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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)

**MAJOR TRANSACTION IN RELATION TO THE
PROPOSED ACQUISITION OF 55.19% EQUITY
INTEREST IN A TARGET COMPANY**

Joint Financial Advisers to the Company



PROPOSED ACQUISITION OF 55.19% EQUITY INTEREST IN A TARGET COMPANY

The Company is pleased to announce on 25 October 2022 (after trading hours), CRWH, an indirect wholly-owned subsidiary of the Company entered into the Agreements, which comprise: (i) the Capital Increase Agreement; (ii) the Share Purchase Agreement; and (iii) the Shareholders Agreement.

Pursuant to the Capital Increase Agreement, CRWH agreed to contribute a total of RMB1,026,700,000 to the Target Company. Upon the Capital Increase Completion, CRWH will hold an equity interest of 4.610% in the Target Company. Pursuant to the Share Purchase Agreement, CRWH agreed to purchase, and the Existing Shareholders agreed to sell, an aggregate of 50.58% of the enlarged share capital of the Target Company (upon the Capital Increase Completion) for a total consideration of RMB11,273,300,000.

Immediately following the Capital Increase Completion and the Share Purchase Completion, CRWH will hold a total of 55.19% of the enlarged share capital of the Target Company, and that the Target Company will become an indirect non-wholly owned subsidiary of the Company. The results, assets and liabilities of the Target Group will be consolidated into the financial statement of the Company.

The Shareholders Agreement was entered into among the Parties to govern the rights and obligations of shareholders of the Target Company after the Capital Increase Completion and the Share Purchase Completion.

IMPLICATIONS OF THE ACQUISITION UNDER THE LISTING RULES

As one or more of the applicable percentage ratios (as defined under the Listing Rules) calculated under Rule 14.07 of the Listing Rules in respect of the Acquisition (calculated on an aggregated basis of both the Capital Increase and the Share Purchase) exceed 25% but are all less than 100%, the Acquisition constitutes a major transaction of the Company under Chapter 14 of the Listing Rules and is subject to reporting, announcement and circular and shareholders' approval requirements under the Listing Rules.

WRITTEN SHAREHOLDERS' APPROVAL

Under Rule 14.44 of the Listing Rules, shareholders' approval may be obtained by way of written shareholders' approval in lieu of holding a general meeting if (a) no shareholder is required to abstain from voting if the company were to convene a general meeting to obtain such shareholders' approval; and (b) written shareholders' approval has been obtained from a shareholder or a closely allied group of shareholders who together hold more than 50% of the voting rights at that general meeting to approve the transaction.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, none of the Shareholders has any material interest in the Acquisition and no Shareholder is required to abstain from voting in respect of the approval of the Acquisition if the Company were to convene a general meeting. Pursuant to Rule 14.44 of the Listing Rules, in lieu of a resolution to be passed at a general meeting of the Company, the Company will seek for a written approval from its controlling Shareholder, CRH Beer. As at the date of this announcement, CRH Beer holds 1,676,338,664 Shares (representing approximately 51.67% of the total issued share capital of the Company) carrying rights to vote at a general meeting. If the Company receives such written Shareholder's approval, no general meeting will be held by the Company for approving the Acquisition.

A circular containing, among other things, details about the Acquisition is expected to be despatched to the Shareholders on or before 15 November 2022 in accordance with the Listing Rules.

The Company is pleased to announce on 25 October 2022 (after trading hours), CRWH, an indirect wholly-owned subsidiary of the Company entered into the Agreements, which comprise: (i) the Capital Increase Agreement; (ii) the Share Purchase Agreement; and (iii) the Shareholders Agreement.

THE CAPITAL INCREASE AGREEMENT

- Date:** 25 October 2022 (after trading hours)
- Parties:**
- (1) CRWH;
 - (2) The Existing Shareholders (namely Yichang Caiyuan and Hubei Yihua);
 - (3) Yichang Investment; and
 - (4) The Target Company.
- Capital contribution:** CRWH agreed to contribute a total of RMB1,026,700,000 to the Target Company, among which RMB4,832,792 will be credited as registered share capital of the Target Company, while the remaining sum will be credited into the reserve of the Target Company.
- Immediately upon the Capital Increase Completion, CRWH will hold an equity interest of 4.610% in the Target Company, while the equity interest of Yichang Caiyuan and Hubei Yihua in the Target Company will be reduced from 60% to approximately 57.234% and from 40% to 38.156% respectively on an enlarged share capital basis.
- Use of capital:** The Target Company will utilize the capital to be contributed by CRWH for the following purposes:
- (i) the Target Company's investment projects;
 - (ii) repaying loans of the Target Company (subject to approval of the board of directors of the Target Company and written approval of CRWH); and/or
 - (iii) such other purposes which may be approved by the board of directors of the Target Company and written approval of CRWH.

