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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)

**(1) Major and Connected Transaction  
Sale of 100% Equity Interest in Swire Pacific Holdings Inc.**

**(2) Proposed Special Dividend**

**(3) Proposed Continuing Connected Transaction  
Management Services Agreement**

**Financial adviser to  
the Company**

**Morgan Stanley**

**Independent Financial Adviser to the  
Independent Board Committee and the  
Independent Shareholders**

 **SOMERLEY CAPITAL LIMITED**

**Financial adviser to  
the Independent Board**

**Committee  
Goldman  
Sachs**

**Sale of 100% equity interest in Swire Pacific Holdings Inc. (doing business as Swire Coca-Cola, USA)**

On 28th June 2023, the Seller (a wholly-owned subsidiary of the Company), the Purchaser (a wholly-owned subsidiary of JS&SL), the Company (as the Seller's Guarantor) and JS&SL (as the Purchaser's Guarantor) entered into the Share Purchase Agreement for the sale and purchase of the Sale Shares, representing the entire issued share capital of the Target Company, for the cash consideration of US\$3.9 billion (equivalent to approximately HK\$30.4 billion\*), subject to the Adjustments.

The Transaction constitutes a major transaction of the Company under the Listing Rules and is subject to the announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

The Transaction also constitutes a non-exempt connected transaction of the Company under the Listing Rules and is subject to the announcement, annual reporting, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

### **Proposed special dividend**

Upon Completion of the Transaction, which is conditional upon the approval of the Independent Shareholders, the Company proposes to declare and pay the Special Dividend in the aggregate amount of approximately HK\$11.7 billion (equivalent to HK\$8.120 per 'A' share and HK\$1.624 per 'B' share based on the number of shares in issue as at the date of this announcement and representing approximately 50% of the expected gain on disposal) to the shareholders of the Company whose names appear on the register of members of the Company on a record date to be determined. The Special Dividend, if declared, will be paid out of the net proceeds from the Transaction.

### **Proposed Management Services Agreement**

In connection with the Transaction, it is proposed that on or before the date of Completion, the Purchaser's Guarantor, the Target Company and SCCL will enter into a Management Services Agreement for the provision of management and administrative support services by SCCL to the Target Group. An annual management fee of no less than 6% of the Target Group's recurring EBIT for each relevant year will be payable by the Target Company to SCCL in consideration for the Services.

The arrangement under the Management Services Agreement enables the beverages division of the Company to continue to strengthen its global franchise while providing an additional fee income stream to the Company.

A further announcement will be made by the Company when the Management Services Agreement is entered into.

## **(1) SALE OF 100% EQUITY INTEREST IN SWIRE PACIFIC HOLDINGS INC.**

### **THE SHARE PURCHASE AGREEMENT**

Date:	28th June 2023
Parties:	SPHI Capital Management Limited Liability Company (as the Seller) The Company (as the Seller's Guarantor) JS&S (Beverages) Inc. (as the Purchaser) JS&SL (as the Purchaser's Guarantor)
Sale Shares:	1,000 issued shares in the capital of the Target Company, representing the entire issued share capital of the Target Company
Consideration:	US\$3.9 billion (equivalent to approximately HK\$30.4 billion*), subject to the Adjustments

## **Introduction**

On 28th June 2023, the Seller, the Purchaser, the Purchaser's Guarantor and the Company (in its capacity as the Seller's Guarantor) entered into a Share Purchase Agreement for the sale and purchase of the Sale Shares.

The Sale Shares comprise 1,000 issued shares in the capital of the Target Company, representing the entire issued share capital of the Target Company.

The Coca-Cola Company has authorised the Target Group to retain all of its rights under its existing bottling agreements after the change in ownership.

## **Business of the Target Group**

The Target Group produces, sells and distributes Coca-Cola and other beverages in 13 states across the western US. The Target Group's territory includes parts of Arizona, California, Colorado, Idaho, Kansas, Nebraska, Nevada, New Mexico, Oregon, South Dakota, Utah, Washington, and Wyoming, with a franchise population of approximately 30 million.

## **Consideration and payment**

The Consideration for the Sale Shares is US\$3.9 billion (equivalent to approximately HK\$30.4 billion\*), subject to the Adjustments. After Completion, the amount of the Adjustments will be determined and the Seller or the Purchaser, as the case may be, will pay an amount to the other party in order to true up the net amount received by the Seller to reflect the Consideration.

