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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)**

## **DISCLOSEABLE AND CONNECTED TRANSACTIONS**

### **THE JV AGREEMENT, THE RELOCATION COMPENSATION AGREEMENT AND THE CONSTRUCTION AGREEMENT**

The Company announces that, to upgrade the Land from general industrial use to general industrial and emerging industrial uses, the Company, through its wholly-owned subsidiaries, entered into the following agreements with the wholly-owned subsidiaries of CR Land: (1) the JV Agreement; (2) the Relocation Compensation Agreement and (3) the Construction Agreement.

Upon the formation of the JV after the execution of the JV Agreement, the JV will be responsible for the demolition of the Buildings and relocation of the Land, as well as applying to Shenzhen government together with CR Snow for land modification of the Land pursuant to the Relocation Compensation Agreement. The land modification involves the de-registration of the title certificate of the Land and re-registration of the Land for general industrial and emerging industrial uses with the relevant authority of Shenzhen government.

Once the Land has been upgraded for general industrial and emerging industrial uses, CR Snow will be granted part of the Land (i.e., the Snow Brewery Land) while the JV will be granted with another part of the Land (i.e., the JV Land). CR Snow will use the Snow Brewery Land as the headquarters, R&D centre, craft brewery and employees' dormitories of CR Snow, as well as for the construction of the beer museum. CR Snow will appoint CR Land Shenzhen as the project manager on its behalf in relation to the construction and development of the Snow Brewery Land (excluding the craft brewery) pursuant to the Construction Agreement. The JV will use the JV Land as a complex consisting of offices, commercial properties, factories, recreational facilities, supermarkets, restaurants and bars etc., which will be subject to sale and leasing.

## **LISTING RULES IMPLICATIONS**

By virtue of CRC being the controlling shareholder of both the Group and CR Land Group, CR Land Group is an associate of a connected person of the Group under the Listing Rules. Accordingly, the Agreements and the Transactions contemplated thereunder constitute connected transactions of the Group under Chapter 14A of the Listing Rules.

As the applicable percentage ratios stipulated under Rule 14.07 of the Listing Rules in respect of the JV Agreement on a standalone basis is more than 5% but less than 25%, the transactions contemplated under the JV Agreement constitutes a discloseable and connected transaction, which is subject to annual reporting, announcement and the Independent Shareholders' approval requirements under Chapter 14 and Chapter 14A of the Listing Rules.

As the applicable percentage ratios stipulated under Rule 14.07 of the Listing Rules in respect of the Relocation Compensation Agreement on a standalone basis is more than 5% but less than 25%, the transactions contemplated under the Relocation Compensation Agreement constitutes a discloseable and connected transaction, which is subject to annual reporting, announcement and the Independent Shareholders' approval requirements under Chapter 14 and Chapter 14A of the Listing Rules.

As the applicable percentage ratios stipulated under Rule 14.07 of the Listing Rules in respect of the Construction Agreement on a standalone basis is more than 0.1% but less than 5%, the transactions contemplated under the Construction Agreement constitutes a connected transaction, which is subject to annual reporting, announcement but is exempt from the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

However, pursuant to Rule 14A.81 of the Listing Rules, the Transactions contemplated under the Agreements shall be aggregated given (1) the Agreements are or will be entered into by the wholly-owned subsidiaries of the Company and the wholly-owned subsidiaries of CR Land; (2) the Transactions will be entered into within a 12-month period; (3) the Transactions involve the construction and development of the Land.

As the applicable percentage ratios stipulated under Rule 14.07 of the Listing Rules in respect of the Transactions contemplated under the Agreements, on an aggregated basis, are more than 5% but less than 25%, the Transactions constitute discloseable and connected transactions, which are subject to annual reporting, announcement and the Independent Shareholders' approval requirements under Chapter 14 and Chapter 14A of the Listing Rules.

## **INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISOR**

An Independent Board Committee has been formed to advise the Independent Shareholders in connection with the Transactions, and an Independent Financial Advisor has been appointed to advise the Independent Board Committee and the Independent Shareholders on the same.

## **CIRCULAR**

The circular contains, amongst other things, further information on the terms of the Agreements and the Transactions contemplated thereunder, a letter from the Independent Board Committee and a letter from the Independent Financial Advisor, is expected to be issued to the Shareholders on or before 16 February 2021.

## **BACKGROUND**

The Company announces that, to upgrade the Land from general industrial use to general industrial and emerging industrial uses, the Company, through its wholly-owned subsidiaries, entered into the following agreements with the wholly-owned subsidiaries of CR Land: (1) the JV Agreement; (2) the Relocation Compensation Agreement and (3) the Construction Agreement.