Consideration and payment terms:

The capital to be contributed by CRWH will be paid in the following manner:

- (i) an amount of RMB1,026,700,000, which represents 100% of the consideration, will be paid to an escrow account (which is to be set up jointly by the Target Company and CRWH within two working days upon the Capital Increase Agreement taking effect) upon: (a) the Capital Increase Agreement taking effect in full; (b) satisfaction or waiver of the conditions precedents; (c) completion of the relevant administrative filings; and (d) within 15 working days upon the setting-up of the escrow account; and
- (ii) the amount of RMB1,026,700,000 will be transferred from the escrow account to an account designated by the Target Company within five working days upon satisfaction of the following conditions: (a) the Target Company has provided CRWH with a detailed plan of use of capital to be contributed, which shall have been approved by CRWH; (b) the amount due from Hubei Yihua and its related parties, together with the interests in relation thereto, has been repaid to the Target Company; and (c) the guarantees provided by the Target Company for Hubei Yihua and its related parties have been duly released, the registration procedures of such releases have been duly registered, and the deregistration procedures and corresponding supporting documents have been provided.

Conditions for the Capital Increase Agreement taking effect:

The Capital Increase Agreement will only take effect upon satisfaction of each of the following conditions:

- (i) the Capital Increase has been duly approved by each contracting parties' internal decision making body pursuant to the relevant laws and regulations, the constitutional documents and the internal rules and regulations of the contracting party;
- (ii) the Capital Increase has been approved by Yichang SASAC to be conducted in a non-public manner in accordance with the relevant regulations in relation to the supervision and administration of state-owned assets;

- (iii) the Existing Shareholders and Yichang Investment have provided an undertaking in writing, pursuant to which in case there is any dispute in relation to employee placement and compensation scheme arising from the restructuring of the Target Company in July 2007, the Existing Shareholders and Yichang Investment shall be responsible for liaising with Jinsha governmental authorities for resolving such disputes; and
- (iv) Yichang Investment and the Target Company have, pursuant to the requirements under the relevant agreements with an independent third party of the Company, duly performed their obligations to notify the said independent third party about the Acquisition and undertaken that the aforesaid notification will not affect the Acquisition, and that relevant documents evidencing the above have been provided to CRWH.

Conditions precedent for the Capital Increase Completion:

The Capital Increase Completion will be subject to the following conditions precedent:

- (i) the Capital Increase has been approved in writing by all pledgees of the equity interest in the Target Company;
- (ii) the Target Company has notified and/or obtained the consent of the relevant lending banks regarding the Capital Increase in accordance with the terms of the relevant loan contracts;
- (iii) the banking creditors' committee of the Hubei Yihua has consented to the Capital Increase and has not made any request or passed any resolution which would adversely affect the Capital Increase;
- (iv) with respect to the qualification procedures and ownership licenses for the Company's constructed land properties and ongoing construction projects, the Target Company, the Existing Shareholders and Yichang Investment have issued a letter of undertaking, pursuant to which the parties shall, among others, procure the relevant governmental authorities to coordinate with and support the Target Company in the administrative procedures in relation to such land properties and construction projects;

- (v) the Target Company, the Existing Shareholders and Yichang Investment have issued documents confirming that as of the completion date, the mortgagee of the Target Company's base wine has not applied for preservation or enforcement of its secured assets;
- (vi) key employees of the Target Company (including senior management and core personnel) have signed employment contracts (with a contract term of not less than three years) and non-competition agreements that are acceptable and satisfactory to the Target Company and CRWH;
- (vii) the Target Company and its subsidiaries have not been ordered to suspend production, revoke relevant qualification and licenses, and have not been unable to operate normally due to other matters before the completion date;
- (viii) the Capital Increase has passed the undertaking concentration examination from the Anti-Monopoly Bureau of the SAMR; and
- (ix) the due compliance with the relevant applicable Listing Rules requirements by the Company.

The Capital Increase Completion:

Within three working days after all of the conditions precedent have been fulfilled or the waiver by CRWH in writing has been obtained, the parties will arrange the administrative filings for registering the matters in relation to the Capital Increase.

The date on which the Target Company obtains the new business license from the relevant governmental authorities will be deemed as the date of the Capital Increase Completion.

Subsequent transfer:

The Parties agreed that upon the completion of the administrative filings, the Parties will continue to advance the acquisition of the Target Company by CRWH, i.e. the Existing Shareholders will transfer an aggregate of 50.58% of the equity interest in the Target Company (after the Capital Increase) to CRWH or its designated entities. The said share transfer will be subject to the terms of the Share Purchase Agreement.

Termination:

The Capital Increase Agreement may be terminated by mutual agreement of the Parties.

The Capital Increase Agreement may be terminated unilaterally by the Target Company, the Existing Shareholders or Yichang Investment in the event that CRWH fails to pay the total sum of capital to be contributed by CRWH within 12 months upon the Capital Increase Agreement taking effect and the due fulfilment of all conditions precedent.