The Consideration was determined after arm's length negotiations between the parties having regard to, among others, (i) the historical financial performance of the Target Group; (ii) the future prospects of the Target Group; (iii) the trading multiples of comparable companies in the industry; and (iv) comparable bottler transactions globally.

## **Condition precedent**

Completion is conditional upon the Independent Shareholders having approved the resolutions to be considered at a general meeting of the Company necessary to implement the terms of the Share Purchase Agreement (including to approve the Transaction) in accordance with the Listing Rules.

The above condition may not be waived by any party.

If the condition precedent is not satisfied by 30th November 2023 (or such later date as the parties may agree), either the Purchaser or the Seller will be entitled to terminate the Share Purchase Agreement by notice to the other party.

## **Completion**

Completion will take place on the 5th business day following the satisfaction of the condition precedent (or, if that 5th business day does not fall within 15 days after the

preceding accounting-end date, the first business day after the next accounting-end date), or such other date as the Seller and the Purchaser may agree. Upon Completion, the Target Company will cease to be a subsidiary of the Company.

## **Guarantees**

The Purchaser's Guarantor has agreed to guarantee to the Seller and the Company the due and punctual performance of the Purchaser's obligations under the Share Purchase Agreement.

The Company (in its capacity as the Seller's Guarantor) has agreed to guarantee to the Purchaser and the Purchaser's Guarantor the due and punctual performance of the Seller's obligations under the Share Purchase Agreement.

## **REASONS FOR AND BENEFITS OF THE TRANSACTION**

The Company believes that the Transaction would be beneficial for the Company and the shareholders of the Company for the following reasons:

### **1. Crystallises value at an attractive valuation whilst preserving franchise strength**

The Transaction enables the Company to crystallise the value of the Target Group at an attractive valuation significantly above its book value. The Consideration represents a multiple of 12.4 times the Target Group's 2022 Adjusted EBITDA of approximately HK\$2,462 million. The Company is expected to record a gain on disposal of approximately HK\$22,800 million from its sale of the Sale Shares by reference to the carrying value HK\$7,600 million of the Sale Shares as at 31st May 2023.

In addition, the Management Services Agreement, when entered into, 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.

### **2. Returns substantial and immediate cash to the shareholders of the Company**

The Company proposes, conditional upon Completion of the Transaction, to distribute to its shareholders a substantial portion of the net proceeds from the Transaction by declaring the Special Dividend and intends to apply the remainder of the net proceeds towards potential investment opportunities in its core regions and general working capital requirements. The proposed Special Dividend, representing approximately 50% of the expected gain on disposal from the Transaction, is in line with the Company's dividend policy and will return substantial and immediate cash to the shareholders of the Company.

### **3. Strengthens the Company's balance sheet**

The Transaction provides the Company with significant net proceeds, which will materially reduce the Company's net debt, further strengthen its balance sheet, and enhance its financial flexibility. Adjusted for the Transaction and proposed Special Dividend, the Company's pro forma gearing ratio (excluding lease liabilities) as at 31st

December 2022 reduces from 18.0% to 11.6%, and cash interest cover (excluding the gain on disposal from the Transaction) increases from 6.0 times to 7.3 times.

#### **4. Consistent with the Company's strategic focus on Greater China and South East Asia**

The Transaction is consistent with the Company's stated geographical focus and provides the Company with capital to fund long-term investments with strong growth potential in its core divisions as well as new growth areas.

#### **(2) PROPOSED SPECIAL DIVIDEND**

Upon Completion of the Transaction, which is conditional upon the approval of the Independent Shareholders, the Company proposes to declare and pay the Special Dividend in the aggregate amount of approximately HK\$11.7 billion (equivalent to HK\$8.120 per 'A' share and HK\$1.624 per 'B' share based on the number of shares in issue as at the date of this announcement and representing approximately 50% of the expected gain on disposal) to the shareholders of the Company whose names appear on the register of members of the Company on a record date to be determined. The Special Dividend, if declared, will be paid out of the net proceeds from the Transaction.

Further announcements will be made by the Company in respect of the Special Dividend as and when appropriate or required.

#### **(3) PROPOSED MANAGEMENT SERVICES AGREEMENT**

In connection with the Transaction, it is proposed that the Purchaser's Guarantor, the Target Company and SCCL will enter into a Management Services Agreement for the provision of Services by SCCL to the Target Group. An annual management fee will be payable by the Target Company to SCCL in consideration for the Services.