Upon the formation of the JV after the execution of the JV Agreement, the JV will be responsible for the demolition of the Buildings and relocation of the Land, as well as applying to Shenzhen government together with CR Snow for land modification of the Land pursuant to the Relocation Compensation Agreement. The land modification involves the de-registration of the title certificate of the Land and re-registration of the Land for general industrial and emerging industrial uses with the relevant authority of Shenzhen government.

Once the Land has been upgraded for general industrial and emerging industrial uses, CR Snow will be granted part of the Land (i.e., the Snow Brewery Land) while the JV will be granted with another part of the Land (i.e., the JV Land). CR Snow will use the Snow Brewery Land as the headquarters, R&D centre, craft brewery and employees' dormitories of CR Snow, as well as for the construction of the beer museum pursuant to the Construction Agreement. CR Snow will appoint CR Land Shenzhen as the project manager on its behalf in relation to the construction and development of the Snow Brewery Land (excluding the craft brewery) pursuant to the Construction Agreement. The JV will use the JV Land as a complex consisting of offices, commercial properties, factories, recreational facilities, supermarkets, restaurants and bars etc., which will be subject to sale and leasing.

The Agreements shall take effect upon obtaining Independent Shareholders' approval at the EGM to be held to consider the Transactions.

The principal terms and conditions of each agreement are as follows:

## THE JV AGREEMENT

- Date** : 22 January 2021
- Parties** : (1) Shenzhen Runtou; and  
(2) CR Snow Investment
- Proposed name of JV** : Shenzhen Runxue Industrial Co., Ltd.\* (深圳市潤雪實業有限公司) (as a tentative name which is subject to the final authorization and approval by the industrial and commercial registration authorities of Shenzhen)
- Place of incorporation** : The PRC
- Business scope of JV** : The JV will be primarily engaged in the development and management of real estate. The JV will be responsible for the development and construction of the JV Land. The JV Land will be redeveloped as a complex consisting of offices, commercial properties, factories, recreational facilities, supermarkets, restaurants and bars etc.
- Registered Capital** : The total registered capital of the JV is RMB1.0 billion which will be contributed by Shenzhen Runtou and CR Snow Investment as follows:

<b>Shareholder</b>	<b>Capital Contribution</b> <i>(RMB Billion)</i>	<b>Shareholding Percentage</b>
Shenzhen Runtou	0.5	50%
CR Snow Investment	0.5	50%
<b>Total</b>	<b>1.0</b>	<b>100%</b>

The payment amount and schedule of the abovementioned registered capital shall be determined by the general manager of the JV based on the progress of the development and construction of the JV Land.

The JV shall notify the shareholders 10 business days prior to the actual date of using such capital, where the shareholders shall then unconditionally contribute such capital in accordance with their respective shareholding percentage.

The respective contributions to the registered capital of the JV are determined after arm's length negotiations between the parties with reference to the proposed initial capital requirements of the Redevelopment and the parties' respective interest in the JV. The capital to be contributed by CR Snow Investment is expected to be funded through the internal resources of the Group.

The proportion of shareholding in the JV is determined based on the principal business activities and industry experiences of Shenzhen Runtou and CR Snow Investment.

The JV will not become a subsidiary of the Company upon its establishment and its financial results will not be consolidated into the Group's consolidated financial statements.

**Board composition and:  
others**

The board of directors of the JV shall comprise four (4) directors. Each of Shenzhen Runtou and CR Snow Investment is entitled to appoint two (2) directors. The chairman of the board of directors of the JV shall be appointed by Shenzhen Runtou. The chairman does not have a casting vote.

The JV does not consist of a board of supervisors. However, each of Shenzhen Runtou and CR Snow Investment is entitled to appoint one supervisor.

The senior management of the JV shall consist of one (1) general manager, one (1) assistant general manager being responsible for matters related to beer brands, one (1) chief financial officer and one (1) deputy chief financial officer. Both the general manager and the deputy chief financial officer are nominated by Shenzhen Runtou, while the assistant general manager being responsible for matters related to beer brands and the chief financial officer are nominated by CR Snow Investment.

**Restrictions on transfer** : Before the fulfillment of the following conditions precedent (the “**Lock-up Period**”), both parties to the JV Agreement are prohibited from transferring, pledging or entrusting its equity interest, creditor’s rights and shareholder’s rights in the JV to any third parties:

- (1) The percentage of properties sold on the JV Land has reached 95% and the JV has paid the land appreciation tax; and
- (2) The JV Land has obtained the certificate of completion and acceptance.

Both parties to the JV Agreement undertake not to breach the lock-up restriction directly or indirectly, including not to dispose their respective shareholdings in and debts to the JV by any means (including assignment, pledge, escrow, nominee holding, agreed control, etc.).

