, payment and credit terms, and other license terms.

Term and Termination

The Importation Framework Agreement has a term of 25 years effective on the Listing Date.

The Importation 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 Importation 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.

Pricing policy

The import price (being the AB InBev Product's or the Group's product's cost per unit of volume imported for sale outside of the APAC Territories) will be determined among the respective parties from time to time on an arm's length basis.

When an AB InBev Product or a Group product is first introduced to a new territory under the Licenses to Import or if an existing license is renewed, AB InBev and the Company will agree the import price of such product.

The import price for each product will be agreed by AB InBev and the Company based on (a) production cost of the imported product and (b) a mark-up, covering (i) an allocation of certain indirect costs (including logistics cost, overhead cost, depreciation, amortization and other costs as AB InBev and the Company may deem relevant), (ii) distribution royalty component determined using the pricing policies set out for royalty under the licenses to manufacture, and (iii) an exporter margin set by reference to a transfer pricing benchmark report, or by reference to a historical import agreement entered into between AB InBev and a third party considering such other factors as AB InBev and the Company may deem relevant in the end-market.

Adjustment of the pricing mechanism

The import price 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 both parties based on adjustments in accordance with, among others, transfer pricing policies, consumer inflation in the relevant territory in which the product is imported, and producer price inflation.

Payment arrangement

Generally, invoices will be issued at each shipment of products which must be paid within 20 days following the month of invoice, but the parties may agree different payment arrangements depending on the specific circumstances of each subsidiary agreement.

Historical Transaction Amounts and Annual Caps

From the Listing Date until the date of this announcement, the transaction amounts under the Existing ABI Licenses to Import were below the de minimis thresholds under Rule 14A.76 of the Listing Rules.

The Company has set the annual caps for the maximum aggregate fees payable by AB InBev for the Amended ABI Licenses to Import at US\$100 million, US\$130 million and US\$170 million for the period from 29 September 2023 to 31 December 2023 and each of the two years ending 31 December 2024 and 2025, respectively.

The annual caps were determined after taking into account an estimation of excess capacity to produce products for sale to AB InBev under the Amended ABI Licenses to Import.

2. 25-YEAR TERM OF THE AMENDED ABI LICENSES TO IMPORT AND OPINION FROM INDEPENDENT FINANCIAL ADVISER

As the 25-year term for the Amended ABI Licences to Import (with approximately 21 years remaining) exceeds three years, pursuant to Rule 14A.52 of the Listing Rules, the Company has appointed the Independent Financial Adviser to explain why the Amended ABI Licences to Import require a 25-year term and to confirm that it is normal business practice for agreements of this type to be of such duration.

In assessing the reasons why the duration of the Amended ABI Licences should be longer than three years, the Independent Financial Adviser has relied on the information set out in this announcement, and has taken into account the following factors considered by the management of the Company:

- (i) it is in the interests of the Group to secure purchasers of AB InBev Products and the Group's products for as long a term as it can negotiate in order to generate associated revenue and cash flows from the relevant sales;
- (ii) the 25-year term provides certainty, comfort and protection to the Company, AB InBev and AB InBev's distributors, enabling the parties to plan and invest over the longer term; and
- (iii) the 25-year term is in line with general practice of the industry and comparable contractual arrangements by fast moving consumer goods companies.

In considering whether it is normal business practice for agreements of a similar nature to the Amended ABI Licences to Import to have a term of such duration, the Independent Financial Adviser has identified a list of three similar transactions of listed fast-moving-consumer-goods companies on the Main Board of the Stock Exchange. Based on its research, the Independent Financial Adviser believes the comparable list is exhaustive.

As not all similar transactions are required under the Listing Rules to be publicly disclosed, the number of comparable transactions identifiable from public sources may be limited. Nonetheless, the Independent Financial Adviser believes the list below gives a sufficient understanding of the market practice regarding similar transactions in this industry. Details of the transactions are set out in the table below:

| Stock code | Name of the company | Nature of transaction | Term |
|-------------------|---------------------------------------|---|------------------|
| 322 | TingYi (Cayman Islands) Holding Corp. | Granted a license by PepsiCo Inc. in connection with the manufacture, distribution and sale of certain beverage products | 39 years |
| 236 | San Miguel Brewery Hong Kong Limited | Granted licenses by San Miguel International Limited in connection with the manufacture, distribution and sale of certain beverage products | 30 to 43.5 years |
| 6055 | China Tobacco International Inc. | Tobacco products import and export agreements | Indefinite |

Based on the considerations above, the Independent Financial Adviser is of the opinion that (a) a term of longer than three years is required for the Amended ABI Licenses to Import; and (b) it is normal business practice for agreements of similar nature to be of such duration.

