
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold all your shares in China Resources Beer (Holdings) Company Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser.

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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 AND RE-ELECTION OF RETIRING DIRECTOR AND NOTICE OF EXTRAORDINARY GENERAL MEETING

**Independent Financial Advisor to the Independent Board Committee and
the Independent Shareholders**



SOMERLEY CAPITAL LIMITED

A letter from the Board is set out on pages 7 to 31 of this circular and a letter from the Independent Board Committee is set out on pages 32 to 33 of this circular. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 34 to 65 of this circular.

The notice convening the Extraordinary General Meeting of China Resources Beer (Holdings) Company Limited to be held at Plaza 3-4, Lower lobby, Novotel Century Hong Kong, 238 Jaffe Road, Wanchai, Hong Kong on Monday, 29 March 2021 at 3:30p.m. is set out on pages EGM-1 to EGM-4 of this circular. Whether or not you are able to attend the meeting, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for holding the Extraordinary General Meeting. Completion of the proxy form and its return will not preclude you from attending and voting at the Extraordinary General Meeting if you so wish.

PRECAUTIONARY MEASURES FOR THE EXTRAORDINARY GENERAL MEETING

The Company will implement the following prevention and control measures at the EGM against the pandemic to protect the Shareholders or proxies from the risk of infection:

- compulsory body temperature check will be conducted for every Shareholder or proxy at the entrance of the venue and anyone with abnormal body temperature may be denied entry into the venue;
- every Shareholder or proxy is required to bring and wear surgical face masks during their attendance of the EGM;
- no distribution of corporate gifts and no refreshments will be served;
- Shareholders or proxies who attend the EGM need to maintain a safe and appropriate social distance;
- hand sanitizers will be provided to the Shareholders or proxies at the EGM venue to safeguard their health and safety;
- there will be no Q&A session during the EGM, Shareholders could choose to raise questions to the management in writing before the meeting; and
- other measures may be required by governmental bodies.

Any person who is in violation of the prevention and control measures or is under quarantine as required by the HKSAR Government may be denied entry into the venue. **The Company recommends Shareholders to exercise their voting rights by appointing the Chairman of the EGM as their proxy to vote on the relevant resolutions at the EGM as an alternative to attending the EGM in person.**

Hong Kong, 9 March 2021

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PRECAUTIONARY MEASURES FOR THE EXTRAORDINARY GENERAL MEETING

In view of the ongoing development of COVID-19 pandemic and recent requirements for prevention and control of its spread by the HKSAR Government, the Company recommends Shareholders to exercise their voting rights by appointing the Chairman of the EGM as their proxy to vote on the relevant resolutions at the EGM as an alternative to attending the EGM in person. Shareholders are reminded that physical attendance at the EGM is not necessary for the purpose of exercising the voting rights. Shareholders who choose to do so should take action as soon as possible to ensure the proxy instructions reach our share registrar not less than 48 hours before the time fixed for holding the EGM.

The Company will implement the following prevention and control measures at the EGM against the pandemic to protect the Shareholders or proxies from the risk of infection:

- compulsory body temperature check will be conducted for every Shareholder or proxy at the entrance of the venue and anyone with abnormal body temperature may be denied entry into the venue;
- every Shareholder or proxy is required to bring and wear surgical face masks during their attendance of the EGM;
- no distribution of corporate gifts and no refreshments will be served;
- Shareholders or proxies who attend the EGM need to maintain a safe and appropriate social distance;
- hand sanitizers will be provided to the Shareholders or proxies at the EGM venue to safeguard their health and safety;
- there will be no Q&A session during the EGM, Shareholders could choose to raise questions to the management in writing before the meeting; and
- other measures may be required by governmental bodies.

Any person who is in violation of the prevention and control measures or is under quarantine as required by the HKSAR Government may be denied entry into the venue.

The EGM is being held at Plaza 3-4, Lower lobby, Novotel Century Hong Kong, 238 Jaffe Road, Wanchai, Hong Kong. We understand that the hotel may refuse entry to the hotel by any person who fails the temperature check. Persons so refused entry to the hotel will not be able to attend the EGM.

As a precautionary safety measure, seating at the EGM will be arranged so as to reduce interaction between participants. As a result, there will be limited capacity for Shareholders to attend the EGM.

Shareholders are in any event asked (a) to consider carefully the risk of attending the EGM, which will be held in an enclosed environment; (b) to follow any requirements or guidelines of the HKSAR Government relating to COVID-19 in deciding whether or not to

PRECAUTIONARY MEASURES FOR THE EXTRAORDINARY GENERAL MEETING

attend the EGM; and (c) not to attend the EGM if they have contracted or are suspected to have contracted COVID-19 or have been in close contact with anybody who has contracted or is suspected to have contracted COVID-19.

Due to the constantly evolving COVID-19 situation in Hong Kong, the Company may be required to change the EGM arrangements at short notice. Shareholders should constantly visit our website at www.crbeer.com.hk for future announcement(s) and updates on the EGM arrangements.

If a Typhoon Signal No. 8 or above is hoisted, or a Black Rainstorm Warning Signal or “extreme conditions after super typhoons” announced by the HKSAR Government is/are in force on the EGM date, or in the event that the COVID-19 situation requires the EGM date to be changed, the EGM will be considered to be postponed or adjourned. The Company will post an announcement on the Company’s website (www.crbeer.com.hk) and the Stock Exchange’s website (www.hkexnews.hk) to notify Shareholders if there are any changes on the date, time and place of the EGM.

The EGM will be held as scheduled when an Amber or a Red Rainstorm Warning Signal is in force. Shareholders should decide on their own whether they would attend the EGM under bad weather conditions bearing in mind their own situations.

DEFINITIONS

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

“Agreements”	the JV Agreement, the Relocation Compensation Agreement and the Construction Agreement
“Articles of Association”	the articles of association of the Company (as amended from time to time)
“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 circular only, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (as amended from time to time)
“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

DEFINITIONS

“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, is an indirectly wholly-owned subsidiary of the Company
“Directors”	the directors of the Company
“Extraordinary General Meeting” or “EGM”	the extraordinary general meeting of the Company to be held at Plaza 3–4, Lower lobby, Novotel Century Hong Kong, 238 Jaffe Road, Wanchai, Hong Kong on Monday, 29 March 2021 at 3:30 p.m., notice of which is set out on pages EGM-1 to EGM-4 of this circular
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“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 circular, means shareholders other than CRC and its associates, which include CRH (Beer) Limited and Commontra Company Limited

DEFINITIONS

“JV”	Shenzhen Runxue Industrial Co., Ltd.* (深圳市潤雪實業有限公司), a company to be incorporated in 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
“Latest Practicable Date”	5 March 2021, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“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
“Property Valuer” or “PSA Surveyors”	PSA (HK) Surveyors Limited, an independent property valuer
“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
“Securities and Futures Ordinance” or “SFO”	the Securities and Futures Ordinance (Cap. 571 of the Laws Ordinance of Hong Kong) (as amended from time to time)

DEFINITIONS

“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
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers (as amended from time to time)
“Transactions”	the transactions contemplated as set out in sections headed “The JV Agreement”, “The Relocation Compensation Agreement” and “The Construction Agreement” in this circular
“Valuation Report”	the valuation report prepared by PSA Surveyors in relation to the market value of the Property
“%”	per cent.