Upon the expiration of the Lock-up Period, either party to the JV Agreement may elect to transfer all or part of its shareholding in the JV to the other shareholder or any third party(ies) on an one-off basis. If the transferor chooses to transfer all or part of its equity interests in the JV to a third party, it should obtain consent from the other shareholder of the JV. In the event of such contemplated transfer, the transferor shall issue a written notice to the other shareholder of the JV informing the conditions of transfer, including but not limited to the expiration of the Lock-up Period, the intention to transfer the equity interests, and the initially determined price of the equity interest to be transferred. If the other shareholder does not reply within 30 days upon the date of receipt of such written notice, such shareholder shall be deemed to have agreed to such transfer.

**Profit/loss sharing** : The profits/losses after taxation in respect of the JV shall be shared by Shenzhen Runtou and CR Snow Investment in proportion to their equity interest in the JV.

- Future financing** : Any additional funding or capital of the Redevelopment of the JV Land shall be arranged as follows:
- (1) In the event where JV requires additional funding, either Shenzhen Runtou or CR Snow Investment (or its related person(s)) could provide shareholder's loan at a principal amount of its own discretion. The interest rate of such loan will then be determined under arm's length negotiation between the JV and such shareholder.
  - (2) In the event where (a) both Shenzhen Runtou and CR Snow Investment decide not to provide shareholder's loan to the JV, (b) the shareholder's loan granted does not meet the financing needs of the JV, or (c) the terms offered by third party financial institutions are more favourable than those provided by the shareholders, the JV may obtain financing from such third party financial institutions.
  - (3) If the existing registered capital of the JV does not fulfill the financing requirement of third party financial institutions, both Shenzhen Runtou and CR Snow Investment shall inject additional capital to the JV in order to satisfy the financing needs of the JV.
  - (4) In the event where the JV obtains financing from third party financial institutions, the JV should first use its own assets as guarantee. If the aforementioned is not sufficient, both Shenzhen Runtou and CR Snow Investment will provide credit guarantee in proportion to their respective equity interests in the JV. Such guarantee given by Shenzhen Runtou and/or CR Snow Investment shall be on a several basis.

The Company estimates that a maximum of RMB4.0 billion will be provided as additional funding to the JV by way of (i) additional capital commitment and/or (ii) financial assistance (i.e., shareholder's loan or provision of guarantee in the event where the JV has obtained financing from third party financial institutions). Assuming the additional funding of RMB4.0 billion will be provided by the Company to the JV in the form of financial assistance, the Company expects that the maximum annual interests received to be RMB174 million.

The estimated additional funding to be received are determined based on the maximum additional funding needs of the JV. The maximum annual interests and guarantees to be received are determined based on the following:

- (1) The annual interest rate is determined based on the one-year benchmark interest rate published by The People's Bank of China and interest rate of the Company in the event of provision of intra-group loans.
- (2) The rate of guarantee fee is determined based on the prevailing rate of guarantee fee charged by third party financial institutions, which is currently at a range of 1%-2%.

## **THE RELOCATION COMPENSATION AGREEMENT**

**Date** : 22 January 2021

**Parties** : (1) Shenzhen Runtou (on behalf of the JV);  
(2) CR Snow Investment (on behalf of the JV); and  
(3) CR Snow

As the JV has not been established as at the date of the Relocation Compensation Agreement, both Shenzhen Runtou and CR Snow Investment will first enter into the Relocation Compensation Agreement on behalf of the JV as the shareholders of the JV. Therefore, the responsibilities for the relocation compensation under the Relocation Compensation Agreement shall be borne solely by the JV, while Shenzhen Runtou and CR Snow Investment would not be required to bear such responsibilities in any circumstances.



Pursuant to the policy entitled “Implementing Regulations on Shenzhen Urban Renewal Measures”\* (《深圳市城市更新辦法實施細則》) promulgated by the Shenzhen government with effect from 21 January 2012, only the signing parties to the Relocation Compensation Agreement could apply to the relevant governmental authorities for de-registration and registration of the JV Land. Since the JV will be responsible for the Redevelopment once established, the JV will subsequently execute a new Relocation Compensation Agreement with CR Snow on the same terms and conditions as the Relocation Compensation Agreement as disclosed in this announcement. Both Shenzhen Runtou and CR Snow Investment, as the shareholders of the JV, shall procure the JV to execute a new Relocation Compensation Agreement. The new Relocation Compensation Agreement will be entered into within one month of the establishment of JV. The existing Relocation Compensation Agreement will then be terminated and replaced by the new Relocation Compensation Agreement.

