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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 (HKD counter) and 80291 (RMB counter))

CONTINUING CONNECTED TRANSACTIONS RAW GRAINS SUPPLY FRAMEWORK AGREEMENT

The Board is pleased to announce that on 29 January 2024 (after trading hours), CRWH, an indirect wholly-owned subsidiary of the Company, entered into the Raw Grains Supply Framework Agreement with CRNF Investment, pursuant to which CRNF Investment has agreed to supply raw grains and other supporting services such as packaging, logistics and storage services (through itself or its subsidiaries) for the production of baijiu products to CRWH Group for a term of three years commencing from 1 January 2024 to 31 December 2026. Further, CRWH has also agreed to provide the Supporting Services to CRNF Investment Group during the term of the Raw Grains Supply Framework Agreement.

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

CRH is a company incorporated in Hong Kong with limited liability and its holding company and ultimate beneficial owner is CRC.

CRNF Investment is an indirect wholly-owned subsidiary of CRH and hence an associate of CRH. CRNF Investment is therefore a connected person of the Company. Accordingly, the Raw Grains Supply Framework Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under the Listing Rules.

As one or more applicable percentage ratios (as defined under the Listing Rules) in respect of the highest proposed annual cap for the transactions contemplated under the Raw Grains Supply Framework Agreement exceed 0.1% but are below 5%, the continuing connected transactions contemplated under the Raw Grains Supply Framework Agreement are only subject to the reporting, announcement and annual review requirements but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules. With respect to the provision of the Supporting Services by CRWH to CRNF Investment Group under the Raw Grains Supply Framework Agreement, as all the percentage ratios (as defined under the Listing Rules) applicable thereto are less than 0.1%, such transaction is fully exempt from the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

INTRODUCTION

The Board is pleased to announce that on 29 January 2024 (after trading hours), CRWH, an indirect wholly-owned subsidiary of the Company, entered into the Raw Grains Supply Framework Agreement with CRNF Investment, pursuant to which CRNF Investment has agreed to supply raw grains and other supporting services such as packaging, logistics and storage services (through itself or its subsidiaries) for the production of baijiu products to CRWH Group for a term of three years commencing from 1 January 2024 to 31 December 2026. Further, CRWH has also agreed to provide the Supporting Services to CRNF Investment Group during the term of the Raw Grains Supply Framework Agreement.

THE RAW GRAINS SUPPLY FRAMEWORK AGREEMENT

The following sets out the principal terms of the Raw Grains Supply Framework Agreement:

Date: 29 January 2024 (after trading hours)

Parties: – CRWH
– CRNF Investment

Subject: CRNF Investment has agreed to supply raw grains and related supporting services such as packaging, logistics and storage services (through itself or its subsidiaries) for the production of baijiu products to CRWH Group from time to time. The transactions shall be conducted on normal commercial terms or better and the terms, as a whole, shall be no less favorable than those terms offered to independent third party retailers and distributors in relation to the supply of raw grains and supporting services of similar nature and quality. Further, CRWH has agreed to provide certain supporting services to CRNF Investment Group, including but not limited to analysing, centralising and grouping the demand of raw grains for the production of different brands and types of baijiu, providing recommendation and assistance on the quality requirements of raw grains with respect to different brands and types of baijiu, coordinating business communication between parties and relevant quality inspection (the “**Supporting Services**”), according to the terms under the Raw Grains Supply Framework Agreement. The transactions in respect of the Supporting Services shall be conducted on normal commercial terms.

CRWH Group and CRNF Investment Group may, from time to time, enter into individual agreements which set forth the terms and conditions of the supply of raw grains, the specific scope of the related supporting services, the payment terms, etc., according to the terms stipulated in the Raw Grains Supply Framework Agreement.

Term: Three years commencing from 1 January 2024 to 31 December 2026, unless early terminated by the parties by no less than three months prior notice or otherwise in accordance with the terms of the Raw Grains Supply Framework Agreement.

Pricing policy and pricing terms: A project team (“**Project Team**”) comprising finance and procurement personnel from CRWH and CRNF Investment and other members will be jointly formed by the two companies for overseeing various matters, including the pricing policy under the Raw Grains Supply Framework Agreement. It will be primarily responsible for conducting cost assessments, and finalizing the profit-sharing model between the two companies. The Project Team will regularly devise procurement plans and strategies, which will encompass comprehensive market analysis, evaluation of supply-demand dynamics, and raw grains sourcing control. Moreover, it will determine the procurement prices, as well as setting the service fees for warehousing, logistics, and processing services. CRWH will determine the procurement price of the raw grains or services under the Raw Grains Supply Framework Agreement based on the cost evaluation by the Project Team. The Project Team will obtain fee quotes from at least two independent third parties for raw grains and other related supporting services of similar quality and quantity to the extent practicable when conducting the cost evaluation.

The Project Team will conduct market research and analysis, covering raw grains supply chains, the supply and demand of Supporting Services as well as actual operation conditions in domestic and overseas markets, on a regular basis to ensure that the fees which CRWH charges in respect of the Supporting Services are in line with the prevailing market prices. The maximum Supporting Services fee chargeable by CRWH from CRNF Investment Group shall not exceed 3% of the total procurement amount and related service fees chargeable by CRNF Investment Group from CRWH Group.

