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華潤啤酒(控股)有限公司

China Resources Beer (Holdings) Company Limited

(Incorporated in Hong Kong with limited liability)

(Stock Code: 291)

CONTINUING CONNECTED TRANSACTIONS

SUPPLY FRAMEWORK AGREEMENT

Reference is made to the Company's announcement on 21 December 2017 in respect of beer products supply constituting continuing connected transactions, for which the corresponding supply framework agreement will expire on 31 December 2020. On 3 December 2020, the Company entered into the Supply Framework Agreement with CRH pursuant to which the Group agreed to supply beer products to CRH Group for three years commencing from 1 January 2021 to 31 December 2023.

CRH is the indirect controlling shareholder of the Company and thus a connected person of the Company. Accordingly, the Supply Framework Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under the Listing Rules.

As each of the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of each of the annual caps under the Supply Framework Agreement is more than 0.1% but less than 5%, the continuing connected transactions contemplated under the Supply Framework Agreement are only subject to the reporting, announcement and annual review requirements but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

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Principal terms of the Supply Framework Agreement

Date	:	3 December 2020
Parties	:	the Company and CRH
Subject	:	the Group agreed to supply its beer products to CRH Group from time to time for the purposes of retail and distribution of the same by CRH Group. The transactions shall be conducted on normal commercial terms and the terms, as a whole, shall be no more favorable than those terms offered to independent third party retailers and distributors of the Group in relation to the supply of beer products of similar nature and quality.
Term	:	From 1 January 2021 to 31 December 2023.
Pricing basis	:	The price of the supply of beer products shall be determined by reference to the prevailing market price for transactions of similar nature and subject to the internal control measures below.

Historical transaction amounts

Set out below are the historical transaction amounts for beer products supply to CRH Group:

For the year ended 31 December 2018	RMB102 million
For the year ended 31 December 2019	RMB79 million
For the six months ended 30 June 2020	RMB34 million

Proposed annual caps

It is estimated that the maximum amount of purchases to be made by CRH Group under the Supply Framework Agreement will not exceed the following amounts:

For the year ending 31 December 2021	RMB358 million
For the year ending 31 December 2022	RMB366 million
For the year ending 31 December 2023	RMB374 million

The above proposed annual caps are determined after arm's length negotiations between the parties by reference to the estimated growth in demand for the beer products supplied by the Group through different channels on the basis of the following: (a) CRV (a subsidiary of CRH) plans to expand its business to major first-tier and second-tier cities, and targets to transform its business digitally through the opening of multiple MART stores; (b) CRV has been gradually developing its online business, since its launches on various representative online delivery platforms in 2018. The sales of beer through O2O is also steadily increasing; (c) through the Group's focus on high-end products and quality development, the use of premiumisation strategies and enhancement of brand image, CRV has recorded increasing sales for its mid- to high-end beer products. As sub-high-end products of Snow's and Heineken's international brands are introduced into CRV's business, it expects an increasing trend in sales as a result of its emphasis on its higher-end products.

Therefore, while the Company recognizes that the utilization rate of the annual caps for the years ended 31 December 2018 and 2019 and the 6 months ended 30 June 2020 were generally below 35%, the Company has increased and proposed the above annual caps having taking into consideration the expected increase in beer price, the production capacity of the Group, the historical transaction amounts for various CRH Group members' purchases of beer products from members of the Group as well as the expansion and premiumisation strategies as detailed above.

The Company expects that such strategies will translate into the Group's sales and revenue for the coming years and is of the view that the proposed annual caps are justifiable and commercially feasible in light of these potential business opportunities that such strategies may bring.

The Company will continue to review the proposed annual caps from time to time against changes in the Group's revenue versus increases in actual purchases of beer products by CRH Group.

Internal control measures

The Group shall determine the price of the supply of beer products to CRH Group and the price of the supply of similar beer products to independent third party retailers and distributors in accordance with the following internal control procedures:

- (a) The product sales and administration department will conduct a comprehensive survey on consumer demand, market competition and the average market price of similar products in the same industry each year. The standard price for products to be supplied to commercial supermarkets and traders will be determined by the results of such survey and the prices of the Company in previous years. The management will then review and approve such standard price. The product sales and administration department will, where appropriate, further advise the management to adjust the product prices according to actual and expected market conditions.
- (b) The sales department will be responsible for tracking the business relationships with commercial supermarkets and traders and maintaining close relationships and good communication with traders, so that the Company will be well informed of the latest market developments in a timely manner. The sales department will also follow the established internal control procedures to regularly track, monitor and evaluate the product prices in order to ensure the standardization of the pricing basis.
- (c) The abovementioned departments will report the market information to the management of the Company either in writing or verbally. The management is responsible for supervision of such departments, in order to ensure all relevant procedures have been in compliance with the corresponding internal control measures.
- (d) The risk management department will be responsible for auditing in respect of the formulation and implementation of the above pricing basis each year.
- (e) The board of directors will review and examine internal control procedures for the continuing connected transactions each year.

The prices of beer products of the same nature and quality which were determined by the above internal control procedures shall be identical, regardless of whether these beer products are supplied to CRH Group or independent third party retailers and distributors.