The parties intend to enter into the Management Services Agreement on or before the date of Completion.

If the Management Services Agreement is entered into, the transaction contemplated thereunder is expected to constitute 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.

A further announcement will be made by the Company upon signing of the Management Services Agreement.

#### **Scope of the Services**

It is proposed that SCCL will provide management and administrative support services to the Target 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**

It is proposed that the annual management fee in consideration of the Services to be payable by the Target Company to SCCL will be the greater of:

- (a) HK\$117 million (plus a mark-up of 5%), subject to an upward adjustment in line with the then prevailing consumer price inflation rate in Hong Kong each year; and
- (b) 6% of the recurring earnings before interest and tax of the Target Group in respect of that financial year.

The annual management fee will be payable annually by the Target Company to SCCL within 10 business days after the finalisation of the audited financial statements for the relevant financial year in respect of the Target Group (and in any event before 30th June of the next financial year).

The proposed management fee 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**

It is proposed that the Management Services Agreement will have an initial term of 13 years from the date of Completion 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.

In anticipation of the Management Services Agreement being entered into, the Independent Financial Adviser has been appointed by the Company to explain the reasons for the proposed 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 accordance with Rule 14A.52 of the Listing Rules. The Independent Financial Adviser's views will be set out in the announcement to be published pursuant to Rule 14A.35 upon signing of the Management Services Agreement.

## **(4) GENERAL**

### **INFORMATION RELATING TO THE SALE SHARES**

Based on the audited financial information of the Company prepared in accordance with the Hong Kong Financial Reporting Standards (after certain Group adjustments and adjustments to disregard the results of companies which had, after 31st December 2022, ceased to be members of the Target Group), the net profits before and after taxation of

the Target Group were, respectively, approximately HK\$1,163 million and HK\$989 million for the year ended 31st December 2021, and approximately HK\$1,757 million and HK\$1,392 million for the year ended 31st December 2022. As at 31st May 2023, the net asset value and intra-group loan of the Target Group reported in the Company's unaudited consolidated accounts, assuming such intra-group loans are capitalised to shareholders equity, was approximately HK\$7,600 million.

The Company is expected to record a consolidated gain on disposal (disregarding the Adjustments and transaction expenses) of approximately HK\$22,800 million from its sale of the Sale Shares by reference to the carrying value of the Sale Shares as at 31st May 2023.

## **COMPLIANCE WITH LISTING RULES**

### **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. The Purchaser, a member of the Swire Group, and the Purchaser's Guarantor are therefore connected persons of the Company under the Listing Rules.

JS&SL is a private investment holding 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.

### **Listing Rules implications of the Transaction**

As the highest of the relevant percentage ratios as defined under Rule 14.07 of the Listing Rules for the Transaction is 25% or more but less than 75%, the Transaction constitutes a major transaction of the Company under the Listing Rules. Accordingly, the Transaction is subject to the announcement, circular and shareholders' approval requirements under Chapter 14 of the 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) for the Transaction is 5% or more, the Transaction also constitutes a non-exempt connected transaction of the Company under the Listing Rules. Accordingly, the Transaction is subject to the announcement, annual reporting, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

### **Independent board committee and independent financial adviser**

The Independent Board Committee comprising all of the independent non-executive directors of the Company has been formed in accordance with Chapter 14A of the Listing Rules to advise the Independent Shareholders on the Transaction. The Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

## **Extraordinary general meeting**

The Company will convene the EGM for the purpose of considering and, if thought fit, approving the Transaction.

A circular containing, among other things, (i) further details on the Transaction, (ii) a letter from the Independent Board Committee to the Independent Shareholders concerning the Transaction, (iii) a letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders concerning the Transaction and (iv) a notice of the EGM, is expected to be dispatched to the shareholders of the Company on or before 18th August 2023 to allow sufficient time for the preparation of the relevant information for inclusion in the circular.

The directors of the Company (other than (i) members of the Independent Board Committee whose views will be set out in the circular to be dispatched to the shareholders of the Company, and (ii) the non-executive directors of the Company (being shareholders and/or directors of JS&SL) who abstained from voting on the relevant resolutions of the directors) consider that the Transaction 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.