Historical transaction amount: Set out below are the historical transaction amounts for the procurement of raw grains received from CRNF Investment by the Group (inclusive of tax, where applicable):

For the year ended 31 December 2021	N/A
For the year ended 31 December 2022	N/A
For the year ended 31 December 2023	RMB26.3 million

There has been no historical amount incurred from 1 January 2024 to the date of this announcement in respect of transaction under the Raw Grains Supply Framework Agreement.

Proposed annual caps for the year ending 31 December
(Inclusive of tax)

	2024	2025	2026
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
Proposed annual caps for the supply of raw grains and other supporting services payable by CRWH Group to CRNF Investment Group:	200	400	600
Proposed annual caps for the provision of the Supporting Services payable by CRNF Investment Group to CRWH:	6	12	18

The proposed annual caps for the supply of raw grains and the provision of certain supporting services such as packaging, logistics and storage services from CRNF Investment Group to CRWH Group are determined after arm's length negotiations between the parties by reference to (i) the historical production level and reserve of baijiu products; (ii) the anticipated annual increases in cost of raw grains of the baijiu products; and (iii) an estimated market demand of raw grains and baijiu products. The proposed annual caps for the provision of the Supporting Services payable by CRNF Investment Group to CRWH under the Raw Grains Supply Framework Agreement are determined after arm's length negotiations between the parties by reference to a maximum of 3% of the total procurement amount and related service fees chargeable by CRNF Investment Group from CRWH Group.

INTERNAL CONTROL AND CORPORATE GOVERNANCE MEASURES

The Group has adopted the following internal control procedures to protect Shareholders' interests and to ensure that the transactions contemplated under the Raw Grains Supply Framework Agreement are in conformity with the terms of the said agreement and the pricing policy of the Group:

- (a) CRWH will determine the procurement price of the related products or services based on the cost evaluation by the Project Team. In respect of raw grains, it will carry out comprehensive market analysis for determining the optimal market price to purchase in bulk. If the market situation remains uncertain, a precautionary approach will be adopted, such as a small-batch purchase only to fulfill immediate production requirements. In respect of the Supporting Services, the Project Team will conduct market research and analysis on a regular basis to ensure that the fees which CRWH charges are in line with the prevailing market prices.
- (b) The relevant operation department of CRWH will monitor the continuing connected transactions of the Company and report to the Audit Committee of the Company regularly. It will also ensure that the transactions are entered into: (i) in accordance with the terms of the Raw Grains Supply Framework Agreement; (ii) in the ordinary and usual course of business of the Group; and (iii) on normal commercial terms or better, or on terms no less favourable to the Group than terms available to or from independent third parties.
- (c) The abovementioned department will report to the management of the Company regularly. The management is responsible for the supervision of such department in order to ensure all relevant procedures have been in compliance with the corresponding internal control and corporate governance measures.
- (d) The Company's auditors will conduct an annual review on the annual caps of the transactions contemplated under the Raw Grains Supply Framework Agreements.
- (e) The independent non-executive Directors of the Company will conduct an annual review of the transactions under the Raw Grains Supply Framework Agreement, including whether they are based on the Raw Grains Supply Framework Agreement and the fairness of the Group's respect of the formulation and implementation of the above pricing basis each year.
- (f) The Board will review and examine internal control procedures for the continuing connected transactions each year.

In the event that the transaction amounts contemplated under the Raw Grains Supply Framework Agreement are expected to reach the annual caps, the relevant departments will follow up forthwith by reporting to the management of the Company, which will notify the administrative department to cease supplying further orders with CRNF Investment if it considers appropriate. If an amendment to the annual caps is required, the management of the Company will report particulars to the Board and hold a Board meeting for considering the matters thereabout to ensure compliance with the requirements under the Listing Rules.

RELATIONSHIP BETWEEN THE PARTIES

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

CRH is a company incorporated in Hong Kong with limited liability and its holding company and ultimate beneficial owner is CRC.

CRNF Investment is an indirect wholly-owned subsidiary of CRH and hence an associate of CRH. CRNF Investment is therefore a connected person of the Company. Accordingly, the Raw Grains Supply Framework Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under the Listing Rules.

GENERAL

Information of the Group and CRWH

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 the manufacture, sales and distribution of beer products. CRC is a company established in the PRC with limited liability and is a state-owned enterprise under the supervision of SASAC. It is the holding company of CRH, and is a conglomerate which holds a variety of businesses in the PRC and Hong Kong, including but not limited to consumer products, integrated energy, urban construction and operation, healthcare, industrial finance, technology and emerging sectors.

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 CRNF Investment

CRNF Investment is a company incorporated in the PRC with limited liability and is an indirect subsidiary of CRH. CRNF Investment is an integrated food group containing food research and development, production, processing, wholesale, retail, transportation, and international trade, mainly engaged in grains and other products and represents various high-quality products as an agent in domestic and foreign markets.