**Scope of compensation** : Pursuant to the Relocation Compensation Agreement, the compensation to CR Snow includes but is not limited to:

- (1) The land use right of the Land and the Property;
- (2) The losses incurred due to production and business suspension;
- (3) The losses incurred due to the discontinuance of business and operations of the Buildings, including but not limited to the losses in inventories, machinery and equipment, renovation and relocation;
- (4) The staff placement costs incurred, including but not limited to the severance and compensation due to dismissal of employees;
- (5) The transitional expenses and costs incurred during the demolition and redevelopment of the Land, including but not limited to the rental costs incurred by CR Snow in respect of the relocation of the office building and dormitories as well as compensation to the employees due to resettlement;

- (6) All movable properties in the Land, the disposal of which shall be in CR Snow's charge and the gains on disposal shall be attributable to CR Snow;
- (7) Save as otherwise agreed in the Relocation Compensation Agreement, the method of surrender for relocation compensation determined in the Relocation Compensation Agreement includes all compensation of the Land and the Property under the Relocation Compensation Agreement, without any other omitted items and expenses. CR Snow has guaranteed not to request for adding any other compensation items or raising the compensation standard pursuant to the Relocation Compensation Agreement.

**Timeline of the relocation:** The timeline of the Redevelopment pursuant to the Relocation Compensation Agreement is as follows:

- (1) Within seven days after the JV has been confirmed as the entity to implement the Redevelopment, CR Snow should vacate from the Property and deliver the Property to the JV;
- (2) The JV will demolish the Buildings, the CR Snow has entrusted the JV to apply to Shenzhen government for de-registration of the JV Land and CR Snow would apply to Shenzhen government for de-registration of the Snow Brewery Land on its own behalf.

The de-registration of the Land serves the purpose of land modification from general industrial use to general industrial and emerging industrial uses. Once the Land has been modified from general industrial use to general industrial and emerging industrial uses by Shenzhen government, CR Snow will be transferred with the Snow Brewery Land whilst the JV will be transferred with the JV Land.

For the Snow Brewery Land, CR Snow will execute a land use right grant contract with the Shenzhen government where a fee will be paid by CR Snow pursuant to the “Rule of Calculation of Land Price of Shenzhen” (《深圳市地價測算規則》) promulgated by the Shenzhen government (the “**Calculation Rules**”). Pursuant to the Calculation Rules, CR Snow will pay such fees with reference to the prescribed price set by the Shenzhen government, taking into account factors such as the use of land, type of construction to be made and its purpose.

Similarly, the JV will execute a land use right grant contract with the Shenzhen government for the JV Land, where the JV will pay the fees pursuant to the Calculation Rules.

The above procedures are merely administrative and are required under the relevant PRC rules and regulations to complete the land modification.

**Relocation compensation :** The consideration to be paid by the JV to CR Snow comprises of the following:

- (1) The preliminary amount of compensation of RMB4.65 billion, which was determined after arm’s length negotiation with reference to the estimated revenue generated after the development of the JV Land.
- (2) If the final total tax-included sales of the Redevelopment exceed RMB15.933 billion, the JV will provide CR Snow a certain amount of additional compensation equivalent to 30.29% of the actual tax-included sales less RMB15.775 billion; if the final total tax-included sales of the Redevelopment are less than RMB15.617 billion, the JV will make a deduction in the compensation equivalent to 30.29% of RMB15.775 billion less actual tax-included sales.

The target sales amount of RMB15.775 billion is determined based on the estimated market value of the properties to be erected on the JV Land taking into consideration the future planning and use of JV Land.

The Company estimated that the maximum additional amount to be compensated by the JV to CR Snow would be RMB4.35 billion, hence the maximum relocation compensation to be received by CR Snow would amount to RMB9.0 billion. The maximum additional compensation of RMB4.35 billion is determined by apply the higher end of the estimated future value of properties for sale on the JV Land, with reference to the historical value and the potential increase in market value of properties with “emerging industrial uses” in Baoan District in Shenzhen (i.e., the area where the JV Land is situated and is an industrial district in Shenzhen). The maximum additional compensation has also referenced to similar land modification projects in the past three years in Baoan District as well as comparable projects in the past year and ongoing in Longgang District in Shenzhen, which is another industrial district in Shenzhen with information available for comparable projects that is used for reference in the estimation of the maximum additional compensation. The relocation compensation mechanism of the comparable projects is similar to the one determined in the Relocation Compensation Agreement.

**Terms of payment** : The payment of the relocation compensation will be paid by the JV based on the phases of development of the properties constructed on the JV Land:

- (1) The first installment will be paid in May of the following year in which the delivery of the first phase of pre-sale properties has been taken place, where the amount of the first installment is determined based on the following formula:

Monetary compensation amount x the proportion of the floor area of first phase of properties delivered (the portion of sales achieved in the delivery period and before) to the total saleable floor area of properties.

- (2) The second installment will be paid in December of the year in which the sales of first phase of existing properties has been completed, where the amount is determined based on the following formula:

(Monetary compensation amount x the cumulative proportion of floor area of properties sold up to such year to the total saleable floor area of properties) – the cumulative monetary compensation amount paid.

