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**華潤啤酒(控股)有限公司**

**China Resources Beer (Holdings) Company Limited**

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 291)**

## **CONTINUING CONNECTED TRANSACTIONS**

### **LEASING FRAMEWORK AGREEMENT**

The CRH Group has been leasing various premises, which mainly comprise of offices, to the Group. The Existing Leases were previously de minimis continuing connected transactions of the Company. As the number of premises to be leased by the Group and the total amount of rent payable under the Existing Leases are expected to increase, the Company entered into the Framework Agreement on 19 August 2020 with CRH to govern the Leases for a period from 1 January 2020 to 31 December 2022.

CRH is the intermediate holding company of the Company and thus a connected person of the Company. Accordingly, the Leases constitute continuing connected transactions of the Company 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 highest of the proposed annual caps are more than 0.1% but less than 5%, the Framework Agreement is subject to the annual reporting and announcement requirements but is exempt from the independent shareholders' approval requirement pursuant to Rule 14A.76(2) of the Listing Rules.

## **BACKGROUND**

The CRH Group has been leasing various premises, which mainly comprise of offices, to the Group. The Existing Leases were previously de minimis continuing connected transactions of the Company. As the number of premises to be leased by the Group and the total amount of rent payable under the Existing Leases are expected to increase, the Company entered into the Framework Agreement on 19 August 2020 with CRH to govern the Leases for a period from 1 January 2020 to 31 December 2022.

## **THE FRAMEWORK AGREEMENT**

Date	:	19 August 2020
Parties	:	CRH and the Company
Term	:	The term is deemed to have commenced from 1 January 2020 to 31 December 2022
Premises to be leased	:	The CRH Group (as landlord) may, from time to time, lease premises in the PRC and Hong Kong, predominantly offices, to the Group (as tenant) for its daily operations.  The CRH Group and the Group shall enter into individual lease agreements in respect of each of the Leases in accordance with the terms of the Framework Agreement, the Listing Rules and applicable laws.
Pricing policy	:	The Group shall determine the rent payable for each of the Leases after arm's length negotiations with the CRH Group based on normal commercial principles with reference to market rent and other factors such as floor area, location and the type of premises being leased.

To ensure the rent payable under each of the Leases does not exceed the rent payable by or to be charged by independent third parties in respect of the same or similar premises, management of the Company will follow the below procedures before entering into the Leases:

- (i) search for actual rental transactions of the same premises, premises in the same building and premises in neighboring area (where such transactions are not available, refer to real estate industry publications describing price trends in the relevant areas);
- (ii) compare the said market rent (or price trends where applicable) with the rent payable under the Leases; and
- (iii) in cases where the rent payable under the Leases is higher than the said market rent (or price trends where applicable), request the relevant CRH Group party to reduce the rent payable to the extent of such difference.

Existing Leases : The terms of the Framework Agreement also apply to the Existing Leases. In case of inconsistency, terms of the Framework Agreement prevail.

### Historical Transaction Amounts

The table below shows the historical rent amount (rounded to the nearest million RMB) paid by the Group to the CRH Group for the three years ended 31 December 2019 under the Existing Leases and the total value of right-of-use assets related to the Existing Leases entered into in the year ended 31 December 2019:

	Year ended 31 December 2017 RMB	Year ended 31 December 2018 RMB	Year ended 31 December 2019 RMB
Rent amount	24,000,000	25,000,000	27,000,000
Value of right-of-use assets	—	—	less than 1 million

## Proposed Annual Caps

The table below shows the proposed annual caps for the total value of right-of-use assets related to the Leases which has been or to be entered into in the three years ending 31 December 2022:

	<b>Year ending 31 December 2020 RMB</b>	<b>Year ending 31 December 2021 RMB</b>	<b>Year ending 31 December 2022 RMB</b>
Annual cap	121,000,000	94,000,000	94,000,000

According to the accounting standard HKFRS 16, the Group is required to recognize a right-of-use asset and a lease liability. The right-of-use assets should be initially measured at cost and should be amortised on a straight line basis using the shorter of the useful life of the right-of-use asset and the lease term. Lease liability should be initially measured at the present value of the lease payables that are not paid as at commencement day of the lease term, discounted using the lessees' incremental borrowing rate. As a result, the Group is required to set annual caps on the total value of right-of-use assets related to the Leases entered into in each year under the Framework Agreement.