* For identification purposes only



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)

Directors:

Executive Directors:

Mr. JIAN Yi

Mr. HOU Xiaohai (*Chief Executive Officer*)

Mr. LAI Po Sing (*Chief Financial Officer*)

Registered Office:

39th Floor,
China Resources Building,
26 Harbour Road,
Wanchai,
Hong Kong

Non-executive Directors:

Mr. LAI Ni Hium, Frank

Mr. Richard Raymond WEISSEND

Mr. TUEN-MUK Lai Shu

Independent Non-executive Directors:

Mr. HOUANG Tai Ninh

Dr. LI Ka Cheung, Eric

Dr. CHENG Mo Chi, Moses

Mr. Bernard Charnwut CHAN

Mr. SIU Kwing Chue, Gordon

Hong Kong, 9 March 2021

To the shareholders

Dear Sir or Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTIONS
AND
RE-ELECTION OF RETIRING DIRECTOR
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

A. DISCLOSEABLE AND CONNECTION TRANSACTIONS

INTRODUCTION

Reference is made to the announcement of the Company dated 22 January 2021 in relation to, among other things, the commercialization and development of the Land. 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

LETTER FROM THE BOARD

agreements with the wholly-owned subsidiaries of CR Land Group on 22 January 2021: (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.

The Agreements are not inter-conditional with each other and in the event where the JV could not be established, CR Snow Investment would have the liberty to cooperate with another third party to establish a joint venture for the Redevelopment.

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

The purpose of this circular is to provide with details of the Transactions and certain other information in accordance with the requirements of the Listing Rules.

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

LETTER FROM THE BOARD

- 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:

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

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.

LETTER FROM THE BOARD

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.).

LETTER FROM THE BOARD

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.

LETTER FROM THE BOARD

- (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 provided by the Company are determined based on the maximum additional funding needed by the JV. The maximum annual interests and guarantees 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

LETTER FROM THE BOARD

As the JV has not been established on 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 only be borne by the JV, while Shenzhen Runtou and CR Snow Investment are not required to bear such responsibilities in any circumstances. Both Shenzhen Runtou and CR Snow Investment, as the shareholders of the JV, have the obligation under the Relocation Compensation Agreement to procure the JV to enter into a new relocation compensation agreement upon its establishment. Saved for the abovementioned, both Shenzhen Runtou and CR Snow Investment do not have any other obligations under the Relocation Compensation Agreement.

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 circular. 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.

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In the event where the JV could not be established, CR Snow Investment would have the liberty to cooperate with another third party (such as renowned real estate developer(s) in the PRC) to establish a joint venture for the Redevelopment. Such joint venture being formed by CR Snow Investment (or CR Snow, as the case may be) and such third party will enter into a relocation compensation agreement with the terms and conditions set out herein upon the establishment of such joint venture, and the demolition is scheduled to be completed within one month upon the establishment of the JV.

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, 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;

LETTER FROM THE BOARD

- (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.

The estimated losses and costs to be incurred by CR Snow due to items (1) to (6) listed above would amount to approximately RMB184,000,000, of which (i) item (1) listed above amounts to approximately RMB127,400,000; (ii) the estimated losses to be incurred by CR Snow due to items (2) to (3) listed above would amount to approximately RMB14,000,000; (iii) the estimated costs incurred by CR Snow due to items (4) to (6) would amount to approximately RMB42,600,000.

Timeline of the relocation

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

- (1) Within seven (7) 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, 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.

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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 revenue to be generated from the saleable properties after the development of the JV Land, and is computed as the target sales amount of RMB15.775 billion multiplied by a pre-determined rate of 30.29% less the construction costs of public properties for the Redevelopment of the Snow Brewery Land and other miscellaneous costs.
- (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.

LETTER FROM THE BOARD

The abovementioned adjustment mechanism is determined to capture the upside and downside adjustments to the target sales amount of the Redevelopment. The thresholds of RMB15.933 billion and RMB15.617 billion are determined on the basis that the parties agreed that *de minimus* differences to the actual tax-included sales and target sales amount of RMB15.775 billion within the range of approximately 1% either upwards (i.e., RMB15.933 billion) or downwards (i.e., RMB15.617 billion) are considered as nominal differences for the purpose of the adjustment mechanism, and therefore no adjustments to the compensation shall be required if the difference is within this *de minimus* range.

With reference to paragraph (2) stated above, 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 applying the higher end of the estimated future value of properties for sale on the JV Land, with reference to the historical value (for example, the compound annual growth rate (CAGR) of Grade A office premises in Shenzhen from 2006 to 2020, which amounts to approximately 9%¹) 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) by taking into account the project planning of the Redevelopment, the positioning and benchmark of the Redevelopment as a complex of commercial, industrial and recreational development and the development plan of Baoan District.

The adjustment mechanism, in particular, the pre-determined rate of 30.29%, 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 Shenzhen², which is another industrial district in Shenzhen with information

¹ Source: research carried out by 深圳市戴德梁行土地房地產評估有限公司 (“DTZ”), a renowned international property valuer.

² The Company has referenced to the land modification projects of Longgang District in the past three years but there was only two comparable projects found, one of which was taken place last year whilst another one is currently ongoing.

LETTER FROM THE BOARD

available for comparable projects that is used for reference in the determination of pre-determined rate. The Company has made reference to two redevelopment projects in Baoan District and two redevelopment projects in Longgang District, and these projects are selected by the Company as comparables on the basis that (i) these are the relevant projects in the past three years; (ii) the land modification involved in these projects are similar to the Redevelopment (i.e., the lands involved in these projects have been upgraded for general industrial and emerging industrial uses); and (iii) these lands are located in the industrial districts in Shenzhen. The relocation compensation mechanism of the comparable projects is similar to the one determined in the Relocation Compensation Agreement, in which the pre-determined rate of relocation compensation provided under these comparable projects falls in a range of 30% to 40%. The Company has adopted the lower end to determine the pre-determined rate of 30.29% due to the following: (1) this was based on the arm's length negotiation between the parties to the Relocation Compensation Agreement; (2) the scale of the Redevelopment is larger than those comparable projects in terms of capital injected where the expected compensation to be received by the Company from the JV will be larger in absolute value, and therefore will not adopt the pre-determined rate at the higher end; (3) the difficulty of sale of properties for land with modified land use of general industrial and emerging industrial is relatively higher than the sale of residential properties or commercial properties, such difficulty is caused by the government's restrictions to the eligibility of purchasers of such properties erected on the land with modified land use of general industrial and emerging industrial whilst no such restriction has been imposed to purchasers of residential properties or commercial properties. In particular, a notice issued by the Shenzhen government on 19 January 2020 has imposed a restriction on the sales of such properties where such properties erected on the land with modified land use of general industrial and emerging industrial shall be limited to corporate entities only. This results in longer period to sell the properties erected on the JV Land which incurs higher operating costs to the JV. Therefore, a pre-determined rate at the lower end is adopted such that the compensation payable by the JV to the Company factors into the higher operating costs.