The Capital Increase Agreement may be terminated unilaterally by CRWH upon occurrence of any of the following events:

- (i) any defect in relation to the ownership of the equity interest in Target Company or the ownership of the equity interest in Yichang Caiyuan and its holding company above (including the equity interest in Yichang Caiyuan and its holding company above being indirectly held 100% by Yichang SASAC), which leads to the Capital Increase being void or revoked;
- (ii) failure from the Target Company, the Existing Shareholders and Yichang Investment to resolve disputes within 6 months in the event that any party applies for execution or claims rights over the Target Company's base wine, immovable properties and property interest;
- (iii) failure of fulfillment of the conditions precedent to the Capital Increase Completion in the absence of waiver from CRWH within 12 months after the Capital Increase Agreement taking effect (or such other date as may be agreed by the Parties in writing), subject to exceptions;
- (iv) failure to complete the acquisition of the controlling interest in the Target Company by CRWH within 12 months after the Capital Increase Agreement and the Share Purchase Agreement taking effect for reasons not caused by CRWH, subject to exceptions; or
- (v) the Target Company and its subsidiaries being ordered to suspend operation, or any of their qualification or licences being revoked, or any other matters which lead to the Target Company and its subsidiaries being unable to operate normally.

THE SHARE PURCHASE AGREEMENT

- Date:** 25 October 2022 (after trading hours)
- Parties:**
- (1) CRWH;
 - (2) The Existing Shareholders (namely Yichang Caiyuan and Hubei Yihua);
 - (3) Yichang Investment; and
 - (4) The Target Company.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Existing Shareholders, Yichang Investment and the Target Company, their respective controlling shareholder(s) and their ultimate beneficial owners are third parties independent of the Company and its connected persons.

Subject equity interest: CRWH agreed to purchase, and the Existing Shareholders agreed to sell, an aggregate of 50.58% of the total equity interest of the Target Company (upon the Capital Increase Completion), among which 38.156% and 12.424% will be transferred by Hubei Yihua and Yichang Caiyuan respectively.

Conditions for the Share Purchase Agreement taking effect: The Share Purchase Agreement will only take effect upon satisfaction of each of the following conditions:

- (i) the Capital Increase Agreement taking effect;
- (ii) Yichang Investment and the Target Company have, pursuant to the requirements under the relevant agreements with an independent third party of the Company, duly performed their obligations to notify the said independent third party about the Acquisition and undertaken that the aforesaid notification will not affect the Acquisition, and that relevant documents evidencing the above have been provided to CRWH;
- (iii) the Share Purchase has been duly approved by each contracting parties' internal decision making body pursuant to the relevant laws and regulations, the constitutional documents and the internal rules and regulations of the contracting party; and

- (iv) the Share Purchase has been approved by Yichang SASAC to be conducted in a non-public manner in accordance with the relevant regulations in relation to the supervision and administration of state-owned assets.

Conditions Precedent for the Share Purchase Completion:

The Share Purchase Completion is subject to satisfaction or waiver of the following conditions:

- (i) the Target Company has been released from all related party transactions with its related parties, except written consent by CRWH;
- (ii) all existing pledges on real estate, land properties and intellectual properties of the Target Company have been released (except such foregoing pledges, mortgages which were entered into for debts of the Target Company arising from its normal business needs);
- (iii) the Target Company has amended its articles of association in accordance with the relevant provisions of the Share Purchase Agreement or the Shareholders Agreement, and that the amended articles of association have been duly signed by the shareholders of the Target Company;
- (iv) the Target Company has notified and/or obtained the consent of the relevant lending banks regarding the Share Purchase in accordance with the terms of the relevant loan contracts;
- (v) the banking creditors' committee of the Hubei Yihua has consented to the Share Purchase and has not made any request or passed any resolution which would adversely affect the Share Purchase;
- (vi) the amount due from Hubei Yihua and its related parties, together with the interests in relation thereto, has been repaid to the Target Company;
- (vii) the Acquisition has passed the undertaking concentration examination from the Anti-Monopoly Bureau of the SAMR; and
- (viii) the due compliance with the relevant applicable Listing Rules requirements by the Company.

The Share Purchase Completion:

Within three working days after all of the conditions precedent for the Share Purchase Completion have been fulfilled or waived, the Existing Shareholders and Yichang Investment shall arrange the administrative filings for registering the matters in relation to the Share Purchase (including but not limited to release of existing pledge in relation to the subject equity interest of the Share Purchase and the registration of the new pledge of 15% of the Target Company by Yichang Caiyuan to CRWH).

The date on which the market supervision and administration department of the place where the Target Company is registered issues to the Target Company a notice of approval for registration of Share Purchase will be the date of the Share Purchase Completion.