The above pricing basis will be able to safeguard the Company's interest, while the Company can also retain flexibility and competitiveness to meet the needs of the market at the same time.

To ensure the continuing connected transactions do not exceed the annual caps, the relevant business departments of the Group shall regularly fill in and submit a statistical chart for continuing connected transactions. In the event that the amount of the continuing connected transactions incurred and to be incurred for a financial year is expected to reach the annual caps, the relevant departments will follow up forthwith by reporting and proposing a response to the management of the Company, and in case that an amendment to the annual caps is required, report particulars to the Board and hold a Board meeting for considering the matters thereabout to ensure compliance of the requirements under the Listing Rules.

The Company arranges compliance trainings for the directors, supervisors, senior management and staff from the relevant departments of the Group from time to time, primarily focusing on the rules relating to connected transactions under Chapter 14A of the Listing Rules.

Relationship between the parties

CRH is the indirect controlling shareholder of the Company and thus a connected person of the Company. Accordingly, the Supply Framework Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under the Listing Rules.

Reasons for entering into the Supply Framework Agreement

The Group is principally engaged in manufacturing, sales and distribution of beer products. The entering into of the Supply Framework Agreement will provide the Group with an effective distribution platform for their beer products. Pursuant to the Supply Framework Agreement, the Group will supply beer products to CRH Group on normal commercial terms and all terms, as a whole, will be no more favorable than those terms offered to independent third party retailers and distributors.

The Directors (including the independent non-executive Directors) consider that the transactions contemplated under the Supply Framework Agreement are in the ordinary and usual course of business of the Group and on normal commercial terms and the terms of the Supply Framework Agreement including the annual caps are fair and reasonable and in the interests of the Company and its shareholders as a whole.

Listing Rules implications

As each of the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the annual caps under the Supply Framework Agreement, on an annual basis, is more than 0.1% but less than 5%, the continuing connected transactions contemplated under the Supply Framework Agreement are only subject to the reporting, announcement and annual review requirements but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

None of the directors of the Company has any material interest in the Supply Framework Agreement. As such, no director of the Company was required to abstain and none of them has abstained from voting on the relevant board resolution for approving the Supply Framework Agreement and the annual caps in relation thereto.

Information about the parties

The Company is incorporated in Hong Kong with limited liability and its ultimate holding company is CRC, a state-owned enterprise under the supervision of SASAC. It principally engages in manufacture, sales and distribution of beer products.

CRH is a company incorporated in Hong Kong with limited liability and its holding company and ultimate beneficial owner is CRC, a state-owned enterprise under the supervision of SASAC.

The CRH Group is a conglomerate which holds a variety of businesses in Hong Kong and the PRC including but not limited to consumer products, healthcare, energy services, urban construction and operation, technology and finance.

DEFINITIONS

“associate(s)”	has the meaning ascribed to it in the Listing Rules;
“Board”	means the board of Directors;
“Company”	means China Resources Beer (Holdings) Company Limited, a company incorporated in Hong Kong with limited liability and the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 291);
“connected person”	has the meaning ascribed to it under the Listing Rules;
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules;
“CRC”	means China Resources Company Limited* (中國華潤有限公司), a company incorporated in PRC with limited liability;
“CRH”	means China Resources (Holdings) Company Limited, a company incorporated in Hong Kong with limited liability and the intermediate holding company of the Company;
“CRH Group”	means CRH and its subsidiaries (but excluding the Group and its associates);

“CRV”	means China Resources Vanguard Company Limited, a company incorporated in PRC with limited liability and a subsidiary of CRH;
“Director(s)”	means the director(s) of the Company;
“Group”	means the Company and its subsidiaries;
“Hong Kong”	means the Hong Kong Special Administrative Region of the PRC;
“Listing Rules”	means the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
“PRC”	means the People’s Republic of China (excluding, for the purpose of this announcement, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan, the Republic of China);
“SASAC”	means the State-owned Assets Supervision and Administration Commission of the State Council of the PRC;
“Share(s)”	means ordinary share(s) in the capital of the Company;
“Shareholder(s)”	means the holder(s) of the Shares;
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited;
“subsidiary(ies)”	has the meaning ascribed thereto under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong);
“Supply Framework Agreement”	means the supply framework agreement dated 3 December 2020 entered into between the Company and CRH;
“RMB”	means Renminbi, the lawful currency of the PRC; and
“%”	means per cent.

* *For identification purposes only*

For and on behalf of
China Resources Beer (Holdings) Company Limited
Lai Po Sing
*Chief Financial Officer, Executive Director and
Company Secretary*

Hong Kong, 3 December 2020

As at the date of this announcement, the Executive Directors of the Company are Mr. Jian Yi, Mr. Hou Xiaohai (Chief Executive Officer) and Mr. Lai Po Sing (Chief Financial Officer). The Non-executive Directors of the Company are Mr. Lai Ni Hium, Frank, Mr. Tuen Muk Lai Shu and Mr. Richard Raymond Weissend. The Independent Non-executive Directors of the Company are Mr. Houang Tai Ninh, Dr. Li Ka Cheung, Eric, Dr. Cheng Mo Chi, Moses, Mr. Bernard Charnwut Chan and Mr. Siu Kwing Chue, Gordon.