LETTER FROM THE BOARD

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:

$$\begin{array}{ccc} & & \text{the proportion of the} \\ & & \text{floor area of first phase} \\ & & \text{of properties delivered} \\ \text{Monetary} & & \\ \text{compensation amount} & \times & \text{(the portion of sales} \\ & & \text{achieved in the delivery} \\ & & \text{period and before) to} \\ & & \text{the total saleable floor} \\ & & \text{area of properties} \end{array}$$

- (2) The second installment will be paid in the 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:

$$\begin{array}{ccccc} & & \text{the cumulative} & & \\ & & \text{proportion of} & & \\ & & \text{floor area of} & & \\ \text{(Monetary} & & & & \text{the cumulative} \\ \text{compensation} & \times & \text{properties sold up} & - & \text{monetary} \\ \text{amount} & & \text{to such year to the} & & \text{compensation} \\ & & \text{total saleable floor} & & \text{amount paid} \\ & & \text{area of properties)} & & \end{array}$$

- (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.

LETTER FROM THE BOARD

The arrangement of deferred payment is adopted since the JV would only be able to pay the relocation compensation at the time of delivery of properties erected on the JV Land. The capital injection and any subsequent financial assistance to the JV provided by Shenzhen Runtou and CR Snow Investment serve as the capital of the JV to commence the Redevelopment and therefore only cash inflow could be generated by the JV at the time of completion of the Redevelopment and commencement to delivery of properties on the JV Land. Such arrangement of deferred payment is in line with the market practice in the event where (i) a joint venture will be established for the purpose of land redevelopment; (ii) properties for sale will be erected on the land subject to redevelopment; and (iii) the final amount of relocation compensation can be further adjusted after executing the relevant relocation compensation agreement.

With the reasons for the deferred payment arrangement and market practice of adopting deferred payment arrangement in the context of land redevelopment, the estimated profit to be generated after the completion of the Redevelopment, as well as the current status of cash flow of the Group, the Board considered such arrangement is fair and reasonable and in the interest of the Company and its shareholders as a whole.

**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.

LETTER FROM THE BOARD

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>		
	Year ended	Year ended	Six Months ended
	31 December	31 December	30 June
	2018	2019	2020
Net profits/(loss)			
before tax	19.638	(101.950)	(8.413)
Net profits/(loss)			
after tax	16.097	(79.501)	(8.826)

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

LETTER FROM THE BOARD

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.

LETTER FROM THE BOARD

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 work 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 – 2% of the Target Costs) × 5%
Target Costs

LETTER FROM THE BOARD

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, and further modified by considering the scale and complexity of construction, through the arrangements as follows: (i) setting a cap on the service fee to not exceed RMB100 million; and (ii) by placing the responsibility for the selection of professional parties for the construction and for budget control on CR Land Shenzhen, such that CR Land Shenzhen is incentivized to lower the actual cost of the construction of the Project in order to be awarded with additional monetary rewards (as described in the formulae above) in the case that the actual cost is less than the Target Costs, or to receive less service fee (as described above in the formulae above) in the case that the actual costs have exceeded the Target Costs, where such arrangements would economically benefit the Group as a whole. The adoption of 2% and 5% in the adjustment mechanism is referenced to the internal sensitivity analysis of the Group to strike a balance between budget control, project management and incentivising the project manager to provide quality services, and such indicators are widely used in previous construction projects provided by CR Land Group to the Group.

LETTER FROM THE BOARD

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 (5) 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:

Phase	Percentage of total service fees to be paid ^(Note 1)
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 ^(Note 2)	—
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) ^(Note 3)	3%

LETTER FROM THE BOARD

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 \times 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:

$$\frac{\text{The actual service fees based on the settlement of costs}}{\text{(the cumulative costs paid in Phases 1 to 9)}} - \text{quality guarantee}$$

(3) The payment made at Phase 11 is equity to the actual service fees based on the settlement of costs \times 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 AND BENEFITS OF ENTERING INTO THE TRANSACTIONS

After the completion of the Transactions contemplated under the Agreements, the Snow Brewery Land will be transformed as the new headquarters, 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

LETTER FROM THE BOARD

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 Directors (including 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.

To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, as at the date of this circular, 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 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.

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 beer 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 Latest Practicable Date, 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.

LETTER FROM THE BOARD

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.

LETTER FROM THE BOARD

APPROVAL BY INDEPENDENT SHAREHOLDERS

The Board has established the Independent Board Committee to consider and advise the Independent Shareholders on the terms of the Agreements, and has appointed the Independent Financial Adviser to advise the Independent Board Committee and Independent Shareholders in this connection. Their views have been set out in the sections headed “Letter from the Independent Board Committee” and “Letter from the Independent Financial Adviser”.

CRH (Beer) Limited and Commotra Company Limited directly hold approximately 51.67% and 0.24% of the Company respectively. In accordance with the Listing Rules, CRH (Beer) Limited which holds 1,676,338,664 Shares, representing approximately 51.67% of the total issued Shares) and Commotra Company Limited which holds 7,738,702 of the total issued Shares will abstain from voting on the ordinary resolutions to approve the Transactions at the Extraordinary General Meeting.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee comprising Mr. HOUANG Tai Ninh, Dr. LI Ka Cheung, Eric, Dr. CHENG Mo Chi, Moses, Mr. Bernard Charnwut CHAN and Mr. SIU Kwing Chue, Gordon, all being independent non-executive Directors, has been formed to give advice to the Independent Shareholders as to whether the Transactions are on normal commercial terms which are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole, taking into consideration of the advice to be given by the Independent Financial Adviser.

Somerley has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Transactions.

B. RE-ELECTION OF RETIRING DIRECTOR

As at the Latest Practicable Date, the Executive Directors of the Company are Mr. JIAN Yi, Mr. HOU Xiaohai and Mr. LAI Po Sing, Tomakin; the Non-executive Directors of the Company are Mr. LAI Ni Hium, Frank, Mr. Richard Raymond WEISSEND and Mr. TUEN-MUK Lai Shu; and 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.

Pursuant to Article 115 of the Articles of Association, Mr. Richard Raymond WEISSEND will retire from office at the Extraordinary General Meeting and, being eligible, will offer himself for re-election.