## **IMPORTANT NOTE**

**The proposal to declare and pay the Special Dividend is subject to approval by the board of directors of the Company and the Special Dividend, if approved, will not be paid unless the Transaction (which is in turn subject to the approval of Independent Shareholders) is completed. Accordingly, the Special Dividend may or may not be paid. Shareholders and prospective investors of the Company are advised to exercise caution when dealing in the shares of the Company. Persons who are in doubt as to the action they should take should consult their professional advisers.**

## **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**

**“Adjusted EBITDA”** The Target Group’s earnings before interest, tax, depreciation and amortisation, in respect of any financial year, adjusted to reflect payment of management fee that the Target Group would have made had the Management Services Agreement (on the proposed terms set out in the

section headed “Proposed Management Services Agreement” of this announcement) been in place in that financial year.

<b>“Adjustments”</b>	The purchase price adjustments to be made pursuant to the Share Purchase Agreement by reference to the amount of net debt and working capital of the Target Group as at the end of the accounting month-end day immediately prior to Completion.
<b>“Company” or “Seller’s Guarantor”</b>	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.
<b>“Completion”</b>	The completion of the sale and purchase of the Sale Shares pursuant to the Share Purchase Agreement.
<b>“Consideration”</b>	The consideration for the Sale Shares, being US\$3.9 billion (equivalent to approximately HK\$30.4 billion*) in cash, subject to the Adjustments.
<b>“EGM”</b>	The extraordinary general meeting of the Company to be convened for the purpose of considering and, if thought fit, approving the Transaction.
<b>“Group”</b>	The Company and its subsidiaries from time to time.
<b>“HK\$”</b>	Hong Kong dollar, the lawful currency of Hong Kong.
<b>“Hong Kong”</b>	The Hong Kong Special Administrative Region of the People’s Republic of China.
<b>“Independent Board Committee”</b>	The independent board committee of the Company comprising all of the independent non-executive directors of the Company.
<b>“Independent Financial Adviser”</b>	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 to advise the Independent Board Committee and the Independent Shareholders in relation to the Transaction.

<b>“Independent Shareholders”</b>	The shareholders of the Company other than the Purchaser and JS&SL and their respective associates, and any other shareholder with a material interest in the Transaction.
<b>“JS&amp;SL” or “Purchaser’s Guarantor”</b>	John Swire & Sons Limited, a private investment holding company incorporated in England and a controlling shareholder of the Company.
<b>“Listing Rules”</b>	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.
<b>“Management Services Agreement”</b>	The management services agreement proposed to be entered into between the Purchaser’s Guarantor, the Target Company and SCCL for the provision of the Services by SCCL to the Target Group.
<b>“Purchaser”</b>	JS&S (Beverages) Inc., a wholly-owned subsidiary of JS&SL incorporated in the State of Delaware, the US, the principal activity of which is investment holding.
<b>“Sale Shares”</b>	1,000 issued shares in the capital of the Target Company, representing the entire issued share capital of the Target Company.
<b>“SCCL”</b>	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.
<b>“Seller”</b>	SPHI Capital Management Limited Liability Company, a wholly-owned subsidiary of the Company incorporated in Hungary, the principal activity of which is management activities of holding companies.
<b>“Services”</b>	The management and administrative support services to be provided by SCCL to the Target Group under the Management Services Agreement as described in the section headed “Proposed Management Services Agreement – Scope of the Services” of this announcement.
<b>“Share Purchase Agreement”</b>	The share purchase agreement dated 28th June 2023 entered into among the Seller, the Purchaser, the Purchaser’s Guarantor and the Company (in its capacity as the Seller’s Guarantor) for the sale and purchase of the Sale Shares.
<b>“Special Dividend”</b>	The special dividend in the aggregate amount of approximately HK\$11.7 billion (equivalent to HK\$8.120 per ‘A’ share and HK\$1.624 per ‘B’ share based on the number of shares in issue as at the date of this announcement and representing approximately 50% of

the expected gain on disposal), conditional upon the Completion of the Transaction, to be declared and paid to the shareholders of the Company whose names appear on the register of members of the Company on a record date to be determined.

“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.
“Target Company”	Swire Pacific Holdings Inc. (doing business as Swire Coca-Cola, USA), a wholly-owned subsidiary of the Company incorporated in the State of Delaware, the US.
“Target Group”	The Target Company and its subsidiaries from time to time.
“Transaction”	The sale and purchase of the Sale Shares pursuant to the Share Purchase Agreement.
“US\$”	United States Dollars, the lawful currency of the US.
“US”	The United States of America.

*\* The HK\$ equivalent is arrived at using the exchange rate of US\$1=HK\$7.8.*

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

Hong Kong, 28th June 2023