The proposed annual caps represent the total value of right-of-use assets related to the Leases which has been or to be entered into by the Group in each year under the Framework Agreement and are determined by reference to (i) the weighted average lessees' incremental borrowing rate applied to the lease liabilities; (ii) the expected rental of leased properties payable to the CRH Group by the Group during the term of the Framework Agreement; (iii) the expected rental level of retail premises and offices in the PRC and Hong Kong in the real property market; and (iv) provision of buffer for an unexpected increase in the demand for the leasing of CRH Group's properties and the level of rental of retail premises and offices in the PRC and Hong Kong in the real property market.

## **REASONS FOR ENTERING INTO THE FRAMEWORK AGREEMENT**

The CRH Group, together with its fellow subsidiaries, has five business areas, including consumer products, healthcare, energy services, urban construction and operation, technology and finance. Given its wide scope of business, the CRH Group owns a significant amount of real properties including commercial and retail premises and offices in the PRC and Hong Kong.

To accommodate the business needs of the Group, the Company continuously and actively considers different means to control the Group's operating costs in order to maintain the Group's competitiveness. Due to the relationship between the Group and the CRH Group and the proximity of offices of the Group and the CRH Group, the Directors (including the independent non-executive Directors) considered that it would be commercially beneficial for the Company to enter into the Framework Agreement.

The Directors (including the independent non-executive Directors) considered that terms of the Framework Agreement and the transactions contemplated thereunder, including the proposed annual caps, are fair and reasonable; and the Framework Agreement and the transactions contemplated thereunder are on normal commercial terms or better, in the ordinary and usual course of business of the Group and in the interests of the Group and its shareholders as a whole. As none of the Directors has any material interest in the Framework Agreement and the transactions contemplated thereunder, no Directors were required to abstain from voting on the relevant Board resolutions passed.

## **INTERNAL CONTROL MEASURES**

In addition to compliance with the requirements on annual review by external auditors and independent non-executive Directors under the Listing Rules in respect of the Group's continuing connected transactions, the Company has set up relevant departments in charge of internal control and risk management to perform internal review and control over the continuing connected transactions of the Company, including reviewing contracts signed between the Company and connected persons, reviewing the performance of procedures prior to signing of contracts as well as the fulfilment of transactions thereunder, regularly inspecting the specific terms of the Company's transactions with connected persons and comparing it with the terms of the same type of transactions of the Company entered into with third parties who are not connected persons, to ensure that the pricing and other contract terms for the Group's continuing connected transactions are on normal commercial terms, fair and reasonable and in the interests of the Company and the Company's shareholders and that the continuing connected transactions are conducted as agreed in the contracts and in compliance with the laws and regulations.

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

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

## **INFORMATION ON THE PARTIES**

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

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

## **LISTING RULES IMPLICATIONS**

CRH is the intermediate holding company of the Company and thus a connected person of the Company. Accordingly, the Leases constitute continuing connected transactions of the Company 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 highest of the proposed annual caps are more than 0.1% but less than 5%, the Framework Agreement is subject to the annual reporting and announcement requirements but is exempt from the independent shareholders' approval requirement pursuant to Rule 14A.76(2) of the Listing Rules.

## DEFINITIONS

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

“associate”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of directors of the Company
“Company”	China Resources Beer (Holdings) Company Limited, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 291)
“connected person”	has the meaning ascribed to it under the Listing Rules
“continuing connected transactions”	has the meaning ascribed to it under the Listing Rules
“CRC”	China Resources Company Limited* (中國華潤有限公司), a company incorporated in PRC with limited liability
“CRH”	China Resources (Holdings) Company Limited, a company incorporated in Hong Kong with limited liability
“CRH Group”	CRH, its subsidiaries and its associates, excluding the Group
“Directors”	directors of the Company
“Existing Leases”	leases entered into between the Group and the CRH Group prior to the Framework Agreement, excluding those leases which had expired before 1 January 2020
“Framework Agreement”	the leasing framework agreement entered into between the Company and CRH on 19 August 2020
“Group”	the Company and its subsidiaries
“HKFRS 16”	Hong Kong Financial Reporting Standard 16 “Leases”, effective on 1 January 2019

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Leases”	leases which have been or to be entered into between the Group and the CRH Group under the Framework Agreement, including the Existing Leases
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Parties”	parties to the Framework Agreement
“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
“RMB”	Renminbi, lawful currency of the PRC
“SASAC”	the State-owned Assets Supervision and Administration Commission of the State Council of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent.

\* For identification purposes only

By Order of the Board  
**China Resources Beer (Holdings) Company Limited**  
**Lai Po Sing, Tomakin**

*Executive Director, Chief Financial Officer and Company Secretary*

Hong Kong, 19 August 2020

*As at the date of this announcement, the Executive Directors of the Company are Mr. Jian Yi, Mr. Hou Xiaohai (Chief Executive Officer) and Mr. Lai Po Sing, Tomakin (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.*