Details of the retiring Director proposed to be re-elected as the Extraordinary General Meeting are set out in Appendix II to this circular.

LETTER FROM THE BOARD

EXTRAORDINARY GENERAL MEETING

Set out on pages EGM-1 to EGM-4 of this circular is the notice convening the Extraordinary General Meeting.

At the Extraordinary General Meeting, resolutions in connection with the Transactions will be proposed to the Independent Shareholders. Any connected person, Shareholder and their respective associates with a material interest in the Transactions contemplated under the Agreements will be abstained from voting.

ACTION TO BE TAKEN

A form of proxy for use at the Extraordinary General Meeting is enclosed with this circular. Whether or not you are able to attend the meeting, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for holding the Extraordinary General Meeting. Completion of the form of proxy and its return will not preclude you from attending and voting at the Extraordinary General Meeting if you so wish.

VOTING BY WAY OF POLL

Pursuant to Rule 13.39(4) of the Listing Rules, all votes at the Extraordinary General Meeting will be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. The Company will announce the results of the poll in the manner prescribed under Rule 13.39(5) of the Listing Rules.

RECOMMENDATIONS

Your attention is drawn to the letter from the Independent Board Committee set out on pages 32 to 33 of this circular and the letter from Somerley to the Independent Board Committee and the Independent Shareholders set out on pages 34 to 65 of this circular in connection with the Transactions and the principal factors and reasons considered by Somerley in arriving at such advice.

The Independent Board Committee, having taken into account the advice of Somerley, considers that the Transactions are in the interest of the Company and the Shareholders as a whole. The Independent Board Committee is also of the view that the terms of the Agreements are on normal commercial terms and fair and reasonable so far as the Shareholders are concerned.

The Board (including the independent non-executive Directors) is of the view that the Transactions are on normal commercial terms which are fair and reasonable so far as the Independent Shareholders are concerned, are not in the ordinary and usual course of business of the Company, and are in the interest of the Group and the Shareholders as a whole.

LETTER FROM THE BOARD

Accordingly, the Board (including the independent non-executive Directors) also recommends the Independent Shareholders to vote in favour of the resolutions to approve the Agreements and the Transactions contemplated thereunder at the Extraordinary General Meeting as set out in the notice of Extraordinary General Meeting.

The Directors believe that the proposed re-election of Director is in all the best interest of the Company and the Shareholders. Accordingly, the Directors recommend that all Shareholders should vote in favour of the resolution to approve the proposed re-election of Director as set out in the notice of Extraordinary General Meeting.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendix to this circular.

Yours faithfully,
China Resources Beer (Holdings) Company Limited
JIAN Yi
Executive Director



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)

9 March 2021

To the Independent Shareholders

Dear Sir/Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTIONS
AND
RE-ELECTION OF RETIRING DIRECTOR
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

We refer to the circular of the Company dated 9 March 2021 (the “**Circular**”) of which this letter forms part. Unless the context otherwise requires, terms used in this letter shall have the same meanings given to them in the Circular.

We, being the Independent Board Committee, have been appointed by the Board and constituted for the purpose of considering and advising the Independent Shareholders in connection with the Transactions contemplated under the Agreements. Somerley has been appointed as the Independent Financial Adviser by the Board to advise the Independent Board Committee and the Independent Shareholders regarding the terms of the Transactions.

We wish to draw your attention to the letter from the Independent Financial Adviser as set out on pages 34 to 65 of the Circular. We have considered the terms and conditions of the Agreements and the Transactions contemplated thereunder, the advice of the Independent Financial Adviser and the other factors contained in the “Letter from the Board” as set out on pages 7 to 31 of the Circular.

RECOMMENDATION

Having considered the terms of the Agreements and taking into account the independent advice from Somerley, and in particular, the principal factors and reasons considered and opinion and recommendation as set out in its letter, we are of the opinion that the terms of the Agreements and the Transactions contemplated thereunder are not in the ordinary and usual course of business of the Company, and in the interests of the Company and the Shareholders as a whole. The Independent Board Committee is also of the view that the terms of the Agreements and the Transactions contemplated thereunder are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Accordingly, we recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the Extraordinary General Meeting to approve the Agreements and the Transactions contemplated thereunder.

Yours faithfully,
Independent Board Committee of
China Resources Beer (Holdings) Company Limited
Mr. HOUANG Tai Ninh
Dr. LI Ka Cheung, Eric
Dr. CHENG Mo Chi, Moses
Mr. Bernard Charnwut CHAN
Mr. SIU Kwing Chue, Gordon
Independent non-executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Set out below is the letter of advice from Somerley Capital Limited, the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Transactions, which has been prepared for the purpose of inclusion in this circular.



SOMERLEY CAPITAL LIMITED
20th Floor
China Building
29 Queen's Road Central
Hong Kong

9 March 2021

To: *The Independent Board Committee and the Independent Shareholders of China Resources Beer (Holdings) Company Limited*

Dear Sirs,

DISCLOSEABLE AND CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the transactions contemplated under (i) the JV Agreement; (ii) the Relocation Compensation Agreement; and (iii) the Construction Agreement. Details of the Transactions and the Agreements are set out in the circular issued by the Company to the Shareholders dated 9 March 2021 (the “**Circular**”), of which this letter forms part. Unless the context otherwise requires, capitalised terms used in this letter shall have the same meanings as those defined in the Circular.

On 22 January 2021, CR Snow Investment, a wholly-owned subsidiary of the Company, and Shenzhen Runtou, a wholly-owned subsidiary of CR Land, entered into the JV Agreement to form the JV. On the same date, CR Snow Investment (on behalf of the JV), CR Snow, a wholly-owned subsidiary of the Company, and Shenzhen Runtou (on behalf of the JV) entered into the Relocation Compensation Agreement. The JV will be responsible for (i) the demolition of the Buildings and relocation of the Land pursuant to the JV Agreement; and (ii) the application to Shenzhen Government together with CR Snow for land modification of the Land, comprising the upgrade of the Land for general industrial and emerging industrial uses, pursuant to the Relocation Compensation Agreement. After the Land has been upgraded, the JV will be granted with part of the Land (i.e., the JV Land) and CR Snow will be granted another part of the Land (i.e., the Snow Brewery Land). The JV will develop the JV Land as a complex consisting of offices, commercial properties (including residential properties), factories, recreational facilities, supermarkets, restaurants and bars etc., which will be subject to sales and leasing. CR Snow will retain the Snow Brewery Land as its headquarters, R&D centre, craft brewery and employees' dormitories of CR Snow, as well as the construction of a beer museum. In

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

addition, CR Snow on 22 January 2021 entered into the Construction Agreement with CR Land Shenzhen, a wholly-owned subsidiary of CR Land, which will be appointed as the project manager on behalf of CR Snow in relation to the construction and development of the Snow Brewery Land (excluding the craft brewery).