3. REASONS FOR AND BENEFITS OF THE AMENDED ABI LICENSES TO IMPORT

The Company produces, imports, markets, distributes and sells a portfolio of more than 50 beer brands which the Company owns or has been licensed. Through entering into the Amended ABI Licenses to Import, the Company could further optimize the utilization of its excess capacity in APAC. In addition, the export of both AB InBev Products and the Group's products to the AB InBev Group pursuant to the Amended ABI Licenses to Import would contribute to the Company's revenue, which is in the best interest of the Company and the Shareholders.

4. LISTING RULES IMPLICATIONS

As AB InBev is the controlling shareholder of the Company, AB InBev is a connected person of the Company. Accordingly, the transactions under the Amended ABI Licenses to Import constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio (as set out in Rule 14.07 of the Listing Rules) with respect to the transactions under the Amended ABI Licenses to Import, on an aggregated and annual basis, is expected to be more than 0.1% but less than 5%, such transactions are 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 Importation Framework Agreement and the Amended ABI Licenses to Import contemplated thereunder. Accordingly, they had abstained from voting on the resolutions of the Board to approve the amendment of the Importation Framework Agreement and the setting of annual caps for the Amended ABI Licenses to Import. Except for those Directors, none of the Directors have a material interest in the Importation Framework Agreement and the Amended ABI Licenses to Import contemplated thereunder.

The Directors (including the independent non-executive Directors but excluding the Directors who have abstained from voting) are of the view that (i) the Importation Framework Agreement and the Amended ABI Licenses to Import contemplated thereunder have been and will be conducted 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 the Shareholders as a whole.

At the end of the year 2025, the Company will re-comply with the 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 Amended ABI Licenses to Import for an additional three-year period.

5. OTHERS

The Company also refers to the section headed "Connected Transactions — Non-Exempt Continuing Connected Transactions — Licenses granted to the Group to manufacture, sell, distribute, advertise and promote AB InBev Products for sale in the APAC Territories" in the Prospectus. Pursuant to the Production Framework Agreement, the relevant Group members have been granted license to manufacture AB InBev Products for sale in the APAC Territories.

In connection with the Amended ABI Licenses to Import, the Company and AB InBev have entered into an amendment letter to the Production Framework Agreement on 29 September 2023, pursuant to which the relevant Group companies have also been licensed to manufacture AB InBev Products for sale in the ABI Territories to AB InBev Group only. As the amendment to the Production Framework Agreement was only a technical change as a result of the Amended ABI Licenses to Import as described above and there is no change to the term and pricing policies or other principal terms of the Product Framework Agreement, the Company considers such amendment to be immaterial.

6. GENERAL INFORMATION

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 Company and the Group are principally engaged in the brewing and distribution of beer in the Asia Pacific region.

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:

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|----------------------------------|--|
| “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) |
| “Amended ABI Licenses to Import” | exclusive licenses granted to the AB InBev Group to import for sale, sell and distribute, and non-exclusive licenses granted to the AB InBev Group to advertise and promote, AB InBev Products and the Group's products outside of Asia Pacific pursuant to which the AB InBev Group will import the relevant products from the Group for sale outside of Asia Pacific |
| “Board” | the board of Directors of the Company |

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| “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 |
| “Existing ABI Licenses to Import” | exclusive licenses granted to the AB InBev Group to import for sale, sell and distribute, and non-exclusive licenses granted to the AB InBev Group to advertise and promote, the Group’s products outside of Asia Pacific pursuant to which the AB InBev Group will import the relevant products from the Group for sale outside of Asia Pacific |
| “Group” | the Company and its subsidiaries |
| “Hong Kong” | the Hong Kong Special Administrative Region of the People’s Republic of China |
| “Independent Financial Adviser” | Altus Capital Limited, a corporation licensed to carry out Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities as defined under the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong), which has been appointed as the independent financial adviser for the purpose of Rule 14A.52 of the Listing Rules |
| “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 |
| “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

“US\$” 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, 29 September 2023

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 (Mr. John Blood and Mr. David Almeida as his alternates) as Co-Chair and Non-executive Director, Ms. Katherine Barrett and Mr. Nelson Jamel (Mr. John Blood and Mr. David Almeida as their alternates) as Non-executive Directors, and Mr. Martin Cubbon, Ms. Marjorie Mun Tak Yang and Ms. Katherine King-suen Tsang as Independent Non-executive Directors.