Consideration and payment terms:

The total consideration payable by CRWH to the Existing Shareholders for the Share Purchase is RMB11,273,300,000, among which approximately RMB8,504,231,610 and RMB2,769,068,390 is payable to Hubei Yihua and Yichang Caiyuan respectively. The consideration will be paid in three tranches in the following manner:

- (i) an amount of RMB3,381,990,000, which represents approximately 30% of the consideration of the Share Purchase, shall be paid to an escrow account (which was to be set up jointly by the Existing Shareholders and CRWH within two working days upon the Share Purchase Agreement taking effect) within five working days upon (a) the Share Purchase Agreement taking effect in full; (b) the existing pledges of the subject equity interest have been duly released and the registration of the new pledge of the said subject equity interest with CRWH as the pledgee; and (c) the Acquisition has passed the undertaking concentration examination from the Anti-Monopoly Bureau of the SAMR, and that such sum shall be transferred from the escrow account to an account designated by the Existing Shareholders within 5 working days from the date of completion of the business registration for the Share Purchase;

- (ii) an amount of RMB6,200,315,000, which represents approximately 55% of the consideration of the Share Purchase, shall be paid by CRWH to an account designated by the Existing Shareholders within 10 working days upon satisfaction or waiver of the conditions precedents for the Share Purchase Completion, upon which:
- a. the business registration for the Share Purchase shall have been completed;
 - b. 15% of the total equity interest in the Target Company which will be held by Existing Shareholders after the Share Purchase Completion shall continue to be pledged to CRWH, for a period of five years as guarantee for the Target Company's representations, warranties, obligations and undertakings under the Share Purchase Agreement and ancillary documents;
 - c. the Parties shall have completed the handover of the management of the Target Company;
 - d. the amount due from Hubei Yihua and its related parties, together with the interests in relation thereto, shall have been repaid to the Target Company; and
 - e. the guarantees provided by the Target Company for Hubei Yihua and its related parties shall have been duly released, and that the registration procedures of such releases shall have been duly registered.

(iii) the remaining amount of RMB1,690,995,000, which represents approximately 15% of the consideration of the Share Purchase, will be paid to the escrow account within 5 working days upon the fulfillment and/or waiver of conditions for the transfer of the first payment and the second payment to an account designated by the Existing Shareholders and the date of completion of the opening of the escrow account; while the said remaining amount of RMB1,690,995,000 will be transferred from the escrow account to an account designated by the Existing Shareholders within 10 working days upon completion of the following: (a) necessary qualifications and approvals have been obtained in respect of the Target Company's newly invested construction project in accordance with the relevant requirements under applicable laws and regulations based on the respective construction status of the construction project of the Target Company; and (b) the Target Company has prepared consolidated financial statements made up to the date of the Share Purchase Completion, and has cooperated with the auditors appointed by CRWH for the audit in relation to the financial statements of the Target Company made up to the date of the Share Purchase Completion within two months after the said completion date.

Debt Arrangement:

Other than (i) those which have been disclosed to CRWH; and (ii) liabilities incurred on or before Reference Date which were arisen from normal operation of the Target Company and its subsidiaries and do not have any material adverse impact on the Target Company and/or its subsidiaries and/or its shareholders, there are no other significant debts or Contingent Liabilities of the Target Group (being debts with an aggregate sum exceeding RMB500,000) as at the Reference Date which have not been reflected, whether by way of intentional concealment or omission.

In addition to the aforementioned debts, the Existing Shareholders and Yichang Investment shall be fully responsible for other Contingent Debts incurred by the Target Group before the date of the Share Purchase Completion. In the event there are such debts (in addition to the aforementioned debts) for which the Existing Shareholders and Yichang Investment shall be responsible, the Existing Shareholders and Yichang Investment shall indemnify the Target Group, in full and in one lump sum, within five working days from the date on which the Target Group has paid off such debts in accordance with the amount of debts actually undertaken by the Target Group.

After the Existing Shareholders and Yichang Investment have duly performed their indemnification obligation, if CRWH suffers any additional losses as a result of the aforementioned debts, the Existing Shareholders and Yichang Investment shall be jointly and severally liable for damages and breach of contractual obligations to CRWH.

Transition Arrangement:

Unless otherwise agreed by the Parties or CRWH agrees to waive in writing^(note), the Target Company, the Existing Shareholders and Yichang Investment undertake that, during the Transition Period, the Target Company and its subsidiaries would operate in accordance with their normal and usual business operation and would make commercially reasonable efforts to ensure that all important assets are in good operation, and would not conduct any significant actions in the absence of prior written consent from CRWH. Such significant actions include, among others, change in nature of business operation, restructuring or change in share capital, revision of constitutional documents and declaration of dividend.

During the Transition Period, the profit and loss of the Target Company shall be entitled and borne by CRWH and the Existing Shareholders in accordance with the shareholding in the Target Company upon the Capital Increase Completion and Share Purchase Completion (i.e. 55.19% and 44.81% for CRWH and Yichang Caiyuan respectively).

Note: On 25 October 2022, the Parties entered into a waiver agreement, pursuant to which CRWH agreed to exercise its rights under the Agreements, to waive the liabilities for breach of contract arising from the relevant parties' failure to perform their obligation to notify CRWH on time as provided under the Agreements. Such significant actions disclosed include, among others, change in shareholding, senior management personnel, constitutional documents of the Target Company, details of loans payable and guarantees given by the Target Company and etc..