As at the date of the Agreements, Shenzhen Runtou and CR Land Shenzhen were wholly-owned subsidiaries of CR Land, and CRC was the controlling shareholder of both the Group and CR Land Group. As such, Shenzhen Runtou and CR Land Shenzhen are associates of a connected person of the Group under the Listing Rules, the entering into of the Agreements and the transactions contemplated thereunder constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.81 of the Listing Rules, the Transactions contemplated under the Agreements shall be aggregated given (i) the Agreements were entered into by the wholly-owned subsidiaries of the Company and the wholly-owned subsidiaries of CR Land; (ii) the Transactions were entered into within a 12-month period; and (iii) the Transactions involve the construction and development of the Land. As the applicable percentage ratios stipulated under Rule 14.07 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.

The Independent Board Committee, comprising all of 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, has been established to advise the Independent Shareholders in respect of the Transactions. We, Somerley, have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in the same regard.

During the past two years, we have not acted as an independent financial adviser to the Company. In addition, we are not associated with the Company, CR Snow, CR Snow Investment, CR Land, Shenzhen Runtou, CR Land Shenzhen or their respective core connected persons, close associates or associates (all as defined under the Listing Rules) and accordingly are considered eligible to give independent advice on the above matters. Apart from normal professional fees payable to us in connection with this and similar appointments, no arrangement exists whereby we will receive any fees or benefits from the Company, CR Snow, CR Snow Investment, CR Land, Shenzhen Runtou, CR Land Shenzhen or their respective core connected persons, close associates or associates in the last two years.

In formulating our opinion, we have reviewed, among other things, the JV Agreement, the Relocation Compensation Agreement, the Construction Agreement, the interim report of the Company for the six months ended 30 June 2020 (the **"2020 Interim Report"**), the annual reports of the Company for the years ended 31 December 2019 (the **"2019 Annual Report"**) and 31 December 2018, the valuation report on the JV Land (the **"Valuation Report"**) prepared by PSA Surveyors, an independent property valuer appointed by the

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Company, as set out in appendix I to the Circular and the information as set out in the Circular. We have discussed the business and future prospects of the Group as they may be affected by the Transactions with the management of the Group (the “**Management**”). We have also discussed the valuation methodology and basis and assumptions used in the Valuation Report with PSA Surveyors.

We have relied on the information and facts supplied, and the opinions expressed, by the Directors and the Management and have assumed that they are true, accurate and complete. We have also sought and received confirmation from the Directors that no material facts have been omitted from the information supplied and opinions expressed to us. We have no reason to believe that any material information has been withheld from us, or to doubt the truth or accuracy of the information provided. We have relied on such information and consider that the information we have received is sufficient for us to reach an informed view. We have not, however, conducted any independent investigation into the business and affairs of the Group or CR Land Group, nor have we carried out any independent verification of the information supplied.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation, we have taken into account the principal factors and reasons set out below.

1. Information of the Group

(a) Principal business activities of the Group

The Company is principally engaged in manufacture, sales and distribution of beer products. CR Snow Investment is principally engaged in investment and reinvestment in the beer industry. CR Snow is principally engaged in production and sales of beer products.

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(b) Financial performance of the Group

Set out below is a summary of the financial performance of the Group for the six months ended 30 June 2020 and 30 June 2019 and the years ended 31 December 2019 and 31 December 2018 as extracted from the 2020 Interim Report and the 2019 Annual Report respectively.

	For the six months ended 30 June		For the year ended 31 December	
	2020	2019	2019	2018
	(RMB million)	(RMB million)	(RMB million)	(RMB million)
Turnover	17,408	18,825	33,190	31,867
Cost of sales	(10,378)	(11,700)	(20,964)	(20,669)
Gross profit	7,030	7,125	12,226	11,198
Other income	554	396	1,017	993
Selling and distribution expenses	(2,927)	(2,906)	(5,925)	(5,570)
Administrative and other expenses	(1,823)	(1,944)	(5,046)	(5,041)
Finance costs	(3)	(22)	(70)	(48)
Profit before taxation	2,831	2,649	2,202	1,532
Taxation	(747)	(777)	(892)	(547)
Profit for the period/ year	<u>2,084</u>	<u>1,872</u>	<u>1,310</u>	<u>985</u>
Profit for the period/ year attributable to the Shareholders	<u>2,079</u>	<u>1,871</u>	<u>1,312</u>	<u>977</u>

The Group achieved a revenue of approximately RMB33,190 million for the year ended 31 December 2019, representing a growth of approximately 4.2% from that for the year ended 31 December 2018. The increase in revenue was mainly attributable to (i) the increase in beer sales volume which amounted to approximately 11.4 million kiloliters, representing a growth of approximately 1.3% compared with that for the year ended 31 December 2018; and (ii) the increase in average selling price for the year ended 31 December 2019 by approximately 2.8% from that for the year ended 31 December 2018. As such, gross profit margin of the Group also enhanced from approximately 35.1% for the year ended 31 December 2018 by approximately 1.7% to approximately 36.8% for the year ended 31 December 2019. For the year ended 31 December 2019, due to the acquisition of China operations of Heineken (“**Heineken China**”), selling and distribution expenses increased by approximately 6.4% to approximately RMB5,925 million for the year ended 31 December 2019. Overall, the Group recorded growths in net profit and profit attributable to the Shareholders for the year ended 31 December 2019 which amounted to approximately RMB1,310

million and approximately RMB1,312 million respectively, representing growths of approximately 33.0% and approximately 34.3% respectively from those for the year ended 31 December 2018.

However, the outbreak of COVID-19 pandemic in early 2020 in Mainland China had caused local governments to implement lockdown policies in various cities and a number of emergency prevention and control measures to reduce the risk of the pandemic spreading in the country. Such policies and measures were gradually lifted since the end of March 2020 when the pandemic situation in most areas in Mainland China started to ease. Inevitably, the beer market was severely affected during the first half of 2020 as a result of the pandemic. Consequently, the Group's revenue for the six months ended 30 June 2020 dropped to approximately RMB17,408 million or by approximately 7.5% as compared to that for the corresponding period in 2019 as evidenced by the decline of both the overall beer sales volume and the overall average selling price of the Group by approximately 5.3% and approximately 2.4% respectively during the period. Nevertheless, the promotion of the sales with returnable bottles and the decline in sales volume offset the rising cost of sales driven by further upgrade of product mix, resulting in the overall cost of sales declining by approximately 11.3% as compared with that for the corresponding period in 2019. As a result, the gross profit of the Group only decreased by approximately RMB95 million or approximately 1.3% for the six months ended 30 June 2020 as compared with that for the corresponding period in 2019. Also, gross profit margin of the Group enhanced from approximately 37.8% for the six months ended 30 June 2019 to approximately 40.4% for the six months ended 30 June 2020. Overall, the Group continued to record growths in net profit and profit attributable to the Shareholders for the six months ended 30 June 2020 which amounted to approximately RMB2,084 million and approximately RMB2,079 million respectively, representing growths of approximately 11.3% and 11.1% respectively from those for the corresponding period in 2019.