- (3) Subsequent installment (if any) will be determined in the manner stated in paragraph (2) above until all the properties available for sale on the JV Land have been sold.

**Financial information of the Property and the JV Land** : The Property is owned by CR Snow. The book value of the Property as at 31 December 2019 was RMB179,961,000. With reference to the Valuation Report, the market value of the JV Land as at 31 December 2020, which was assessed on the basis that the Property has been upgraded to general industrial and emerging industrial uses, was approximately RMB2,349.4 million. The Property was served as a brewery factory of the Company and the brewery factory was closed in November 2019.

The net profits before and after tax attributable to the Property for the two years ended 31 December 2018 and 2019 and the six months ended 30 June 2020 were approximately as follows:

	<i>In RMB Millions</i>		
	<b>Year ended 31 December 2018</b>	<b>Year ended 31 December 2019</b>	<b>Six Months ended 30 June 2020</b>
<b>Net profit/ (loss) before tax</b>	19.638	(101.950)	<b>(8.413)</b>
<b>Net profit/ (loss) after tax</b>	16.097	(79.501)	<b>(8.826)</b>

The JV Land is part of the Property and it will be transferred to the JV in accordance with the Relocation Compensation Agreement.

Initial after-tax compensation gain is expected to be approximately RMB1.32 billion. The basis of determining such gain includes: (1) the difference between the discounted preliminary compensation amount of RMB4.65 billion and the aggregate of relocation costs, book value of the JV Land and the buildings erected on the JV Land and equipment losses; (2) impact of income tax for the matter of compensation and (3) the set-off of the impact of the profit from the intra-group transactions of the JV. The abovementioned gain is an estimation made by the Company based on the current circumstances where the actual gain to accrue to the Company for the compensation is subject to audit.

**Use of Proceeds** : The proceeds from the relocation compensation (i.e., the preliminary amount of compensation which amounts to RMB4.65 billion) will be used for the operations and general corporate purposes of the Company.

## **THE CONSTRUCTION AGREEMENT**

**Date** : 22 January 2021

**Parties** : (1) CR Land Shenzhen; and  
(2) CR Snow

**Terms of construction services** : From the date of execution of the Construction Agreement to two (2) years after the receipt of certificate of completion of acceptance and delivery (whichever is later).

**Scope of construction services :** Pursuant to the Construction Agreement, CR Land Shenzhen will be engaged by CR Snow as the project manager on its behalf in relation to the construction and development of the Snow Brewery Land (excluding the craft brewery) (the “**Project**”). The Project consists of the construction of the headquarters, R&D centre, employees’ dormitories of the Company (excluding the procurement and installation of the laboratory equipment and facilities in the R&D centre), as well as the construction of the beer museum (excluding the decoration of the beer museum). The scope of construction services includes but is not limited to the following:

- (1) Planning and execution of the Project, such as conducting environmental impact assessment, architectural design, budget planning and completing the relevant approval procedures;
- (2) Preparation for the Project, such as land registration, arranging tenders for the planning, survey and design of the Project, coordination and management of the design of the Project;
- (3) Preparation for the implementation of the Project, such as application for construction permits, arranging tenders for professional parties for construction, supervision and procurement of construction materials;
- (4) Implementation of the Project, such as monitoring and reporting the progress of construction, budget control and management, quality control;
- (5) Inspection and completion of the Project; and
- (6) Registration of property rights.

**Service Fees :** 3% of the total construction costs of the Project.

The Company estimated that the service fees would amount to approximately RMB60 million. The actual service fees to be paid by the Company would be based on the actual amount of the total construction costs but such service fees should not exceed RMB100 million.

The service fees are determined based on difficulty and complexity of the Project, the importance of safety management and the service fees charged by CR Land Shenzhen in recent projects of similar nature.

The abovementioned service fees would be calculated with reference to all costs required to complete the overall works of the Project, being the full performance of CR Land Shenzhen's obligations under the Construction Agreement to construct the overall works of the Project in a serviceable condition to the construction standard as agreed in the Construction Agreement (the "**Target Costs**"):

- (1) If the actual costs have exceeded the Target Costs by 2%, CR Snow has the right to deduct 5% of the service fees.
- (2) If the actual costs is less than the Target Costs but the difference is less than 2% of the Target Costs, CR Snow will not provide any additional monetary reward.
- (3) If the actual costs is less than the Target Costs and the difference between the actual costs and the Target Costs is larger than 2% of the Target Costs, CR Snow will provide additional monetary reward based on the following formula:

(Difference between the actual costs and the Target Costs – 2% of the Target Costs) x 5%

The adjustment mechanism is determined after arm's length negotiation with reference to the adjustment mechanism in previous construction projects provided by CR Land Group to the Group, the scale and complexity of construction.