For the avoidance of doubt, the waiver contemplated under the waiver agreement only concerns the obligation from the Existing Shareholders and Yichang Investment to notify CRWH of the occurrence of such events, if the Target Company and/or CRWH incurs any losses by reason of matters set out in the waiver agreement (other than such losses which arise from normal business operation and could be classified transitional profits and losses in accordance with the Agreements), the Existing Shareholders and Yichang Investment shall, pursuant to the Agreements, remain liable for breach of contract and shall be jointly and severally liable to compensate the Target Company and/or CRWH for all losses suffered thereby.

Termination:

The Share Purchase Agreement may be terminated by mutual agreement of the Parties.

The Share Purchase Agreement may be terminated unilaterally by the Target Company, the Existing Shareholders or Yichang Investment in the event that CRWH fails to pay the consideration under the Share Purchase Agreement within 12 months upon the respective payment obligation falls due.

The Share Purchase Agreement may be terminated unilaterally by CRWH upon occurrence of any of the following events:

- (i) any defect in relation to the ownership of the equity interest in Target Company or the ownership of the equity interest in Yichang Caiyuan and its holding company above (including the equity interest in Yichang Caiyuan and its holding company above being indirectly held 100% by Yichang SASAC), which leads to the Share Purchase being void or revoked;
- (ii) failure of fulfillment of the conditions precedent to the Share Purchase Completion in the absence of waiver from CRWH within 12 months after the Share Purchase Agreement taking effect (or such other date as may be agreed by the Parties in writing), subject to exceptions;
- (iii) failure to complete the acquisition of the controlling interest in the Target Company by CRWH within 12 months after the Capital Increase Agreement and the Share Purchase Agreement taking effect for reasons not caused by CRWH, subject to exceptions; or
- (iv) the Target Company and its subsidiaries being ordered to suspend operation, or any of their qualification or licences being revoked, or any other matters which lead to the Target Company and its subsidiaries being unable to operate normally.

THE SHAREHOLDERS AGREEMENT

- Date:** 25 October 2022 (after trading hours)
- Parties:**
- (1) CRWH;
 - (2) The Existing Shareholders (namely Yichang Caiyuan and Hubei Yihua);
 - (3) Yichang Investment; and
 - (4) The Target Company.
- Composition of the board of directors of the Target Company:** The board of directors of the Target Company comprises seven members, among which:
- (i) four of them will be nominated by CRWH;
 - (ii) two of them will be nominated by Yichang Caiyuan; and
 - (iii) the remaining one of them will be an employee representative nominated by Yichang Caiyuan and elected through relevant statutory procedures.
- The chairman of the Target Company, who will also be the legal representative of the Target Company, will be nominated by CRWH and elected through relevant statutory procedures. The Target Company has one deputy chairman, who will be nominated by Yichang Caiyuan and elected through relevant statutory procedures.
- Composition of the supervisory committee of the Target Company:** The supervisory committee of the Target Company comprises three members, among which:
- (i) one of them will be nominated by CRWH;
 - (ii) one of them will be nominated by Yichang Caiyuan; and
 - (iii) the remaining one of them will be an employee representative nominated by CRWH and elected through relevant statutory procedures.

Composition of the senior management of the Target Company:

The Target Company has one general manager, who will be nominated by CRWH and approved by the board of directors of the Target Company.

The Target Company may have multiple deputy general managers, whose appointment and removal will be decided by the board of directors of the Target Company. Yichang Caiyuan will have right to nominate one deputy general manager, whose appointment is subject to relevant statutory procedures.

The Target Company has one chief financial officer, whose candidacy shall be recommended by the general manager of the Target Company based on the opinion of CRWH. The appointment of the chief financial officer of the Target Company is subject to the approval of the board of directors of the Target Company.

The Target Company has one deputy financial controller, whose appointment will be decided by the general manager based on the nomination of Yichang Caiyuan.

Preferential subscription rights and anti-dilution rights:

In the event that the Target Company intends to increase its registered capital subsequent to the signing of the Shareholders Agreement, CRWH will have a pre-emptive right to subscribe for all or any part of such equity interest until its equity interest in the Target Company reaches 60%, after which CRWH will continue to have a right to maintain its equity interest in the Target Company at such percentage without dilution.

Pre-emptive right:

If the Existing Shareholders or Yichang Investment intend to directly or indirectly transfer their equity interest in the Target Company to a third party, CRWH is entitled to the pre-emptive rights to acquire such equity interest under the same terms and conditions.

The Existing Shareholders or Yichang Investment are not allowed to transfer its equity interest in the Target Company directly or indirectly to the competitors of the Target Company and/or any other third party engaged in alcohol business.