Furthermore, the Company announced on 22 January 2021 that the Group's profit attributable to the Shareholders for the year ended 31 December 2020 was expected to significantly increase by not less than 50% as compared with that for the year ended 31 December 2019. The increase was mainly attributable to (i) the decrease in compensation and settlement expenses related to capacity optimisation and organisational restructuring; and (ii) the increase in bottles usage income and profit on disposal of fixed assets in other income.

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(c) Financial position of the Group

Set out below is a summary of financial position of the Group as at 30 June 2020, 31 December 2019 and 31 December 2018 as extracted from the 2020 Interim Report and the 2019 Annual Report.

	As at 30 June 2020 <i>(RMB million)</i>	As at 31 December 2019 <i>(RMB million)</i> (Restated)	As at 31 December 2018 <i>(RMB million)</i>
Non-current assets			
Fixed assets and right-of-use assets	18,609	19,413	19,632
Goodwill	9,454	9,422	8,390
Deferred taxation assets	2,794	2,532	2,426
Other non-current assets	<u>512</u>	<u>506</u>	<u>373</u>
	31,369	31,873	30,821
Current assets			
Stocks	5,927	6,018	5,379
Cash and cash equivalents	8,597	2,340	1,858
Other current assets	<u>1,117</u>	<u>1,360</u>	<u>1,213</u>
	15,641	9,718	8,450
Current liabilities			
Trade and other payables	(22,005)	(19,061)	(17,637)
Other current liabilities	<u>(476)</u>	<u>(795)</u>	<u>(733)</u>
	(22,481)	(19,856)	(18,370)
Net current liabilities	(6,840)	(10,138)	(9,920)
Non-current liabilities			
Deferred taxation liabilities	(786)	(678)	(399)
Other non-current liabilities	<u>(2,070)</u>	<u>(1,330)</u>	<u>(1,592)</u>
	(2,856)	(2,008)	(1,991)
Equity			
Equity attributable to the Shareholders	21,612	19,670	18,848
Non-controlling interests	<u>61</u>	<u>57</u>	<u>62</u>
	<u>21,673</u>	<u>19,727</u>	<u>18,910</u>

The Group's assets primarily consists of fixed assets and right-of-use assets, goodwill, stocks and cash and cash equivalents, which amounted to approximately RMB18,609 million, RMB9,454 million, RMB5,927 million and RMB8,597 million as at 30 June 2020, accounting for approximately 39.6%, 20.1%, 12.6% and 18.3% of the Group's total assets respectively. Fixed assets and right-of-use assets comprised mainly building and interests in land, construction in progress, plant and machinery, leasehold improvements, furniture and equipment and motor vehicles for the Group's principal business activities. Goodwill mostly arose from acquisitions of businesses that are engaged in the manufacture, sales and distribution of beer products such as Heineken China in April 2019.

In addition, the Group's net current liabilities and trade and other payables amounted to approximately RMB6,840 million and approximately RMB22,005 million as at 30 June 2020 respectively. Trade and other payables accounted for approximately 86.8% of the Group's total liabilities as at 30 June 2020 and they primarily included, among other things, trade payables, receipt in advance on sales, liabilities on promotion and marketing expenses. As stated in the 2020 Interim Report, majority of these amounts would be offset by trade receivables or be realised through sale discounts in the future, and thus no significant net cash outflow was anticipated. Nonetheless, the Group maintained a net cash position as at the above reporting date, rendering the gearing ratio of the Group, being the consolidated net borrowings to total equity, not applicable. Taking into account the gearing ratio, historical and expected future cash flows from operations and unutilised available banking facilities of the Group, the Management expected the Group would have adequate resources to meet its liabilities and commitments as and when they fall due and to continue in operational existence for the foreseeable future.

The equity attributable to the Shareholders increased by approximately 9.9% from approximately RMB19,670 million as at 31 December 2019 to approximately RMB21,612 million as at 30 June 2020. The increase was mainly attributable to the net profit recorded for the first half of 2020.

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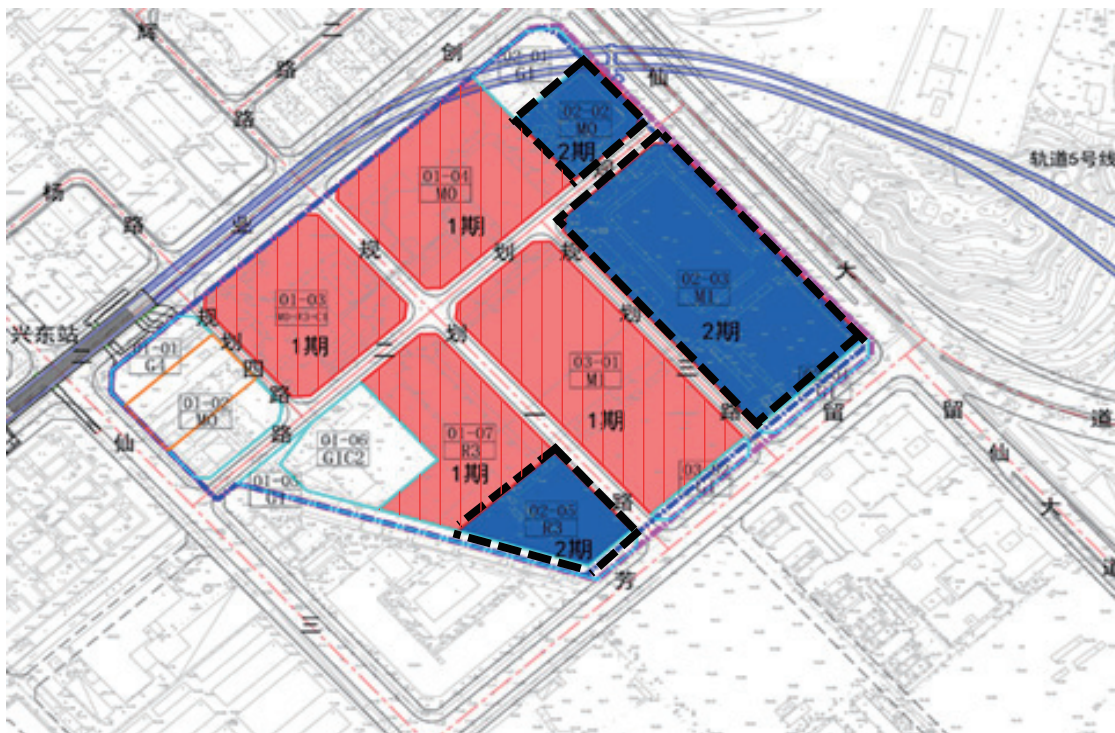
2. Information on the Land and the JV Land