Reasons for and benefits of entering into the Raw Grains Supply Framework Agreement

The Directors believe that by entering into the Raw Grains Supply Framework Agreement, the Group will be able to secure a stable supply of quality raw grains from a reputable supplier. It will also benefit from sourcing the raw grains in bulk for the production of baijiu, thereby minimizing its procurement costs to achieve a win-win situation for both companies. Further, the Group will be able to streamline its procurement processes and optimize the logistics models by leveraging CRNF Investment's industry-leading procurement, warehousing and logistics capabilities, which include implementation of stringent control on raw grains sourcing, ongoing monitoring on the storage of raw grains at the origin and transit warehouses by warehouse managers and quality inspectors, processing services by experienced personnel, and efficient transportation services. The

Group can also explore the possibility of collaborating with CRNF Investment in other areas such as cultivating raw grains on designated farm and obtaining organic certifications in respect of its cultivating process in the future.

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

Listing Rules implications

As one or more applicable percentage ratios (as defined under the Listing Rules) in respect of the highest proposed annual cap for the transactions contemplated under the Raw Grains Supply Framework Agreement exceed 0.1% but are below 5%, the continuing connected transactions contemplated under the Raw Grains Supply Framework Agreement are only subject to the reporting, announcement and annual review requirements but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules. With respect to the provision of the Supporting Services by CRWH to CRNF Investment Group under the Raw Grains Supply Framework Agreement, as all the percentage ratios (as defined under the Listing Rules) applicable thereto are less than 0.1%, such transaction is fully exempt from the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

None of the Directors (including the independent non-executive Directors) has any material interest in the transactions under the Raw Grains Supply Framework Agreement. As such, no Director (including the independent non-executive Directors) was required to abstain from voting on the relevant board resolution for approving the Raw Grains Supply Framework Agreement and the proposed annual caps in relation thereto.

DEFINITIONS

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

“associate”	has the meaning ascribed to it under the Listing Rules
“Audit Committee”	the audit committee of the Company
“Board”	means the board of directors of the Company
“Company”	means China Resources Beer (Holdings) Company Limited, a company incorporated in Hong Kong with limited liability and the shares of which are listed on the Main Board of the Stock Exchange (Stock Codes: 291 (HKD counter) and 80291 (RMB counter))
“connected person”	has the meaning ascribed to it under the Listing Rules

“continuing connected transactions”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“CRC”	means China Resources Company Limited* (中國華潤有限公司), a company established in the PRC with limited liability and a state-owned enterprise under the supervision of SASAC, is the ultimate holding company of the Company
“CRH”	means China Resources (Holdings) Company Limited (華潤(集團)有限公司), a company incorporated in Hong Kong with limited liability and the intermediate holding company of the Company
“CRNF Investment”	means China Resources Ng Fung (China) Investment Limited* (華潤五豐(中國)投資有限公司), a company established with limited liability in the PRC and an indirect wholly-owned subsidiary of CRH
“CRNF Investment Group”	means CRNF Investment and its subsidiaries
“CRWH”	means China Resources Wine Holdings Co., Ltd.* (華潤酒業控股有限公司), a company established with limited liability in the PRC and an indirect wholly-owned subsidiary of the Company
“CRWH Group”	means CRWH and its subsidiaries
“Director(s)”	means the director(s) of the Company
“Group”	means the Company and its subsidiaries
“Hong Kong”	means the Hong Kong Special Administrative Region of the PRC
“independent third party(ies)”	party(ies) which is/are independent of the Group and the connected persons of the Company
“Listing Rules”	means the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	means the People’s Republic of China (excluding, for the purpose of this announcement, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan)
“Project Team”	has the meaning ascribed to it in the section headed “The Raw Grains Supply Framework Agreement – Pricing policy and pricing terms” of this announcement

“Raw Grains Supply Framework Agreement”	means the synergistic project on baijiu and raw grains supply chain framework agreement (白酒原糧供應鏈協同專案框架合作協議) relating to the supply of raw grains and supporting services such as packaging, logistics and storage services for the production of baijiu dated 29 January 2024 entered into between CRWH and CRNF Investment
“RMB”	means Renminbi, the lawful currency of the PRC
“SASAC”	means the State-owned Assets Supervision and Administration Commission of the State Council of the PRC
“Share(s)”	means ordinary share(s) in the capital of the Company
“Shareholder(s)”	means the holder(s) of the Shares
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed thereto under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
“Supporting Services”	has the meaning ascribed to under the section headed “The Raw Grains Supply Framework Agreement – Subject” of this announcement
“%”	means per cent

* *For identification purposes only*

By order of the Board
China Resources Beer (Holdings) Company Limited
Hou Xiaohai
Executive Director and Chairman

Hong Kong, 29 January 2024

As at the date of this announcement, the Executive Directors of the Company are Mr. Hou Xiaohai (Chairman), Mr. Zhao Chunwu (President) and Mr. Zhao Wei (Chief Financial Officer). The Non-executive Directors are Mr. Daniel Robinson, Ms. Zhang Kaiyu, Mr. Tang Liqing and Ms. Guo Wei. 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.