Staff stability arrangement: Within one year upon the Share Purchase Completion, for the purposes of core employees holding key positions at the Target Company, unless such employees offer voluntary resignation, are in contravention of laws and regulations or administrative rules of the Target Group or the likes, or fail to measure up to the job descriptions, or their employment relationship is terminated in accordance with other relevant provisions under the labor contracts entered into with them, CRWH agrees that it will not exercise its power to dismiss such relevant employees in any unreasonable or unfair manner, as provided that such said arrangement will not apply to changes due to nomination of directors, supervisors, or senior management as agreed under the Shareholders Agreement.

BASIS OF THE CONSIDERATION

The total amount of the Consideration is RMB12,300,000,000, which comprises (1) RMB1,026,700,000 for the Capital Increase; and (2) RMB11,273,300,000 for the Share Purchase.

The amount of the Consideration was determined on the basis of normal commercial terms and arm's length negotiations between the Company and Hubei Yihua, Yichang Caiyuan and Yichang Investment, as well as taking into account of various factors, including (i) the comparable companies analysis; (ii) the comparable transactions within the baijiu industry; (iii) the recent financials and operation performance of the Target Group; and (iv) the potential synergies, to be derived by the Group after the Capital Increase Completion and Share Purchase Completion.

Having considered the above factors, the Directors consider that the valuation of the Acquisition is fair and reasonable and the Acquisition is in the interests of the Company and the Shareholders as a whole.

The Company will finance the Consideration by way of a combination of the Company's internal resources and external financing (e.g. bond offerings and/or bank loans).

REASONS FOR AND BENEFITS OF ENTERING INTO THE AGREEMENTS AND THE ACQUISITION

The Company has been reviewing its strategy and exploring opportunities for further development of its business. As disclosed in the announcement of the Company dated 26 August 2021, the Group entered into an investment in Shandong Jingzhi Baijiu Co., Ltd (山東景芝白酒有限公司) which enabled the Group to tap into the baijiu market in the PRC. The Acquisition represents the Group's continuous effort in seeking potential subsequent business development and diversification of product mix of alcoholic beverages and source of revenue of the Group. The Company will remain to be primarily committed to the beer brewing business in the PRC.

According to industry consultant Boston Consulting Group, the market size of baijiu industry in China was approximately RMB603 billion in 2021 and increased with a CAGR of 8.7% from 2010 to 2021. Sauce-flavor baijiu industry contributed approximately 31.5% of the baijiu industry in China with market size of approximately RMB190 billion in 2021. The market size of sauce-flavor baijiu industry increased with a CAGR of 17.3% from 2015 to 2021. Sauce-flavor baijiu has high profitability, the weighted average gross profit margin and net profit margin of sauce-flavor baijiu companies in 2021 were approximately 82% and 41% respectively.

The Group is of the view that sauce-flavor baijiu tends to traverse the consumption cycle and yield long-term earnings return, especially given the growing demand for sauce-flavor baijiu and the trend of consumption upgrades in the PRC. Further, the Group believes that the acquisition of the controlling stake of a high-quality baijiu assets, as characterised by high profit margin and strong operating cash flow, is a scarce opportunity and will significantly add to the valuation of the Group. The Target Group is primarily engaged in the design, production and distribution of Chinese baijiu products in the PRC. The Target Company distributes its products primarily under the brand series of Zhaiyao and Jinsha Huisha, both are of the sauce-flavor baijiu category. With over 70 years of experience since 1951, it has accumulated extensive experience and established a high-quality baijiu brand image in the domestic market.

The Group believes that the Acquisition will create synergies by combining the Group's existing distribution channels with the Target Group's extensive knowledge and experience in baijiu business such that the Enlarged Group will be able to further enhance its brand influence, expand the scope and size of its business and ultimately improve its business growth and profitability. The Group will continue to actively explore cooperation with high-quality liquor producing companies to optimise regional roadmap, to improve product quality and further enhance the Group's competitiveness and brand recognition in the baijiu industry in the PRC, create greater value for the local community and greater returns for the Shareholders.

As the terms of the Agreements were arrived at after arm's length negotiations among the Parties thereto, the Directors are of the view that the terms of the Agreements are fair, reasonable and in the interests of the Company and its Shareholders as a whole.

INFORMATION OF 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.

CRWH is incorporated in the PRC with limited liability and is an indirectly wholly-owned subsidiary of the Company. It is an investment holding company.

INFORMATION OF THE TARGET COMPANY

The Target Company is a company incorporated in the PRC with limited liability. It is an established Chinese baijiu manufacturer based in Guizhou, the PRC.

Set out below are the net profits (both before and after taxation) of the Target Group based on the consolidated accounts of the Target Company prepared in accordance with HKFRS, for the two financial years ended 31 December 2020 and 2021, and six months ended 30 June 2022:

	For the financial year ended		For the six
	31 December		months ended
	2020	2021	30 June
	RMB'000	RMB'000	RMB'000
Net profit before taxation	851,208	1,757,794	876,508
Net profit after taxation	615,070	1,314,875	670,046

As at 31 December 2021 and 30 June 2022, the net asset value of the Target Group was approximately RMB326,780,000 and RMB996,826,000, respectively, based on the consolidated accounts of the Target Company prepared in accordance with HKFRS.