The Land comprises 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. Amongst the aforesaid land parcels, four parcels of land (namely parcels 01-03, 01-04, 01-07 and 03-01 that are shaded in the map below) are referred herein to as the JV Land and the table below summarises the information of the properties to be developed on the JV Land:

Type of properties	Gross floor area (sq.m.)	Estimated year for sale/lease commencement
<i>Properties for sale</i>		
44-storey office building	82,520	2022
33-storey office building	42,532	2022
21-storey industrial properties	71,235	2024
21-storey industrial properties	142,470	2024
44-storey and 50-storey commercial properties for residential use	155,455	2022
<i>Properties for lease</i>		
Commercial properties	39,295	2025

The Land currently has a designated purpose of general industrial use. However, 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 modified to general industrial and emerging industrial uses, CR Snow will be granted part of the Land (i.e., the Snow Brewery Land, namely parcels 02-02, 02-03 and 02-05 that are outlined in dotted lines in the map below) as its headquarters, R&D centre, craft brewery and employees' dormitories of CR Snow, as well as the construction of the beer museum, while the JV will be granted with another part of the Land (i.e., the JV Land) as a complex consisting of offices, commercial properties (including properties for residential use), factories, recreational facilities, supermarkets, restaurants and bars etc., which will be subject to sales and leasing. We also understand from the Management that sales of the relevant properties for residential use shall be

limited to corporate entities due to restrictions imposed on this specific type of land use according to a notice issued by the Shenzhen government in 2020. The following map depicts the details of the Land, including the JV Land:



The appraised value of the JV Land as at 31 December 2020 provided by PSA Surveyors amounted to approximately RMB2,349.4 million (the “**Appraised Value**”). Please refer to the section headed “8. Valuation of the JV Land” in this letter for our assessment of the Appraised Value.

3. Industry overview

Shenzhen, being one of the special economic zones in China, has recorded continuous growth in the last decade. According to the Shenzhen Statistical Yearbook 2020 published by the Shenzhen Statistics Bureau (“SSB”) and NBS Survey Office in Shenzhen in 2020, Shenzhen’s gross domestic products (the “GDP”) increased from approximately RMB1,007 billion in 2010 to approximately RMB2,527 billion in 2018 with a compound annual growth rate (“CAGR”) of approximately 12.2%, and reached its historical highest GDP of approximately RMB2,693 billion in 2019, representing a further growth of approximately 6.6% from that of the previous year. The upward trending GDP indicates an overall burgeoning economy of Shenzhen. In addition, as set out in the table below, the permanent population of Shenzhen grew from approximately 10.4 million people in 2010 to approximately 13.4 million people in 2019 and the disposable income of urban residents per capita in Shenzhen surged from RMB32,381 in 2010 to RMB62,522 in 2019,

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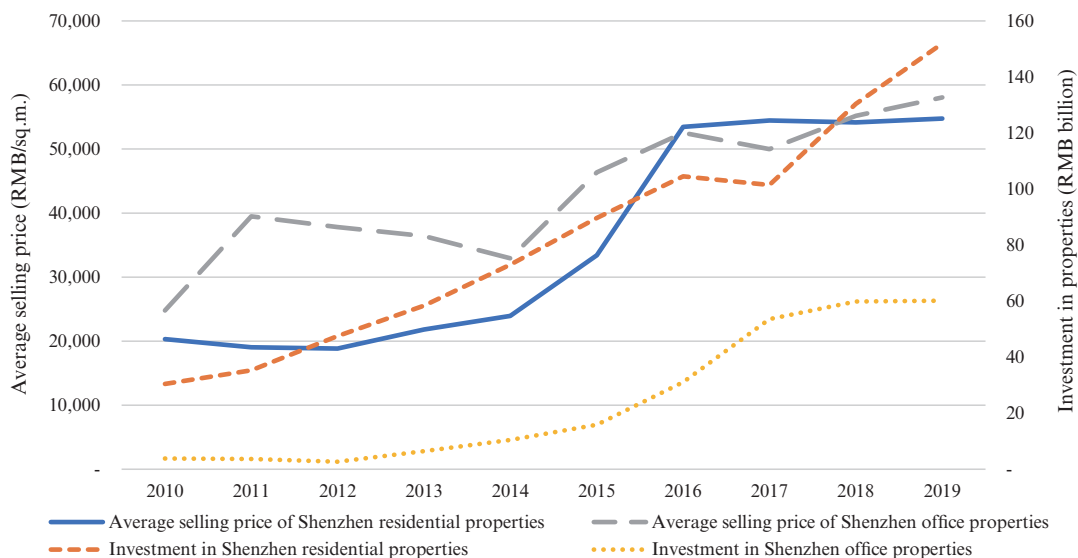
representing a CAGR of approximately 7.6%. The table below illustrates the changes in the GDP and disposable income of urban residents per capita of and permanent population in Shenzhen during the period from 2010 to 2019:

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
GDP										
<i>(RMB billion)</i>	1,007	1,192	1,350	1,523	1,680	1,844	2,069	2,328	2,527	2,693
Disposable income of urban residents per capital (RMB)	32,381	36,505	40,742	44,653	40,948	44,633	48,695	52,938	57,544	62,522
Permanent population (million)	10.37	10.47	10.55	10.63	10.78	11.38	11.91	12.53	13.03	13.44

Source: Shenzhen Statistical Yearbook 2020 published by SSB and NBS Survey Office in Shenzhen

In the residential and office property sectors, the Shenzhen market had demonstrated an upward trend generally during the last decade. Despite the temporary drop in the residential property market during period in 2010 to 2012 due to cooling measures on such market including property tax increase, limitation of loan-to-value ratio and purchase limit imposed by the local government, the average residential housing price had increased from approximately RMB20,297 per sq.m. in 2010 to approximately RMB54,741 per sq.m. in 2019, representing a CAGR of approximately 11.7%. For office properties, the average price increased from approximately RMB24,797 per sq.m. in 2010 to approximately RMB58,030 per sq.m. in 2019, representing a CAGR of approximately 9.9%. In general, driven by the positive sentiment, the investment in the Shenzhen residential and office property markets had increased in the last decade. For residential properties, the investment increased from approximately RMB30.5 billion in 2010 to approximately RMB151.9 billion in 2019, representing a CAGR of approximately 19.5%. For office properties, the investment increased from approximately RMB3.8 billion in 2010 to approximately RMB60.1 billion in 2019, representing a CAGR of approximately 35.9%. The following

charts depict the change in average selling prices of residential and office properties and the investments in residential and office properties in Shenzhen during the period from 2010 to 2019:



Source: Shenzhen Statistical Yearbook 2020 published by SSB and NBS Survey Office in Shenzhen

Overall, substantial growth of Shenzhen, in terms of key economic indicators and property market, was seen in the last decade. Continuing economic development in Shenzhen will be a key driving factor for the growth in demand for its property sector.