**Terms of Payment** : The service fees will be paid by CR Snow after completion of each phase of the Project set out as below. CR Land Shenzhen shall submit a payment application with a complete set of supporting documents five days before the fulfillment of the conditions precedent of each phase of construction. CR Snow will then review such application and supporting documents. The corresponding service fees will be paid by CR Snow within 15 days after the fulfillment of the payment conditions and receipt of invoice issued by CR Land Shenzhen.



Set out below is the schedule of payment of service fees:

<b>Phase</b>	<b>Percentage of total service fees to be paid<sup>(Note 1)</sup></b>
1. Prepayment	10%
2. Completion of foundation and basic structure of the Project	20%
3. Completion of structure of the Project (+/-0)	10%
4. Completion of 1/3 of the main body of the Project	10%
5. Completion of 2/3 of the main body of the Project	10%
6. Completion of the structure of the main body of the Project	10%
7. Completion of curtain walls of the Project	5%
8. Completion and acceptance of the fire protection system of the Project	5%
9. Completion and acceptance of the Project, and the completion of the filing of the Project	5%
10. Completion of the settlement of costs of the Project <sup>(Note 2)</sup>	—

<b>Phase</b>	<b>Percentage of total service fees to be paid<sup>(Note 1)</sup></b>
11. Quality guarantee (which will be paid 2 years after the completion, filing and acceptance of the Project and the obligations to repair has been fulfilled) <i>(Note 3)</i>	3%

*Note:*

(1) The percentages of total service fees to be paid in Phases 1 to 9 are based on the estimated service fees to be charged, which is equal to estimated amount of service fees x payment ratio of 3%. After the payment of Phase 9 has been made, the total percentage of service fees paid by CR Snow shall be 85%.

(2) The payment to be made at Phase 10 of the Project is subject to the following formula:

The actual service fees based on the settlement of costs – (the cumulative costs paid in Phases 1 to 9) – quality guarantee

(3) The payment made at Phase 11 is equal to the actual service fees based on the settlement of costs x payment ratio of 3%.

**Performance  
Guarantee**

: After the execution of the Construction Agreement, CR Land Shenzhen shall provide CR Snow with a letter of performance guarantee with a guarantee amount of 50% of the service fees. The letter of performance guarantee is an independent, unconditional and irrevocable letter of bank guarantee for payment upon demand, which shall be issued by a bank approved by CR Snow and in a form appended to the Construction Agreement or other forms as agreed by CR Snow.

The validity of letter of performance guarantee shall commence from the date of issue of such letter until 60 days after the completion inspection acceptance certificate for the entire work of the Project and the delivery thereof to CR Snow for its own use, and the obtainment of the building ownership rights certificate, whichever is later.

## **REASONS FOR ENTERING INTO THE AGREEMENTS**

After the completion of the Transactions contemplated under the Agreements, the Snow Brewery Land will be transformed as the new headquarter, R&D centre and beer museum etc. of CR Snow, while the JV Land will be transformed as a complex consisting of offices, commercial properties, factories, recreational facilities, supermarkets, restaurants and bars etc. Such transformation is a “milestone” of the Company with historical significance. As a leading fast-moving consumer goods company, the Company wishes to establish an iconic and internationally recognized headquarters and a R&D centre. The Land will be transformed as a complex featuring the promotion of beer culture, beer brewing and dining and wine, development of real estate etc., including the construction headquarters, offices, commercial properties, as well as promotion of “Night Economy”. Through the formation of the JV with CR Land Group, it creates the synergy of the Group and CR Land Group, where the Group could contribute its extensive knowledge and experience in beer industry whilst CR Land Group could contribute its extensive experience in real estate and property development, and hence the development of the Land will further enhance the profitability of the Company. It is expected that the Company will realize an initial after-tax gain of approximately RMB1.32 billion from the transfer of the JV Land.

The Board (excluding the independent non-executive Directors) considers the Transactions contemplated under Agreements are on normal commercial terms but not in the ordinary and usual course of business of the Company, and the terms of the Agreements are fair and reasonable and in the interest of the Company and its Shareholders as a whole. The independent non-executive Directors will form their views after receiving advice from the Independent Financial Adviser.

To the best of the Directors’ knowledge, information and belief after having made all reasonable enquiries, as at the date of this announcement, none of the Directors has a material interest in the Transactions nor was required to abstain from voting on the Board resolutions approving the Transactions contemplated by the Agreements.

## **INFORMATION ON THE GROUP**

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 the SASAC. The Company principally engages in manufacture, sales and distribution of beer products. CRC 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.