The table below sets out the equity interest in the Target Company immediately before and after the completion of the Capital Increase and the Share Purchase:

Name of shareholder	Percentage of equity interest in the Target Company		
	Immediately before the completion of the Capital Increase and the Share Purchase	After Capital Increase Completion but before the Share Purchase Completion	Immediately after the Capital Increase Completion and the Share Purchase Completion
Yichang Caiyuan	60%	57.234%	44.81%
Hubei Yihua	40%	38.156%	0%
CRWH	0%	4.610%	55.19%

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Target Company, its respective controlling shareholder(s) and its ultimate beneficial owner are third parties independent of the Company and its connected persons.

INFORMATION OF THE EXISTING SHAREHOLDERS AND YICHANG INVESTMENT

Yichang Caiyuan is a direct wholly-owned subsidiary of Yichang Investment, which in turn is directly wholly-owned by Hubei Yihua. Hubei Yihua is ultimately beneficially owned 100% by the State-owned Assets Supervision and Administration Commission of Yichang Municipal People's Government (宜昌市人民政府國有資產監督管理委員會). Yichang Caiyuan is principally engaged in industrial investment, asset management and housing leasing. Yichang Investment is principally engaged in investment activities with its own funds. Hubei Yihua is principally engaged in sales of mineral and chemical products, chemical products manufacturing, chemical technology consulting, chemical equipment manufacturing and installation, fertilizer manufacturing and sales, thermal power generation, import and export of goods or technology, recycling of renewable resources, online data processing and transaction processing in type 2 value-added telecommunications services and Internet information services.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Existing Shareholders, Yichang Investment, their respective controlling shareholder(s) and their ultimate beneficial owners are third parties independent of the Company and its connected persons.

IMPLICATIONS OF THE ACQUISITION UNDER THE LISTING RULES

As one or more of the applicable percentage ratios (as defined under the Listing Rules) calculated under Rule 14.07 of the Listing Rules in respect of the Acquisition (calculated on an aggregated basis of both the Capital Increase and the Share Purchase) exceed 25% but are all less than 100%, the Acquisition constitutes a major transaction of the Company under Chapter 14 of the Listing Rules and is subject to reporting, announcement and circular and shareholders' approval requirement under the Listing Rules.

WRITTEN SHAREHOLDERS' APPROVAL

Under Rule 14.44 of the Listing Rules, shareholders' approval may be obtained by way of written shareholders' approval in lieu of holding a general meeting if (a) no shareholder is required to abstain from voting if the company were to convene a general meeting to obtain such shareholders' approval; and (b) written shareholders' approval has been obtained from a shareholder or a closely allied group of shareholders who together hold more than 50% of the voting rights at that general meeting to approve the transaction.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, none of the Shareholders has any material interest in the Acquisition and no Shareholder is required to abstain from voting in respect of the approval of the Acquisition if the Company were to convene a general meeting. Pursuant to Rule 14.44 of the Listing Rules, in lieu of a resolution to be passed at a general meeting of the Company, the Company will seek for a written approval from its controlling Shareholder, CRH Beer. As at the date of this announcement, CRH Beer holds 1,676,338,664 Shares (representing approximately 51.67% of the total issued share capital of the Company) carrying rights to vote at a general meeting. If the Company receives such written Shareholder's approval, no general meeting will be held by the Company for approving the Acquisition.

A circular containing, among other things, details about the Acquisition is expected to be despatched to the Shareholders on or before 15 November 2022 in accordance with the Listing Rules.

GENERAL

The Acquisition may or may not proceed as completion is subject to, amongst other things, approval from the relevant government authority, and execution of further transaction documentation (if necessary). Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company. The Company will make further announcement in respect of the Acquisition as and when appropriate in accordance with the Listing Rules.

DEFINITIONS

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

“Acquisition”	the acquisition of an aggregate of 55.19% equity interest of the Target Company as contemplated under the Capital Increase Agreement and the Share Purchase Agreement
“Agreements”	the Capital Increase Agreement, the Share Purchase Agreement and the Shareholders Agreement
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors of the Company
“Capital Increase”	the transaction contemplated under the Capital Increase Agreement
“Capital Increase Agreement”	the capital increase agreement dated 25 October 2022 entered into among the Parties, in respect of the capital injection by CRWH into the Target Company
“Capital Increase Completion”	the completion of the Capital Increase pursuant to the terms and conditions of the Capital Increase Agreement
“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 same meaning as ascribed thereto under the Listing Rules