CR Snow Investment is incorporated in the PRC with limited liability and is an indirectly wholly-owned subsidiary of the Company. It principally engages in investment and reinvestment in the beery industry.

CR Snow is incorporated in the PRC with limited liability and is an indirectly wholly-owned subsidiary of the Company. It principally engages in production and sales of beer products.

## **INFORMATION OF CR LAND GROUP**

CR Land is incorporated in the Cayman Islands with limited liability and its shares are listed on the Stock Exchange. As at the date of this announcement, approximately 59.55% of the shares issued by CR Land are indirectly held by CRH which in turn is ultimately owned by CRC, a state-owned enterprise in the PRC under the supervision of the SASAC.

CR Land Group is principally engaged in development of properties for sale, property investments and management, hotel operations and the provision of construction, decoration services and other property development related services in the PRC.

Shenzhen Runtou is incorporated in the PRC with limited liability and is a wholly-owned subsidiary of CR Land. It principally engages in investment consulting, business information and corporate management consulting.

CR Land Shenzhen is incorporated in the PRC with limited liability and is a wholly-owned subsidiary of CR Land. It principally engages in real estate development and management, real estate agency, construction and engineering, and engineering consultation.

## **LISTING RULES IMPLICATIONS**

By virtue of CRC being the controlling shareholder of both the Group and CR Land Group, CR Land Group is an associate of a connected person of the Group under the Listing Rules. Accordingly, the Agreements and the Transactions contemplated thereunder constitute connected transactions of the Group under Chapter 14A of the Listing Rules.

As the applicable percentage ratios stipulated under Rule 14.07 of the Listing Rules in respect of the JV Agreement on a standalone basis is more than 5% but less than 25%, the transactions contemplated under the JV Agreement constitutes a discloseable and connected transaction, which is subject to annual reporting, announcement and the Independent Shareholders' approval requirements under Chapter 14 and Chapter 14A of the Listing Rules.

As the applicable percentage ratios stipulated under Rule 14.07 of the Listing Rules in respect of the Relocation Compensation Agreement on a standalone basis is more than 5% but less than 25%, the transactions contemplated under the Relocation Compensation Agreement constitutes a discloseable and connected transaction, which is subject to annual reporting, announcement and the Independent Shareholders' approval requirements under Chapter 14 and Chapter 14A of the Listing Rules.

As the applicable percentage ratios stipulated under Rule 14.07 of the Listing Rules in respect of the Construction Agreement on a standalone basis is more than 0.1% but less than 5%, the transactions contemplated under the Construction Agreement constitutes a connected transaction, which is subject to annual reporting, announcement but is exempt from the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

However, pursuant to Rule 14A.81 of the Listing Rules, the Transactions contemplated under the Agreements shall be aggregated given (1) the Agreements are or will be entered into by the wholly-owned subsidiaries of the Company and the wholly-owned subsidiaries of CR Land; (2) the Transactions will be entered into within a 12-month period; (3) the Transactions involve the construction and development of the Land.

As the applicable percentage ratios stipulated under Rule 14.07 of the Listing Rules in respect of the Transactions contemplated under the Agreements, on an aggregated basis, are more than 5% but less than 25%, the Transactions constitute discloseable and connected transactions, which are subject to annual reporting, announcement and the Independent Shareholders' approval requirements under Chapter 14 and Chapter 14A of the Listing Rules.

#### **INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISOR**

An Independent Board Committee has been formed to advise the Independent Shareholders in connection with the Transactions, and an Independent Financial Advisor has been appointed to advise the Independent Board Committee and the Independent Shareholders on the same.

#### **CIRCULAR**

The circular contains, amongst other things, further information on the terms of the Agreements and the Transactions contemplated thereunder, a letter from the Independent Board Committee and a letter from the Independent Financial Advisor, is expected to be issued to the Shareholders on or before 16 February 2021.

## DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions have the following meanings:

“Agreements”	the JV Agreement, the Relocation Compensation Agreement and the Construction Agreement
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors of the Company
“Buildings”	the existing buildings and structures built or erected on the Land, which include the brewery factory, office building and dormitories
“China” or “PRC”	the People’s Republic of China, and for the purposes of this announcement only, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Company”	China Resources Beer (Holdings) Company Limited, a company incorporated in Hong Kong with limited liability whose Shares are listed on the Main Board of the Stock Exchange (Stock Code: 291)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Construction Agreement”	the construction consultant agreement (《代建服務合同》) dated 22 January 2021 entered into by CR Land Shenzhen and CR Snow
“CRC”	China Resources Company Limited* (中國華潤有限公司), a company incorporated in PRC with limited liability, is the ultimate holding company of the Company
“CRH”	China Resources (Holdings) Company Limited, a company incorporated in Hong Kong with limited liability
“CR Land”	China Resources Land Limited, a company incorporated in the Cayman Islands with limited liability whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 1109), is a connected person of the Company
“CR Land Group”	CR Land and its subsidiaries

“CR Land Shenzhen”	China Resources Land Urban Operation Management (Shenzhen) Co., Ltd.* (華潤置地城市運營管理 (深圳) 有限公司), a company incorporated in the PRC with limited liability, is a wholly-owned subsidiary of CR Land
“CR Snow”	China Resources Snow Breweries (China) Co., Ltd. (華潤雪花啤酒 (中國) 有限公司), a company incorporated in the PRC with limited liability, is an indirectly wholly-owned subsidiary of the Company
“CR Snow Investment”	China Resources Snow Breweries (China) Investment Co., Ltd. (華潤雪花啤酒 (中國) 投資有限公司), a company incorporated in the PRC with limited liability, which is an indirectly wholly-owned subsidiary of the Company
“Directors”	the directors of the Company
“EGM”	the extraordinary general meeting of the Company to be held to consider and approve the Transactions
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent committee of the Board constituted by the independent non-executive Directors, namely Mr. Houang Tai Ninh, Dr. Li Ka Cheung, Eric, Dr. Cheng Mo Chi, Moses, Mr. Bernard Charnwut Chan and Mr. Siu Kwing Chue, Gordon, for the purpose of considering and advising the Independent Shareholders in connection with the Transactions
“Independent Financial Adviser” or “Somerley”	Somerley Capital Limited, a corporation licensed under the SFO to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO and the independent financial adviser appointed by the Board to advise the Independent Board Committee and the Independent Shareholders regarding the terms of the Transactions
“Independent Shareholder(s)”	the independent shareholders of the Company; and for the purpose of this announcement, means shareholders other than CRC and its associates

“JV”	Shenzhen Runxue Industrial Co., Ltd.* (深圳市潤雪實業有限公司), a company to be incorporated in the PRC with limited liability, is a joint venture established pursuant to the JV Agreement
“JV Agreement”	the joint venture agreement (《投資合作協議》) dated 22 January 2021 entered into by Shenzhen Runtou and CR Snow Investment
“JV Land”	Four parcels of land (namely parcels 01-03, 01-04, 01-07 and 03-01) located at Chuangye Second Road, Xin’an Subdistrict, Baoan District, Shenzhen, Guangdong Province, the PRC, which will be owned by the JV with a purpose of general industrial and emerging industrial uses
“Land”	Seven parcels of land (namely parcels 01-03, 01-04, 01-07, 03-01, 02-02, 02-03 and 02-05) located at Chuangye Second Road, Xin’an Subdistrict, Baoan District, Shenzhen, Guangdong Province, the PRC, which is currently owned by CR Snow with a purpose of general industrial use
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time)
“Property”	the Land and the Buildings
“Redevelopment”	the redevelopment work to be procured on the JV Land
“Relocation Compensation Agreement”	the relocation compensation agreement (《搬遷補償協議》) dated 22 January 2021 entered into by Shenzhen Runtou (on behalf of the JV), CR Snow Investment (on behalf of the JV) and CR Snow, which will subsequently be replaced by a new relocation compensation agreement to be entered into between the JV and CR Snow
“RMB”	Renminbi, the lawful currency of PRC
“SASAC”	the State-owned Assets Supervision and Administration Commission of the State Council of the PRC
“SFO”	the Securities and Futures Ordinance (Cap. 571 of the Laws Ordinance of Hong Kong) (as amended from time to time)
“Share(s)”	share(s) of the Company with no par value



“Shareholder(s)”	holder(s) of Shares
“Shenzhen Runtou”	Shenzhen Runtou Consulting Co., Ltd.* (深圳市潤投諮詢有限公司), a company incorporated in the PRC with limited liability, is a wholly-owned subsidiary of CR Land
“Snow Brewery Land”	Three parcels of land (namely parcels 02-02, 02-03 and 02-05) located at Chuangye Second Road, Xin’an Subdistrict, Baoan District, Shenzhen, Guangdong Province, the PRC, which will be owned by CR Snow with the purpose of general industrial and emerging industrial uses
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“Transactions”	the transactions contemplated as set out in sections headed “The JV Agreement”, “The Relocation Compensation Agreement” and “The Construction Agreement” in this announcement
“Valuation Report”	the valuation report prepared by PSA (HK) Surveyors Limited, an independent property valuer, in relation to the market value of the Property, details of which will be included in the circular to be issued to the Shareholders
“%”	per cent.

By Order of the Board  
**China Resources Beer (Holdings) Company Limited**  
**Lai Po Sing**  
*Executive Director, Chief Financial Officer and  
Company Secretary*

Hong Kong, 22 January 2021

*\* For identification purposes only*

*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.*