“Consideration”	the total consideration of RMB12,300,000,000 for the Acquisition, consisting of RMB1,026,700,000 for the Capital Increase and RMB11,273,300,000 for the Share Purchase
“Contingent Debts” or “Contingent Liabilities”	contingent debts or liabilities as of the Reference Date, which include but are not limited to such debts or liabilities which arose from the following circumstances: (1) liabilities which should have been recorded in the Target Company’s audit report as of the Reference Date but not recorded, or (2) compensation fees or expenses which were borne by the Target Company as a result of incidents happening before the Reference date which gave rise to litigation, arbitration or administrative penalty, or (3) obligations borne by the Target Company due to external guarantees provided by the Target Company before the Reference Date, or (4) other liabilities of Target Company prior to the Reference Date, whether known or unknown, which have not been disclosed to CRWH by the Existing Shareholders, Yichang Investment or the Target Company, or (5) contingent payback, contingent compensation, payment obligation and etc. of the Target Company which arose on or before the Reference Date due to taxation, labour disputes, payment of social security and provident fund and etc. Items (2) to (5) above do not include any amount of estimated liabilities which have been accrued in the Target Company’s audit report as of the Reference Date
“CRC”	China Resources Company Limited* (中國華潤有限公司), a company incorporated in the PRC with limited liability, and the ultimate holding company of the Company
“CRH Beer”	CRH (Beer) Limited, a company incorporated in the British Virgin Islands with limited liability and a controlling Shareholder (as defined under the Listing Rules) holding more than 50% of the total issued share capital of the Company as at the date of this announcement
“CRWH”	China Resources Wine Holdings Limited* (華潤酒業控股有限公司), a company incorporated with limited liability in the PRC and an indirect wholly-owned subsidiary of the Company
“Director(s)”	the directors of the Company
“Enlarged Group”	the Group after the Capital Increase Completion and the Share Purchase Completion

“Existing Shareholders”	the existing shareholders of the Target Company immediately before the Agreements were entered into, i.e. Yichang Caiyuan and Hubei Yihua
“Group”	the Company and its subsidiaries
“HKFRS”	Hong Kong Financial Reporting Standards
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hubei Yihua”	Hubei Yihua Group Co., Ltd.* (湖北宜化集團有限責任公司), a company incorporated with limited liability in the PRC, one of the Existing Shareholders and the holding company holding the entire equity interest of both Yichang Caiyuan and Yichang Investment
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Parties”	collectively, the parties to the Agreements, comprising CRWH, the Existing Shareholders, Yichang Investment and the Target Company
“Reference Date”	31 October 2021
“RMB”	Renminbi, the lawful currency of the PRC
“SAMR”	the State Administration for Market Regulation of the PRC
“SASAC”	the State-owned Assets Supervision and Administration Commission of the State Council of the PRC
“Share(s)”	share(s) of the Company with no par value
“Share Purchase”	the transaction contemplated under the Share Purchase Agreement
“Share Purchase Agreement”	the share purchase agreement dated 25 October 2022 entered into among the Parties in relation to the acquisition of an aggregate of 50.58% of the total equity interest of the Target Company (upon the Capital Increase Completion) by CRWH from the Existing Shareholders
“Share Purchase Completion”	the completion of the Share Purchase pursuant to the terms and conditions of the Share Purchase Agreement
“Shareholder(s)”	registered holder(s) of the issued Share(s)
“Shareholders Agreement”	the shareholders agreement entered into among the Parties, in relation to the rights and obligations among the parties as shareholders of the Target Company

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“Target Company”	Guizhou Jinsha Jiaojiu Winery Industry Co., Ltd.* (貴州金沙窖酒酒業有限公司), a company incorporated with limited liability in the PRC
“Target Group”	the Target Company, together with its subsidiaries
“Transition Period”	during the period commencing from Reference Date until the date of the Share Purchase Completion
“working day”	the statutory working days in the PRC
“Yichang Caiyuan”	Yichang Caiyuan Investment Management Co., Ltd.* (宜昌財源投資管理有限公司), a company incorporated with limited liability in the PRC, one of the Existing Shareholders and a direct wholly-owned subsidiary of Yichang Investment, which in turn is directly wholly-owned by Hubei Yihua
“Yichang Investment”	Yichang Yihua Investment Management Co., Ltd.* (宜昌宜化投資管理有限公司), a company incorporated with limited liability in the PRC
“%”	per cent.

By Order of the Board
China Resources Beer (Holdings) Company Limited
HOU Xiaohai
Executive Director and Chief Executive Officer

Hong Kong, 25 October 2022

As at the date of this announcement, the Executive Directors of the Company are Mr. Hou Xiaohai (Chief Executive Officer) and Mr. Wei Qiang (Chief Financial Officer). The Non-executive Directors are Mr. Lai Ni Hium, Frank, Mr. Richard Raymond Weissend, Ms. Zhang Kaiyu, and Mr. Tang Liqing. The Independent Non-executive Directors are Mr. Houang Tai Ninh, Dr. Li Ka Cheung, Eric, Mr. Lai Hin Wing Henry Stephen, Mr. Bernard Charnwut Chan and Mr. Siu Kwing Chue, Gordon.