4. Reasons for and benefits of the Transactions

As stated in the letter from the Board contained in the Circular, after the completion of the Transactions contemplated under the Agreements, the Snow Brewery Land will be transformed to the new headquarters, 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 recognised 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 beverage, development of real estate etc., including the construction of 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 also expected that the Company will realise an after-tax gain of approximately RMB1.32 billion from the transfer of the JV Land.

CR Land Group is principally engaged in development of properties for sales, property investments and management, hotel operations and the provision of construction, decoration services and other property development related services in the PRC. It has been one of the leading property developers in the PRC with substantial experience in developing of various types of properties. CR Land Group recorded contracted sales of approximately RMB242.5 billion and contracted gross floor area of approximately of 13.2 million square meters for the year ended 31 December 2019 and CR Land had a market capitalisation of over HK\$200 billion at the end of 2020. Given the credentials of CR Land Group, it is logical for the Group to partner with CR Land Group for the redevelopment of the Land.

Moreover, as advised by the Management, we were given to understand that the current factories erected on the Land were closed in November 2019. As such, we concur with the Management that the Transactions shall provide an opportunity for the Company to put idle resources into use for generating additional revenue for the Group.

5. Principal terms of the JV Agreement

Set out below is a summary of the principal terms of the JV Agreement:

(a) Date

22 January 2021

(b) Parties

- (i) Shenzhen Runtou; and
- (ii) CR Snow Investment

(c) Place of incorporation and business scope of the JV

The JV will be established in the PRC and it 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.

(d) Registered capital

The total registered capital of the JV is RMB1.0 billion which will be contributed by Shenzhen Runtou and CR Snow Investment on an equal basis. 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.

(e) Board composition and others

The board of directors of the JV shall comprise four directors. Each of Shenzhen Runtou and CR Snow Investment is entitled to appoint two 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 general manager, one assistant general manager being responsible for matters related to beer brands, one chief financial officer and one deputy chief financial officer. Both the general manager and the deputy chief financial officer are nominated by the 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.

We noted from the JV Agreement that unanimous voting will be required for approval of resolutions to be proposed in future board meetings. In addition, key matters of the JV including the approvals of operating strategies and investment plans, profit distribution plan, etc. have to be approved unanimously by all shareholders of the JV. We are of the opinion that these measures will safeguard the interests of the Company and the Independent Shareholders.

(f) 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.

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 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.

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The existence of the conditions precedent above will secure CR Land Group to remain as a shareholder of the JV until a significant majority of the properties for sales in the JV Land is sold. Given the vast experience of CR Land Group in property development, investment and management in the PRC, it is considered that retaining CR Land Group as a shareholder of the JV will be beneficial to the JV and hence the Company. Separately, the pre-emptive clause as set out above is also considered a common and normal provision in joint venture in similar nature.

(g) Profit/loss sharing

The profits or 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.

(h) 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).

The estimated additional funding to be provided by the Company are determined based on the maximum additional funding needs of the JV. In view of the above, we have obtained and reviewed the cash flow forecast prepared by the Company for the Redevelopment and understood the basis for the estimation regarding the additional funding requirement of up to RMB4.0 billion.

As shareholder's loan(s), if required, could be made at the own discretion of the relevant shareholder (i.e. including CR Snow Investment) and the terms of such loan(s), if any, will then be determined under arm's length negotiation between the JV and such shareholder, this gives a flexibility to, but not an obligation of, CR Snow Investment to grant shareholder's loan(s), if any, to the JV when CR Snow Investment considers appropriate to do so.

The Agreements are not inter-conditional with each other and in the event where the JV could not be established, CR Snow Investment would have the liberty to cooperate with another third party to establish a joint venture for the Redevelopment.

Overall, we consider that the JV Agreement set out the terms, which regulate the rights and obligations of the parties to the JV, to ensure rights and obligations of the partners to the JV to be in proportion to their respective equity interests in the JV and the principal terms of the JV Agreement are similar to those of the agreements in similar nature. For details of the terms and conditions of the JV Agreement, please refer to the letter from the Board contained in the Circular.

6. Principal terms of the Relocation Compensation Agreement

Set out below is a summary of principal terms of the Relocation Compensation Agreement:

(a) Date

22 January 2021

(b) Parties

- (i) Shenzhen Runtou (on behalf of the JV);
- (ii) CR Snow Investment (on behalf of the JV); and
- (iii) 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 only be borne by the JV, while Shenzhen Runtou and CR Snow Investment would not be required to bear such responsibilities in any circumstances. Both Shenzhen Runtou and CR Snow Investments, as the

shareholders of the JV, have the obligation under the Relocation Compensation Agreement to procure the JV to enter into a new relocation compensation agreement upon its establishment. Save for the abovementioned, both Shenzhen Runtou and CR Snow Investment do not have any other obligations under the Relocation Compensation Agreement.

In the event where the JV could not be established, CR Snow Investment would have the liberty to cooperate with another third party (such as renowned real estate developer(s) in the PRC) to establish a joint venture for the Redevelopment. Such joint venture being formed by CR Snow Investment (or CR Snow, as the case may be) and such third party will enter into a relocation compensation agreement with the terms and conditions set out herein upon the establishment of such joint venture, and the demolition is scheduled to be completed within one month upon the establishment of the JV.

(c) 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, 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; and
- (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.

The estimated losses and costs to be incurred by CR Snow due to items (1) to (6) listed above would amount to approximately RMB184,000,000, of which (i) item (1) listed above amounts to approximately RMB127,400,000; (ii) the estimated losses to be incurred by CR Snow due to items (2) to (3) listed above would amount to approximately RMB14,000,000; and (iii) the estimated costs incurred by CR Snow due to items (4) to (6) would amount to approximately RMB42,600,000 (items (2) to (6) together, the “**Losses and Costs**”).

(d) Timeline of the relocation

Upon the JV demolishing the Buildings, CR Snow will entrust the JV to apply to Shenzhen government for de-registration of the JV Land and CR Snow will 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.

(e) Relocation compensation

The consideration to be paid by the JV to CR Snow (the “**Relocation Compensation**”) comprises the following:

- (1) The preliminary amount of compensation of RMB4.65 billion, which was determined after arm’s length negotiation with reference to the revenue to be generated from the saleable properties after the development of the JV Land, and is computed as the target sales amount of RMB15.775 billion multiplied by a pre-determined rate of 30.29% less the construction costs of public properties for the Redevelopment of the Snow Brewery Land and other miscellaneous costs.
- (2) If the final total tax-included sales of the Redevelopment exceed RMB15.933 billion (being 1% higher than the RMB15.775 billion as mentioned above), 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 (being 1% lower than the RMB15.775 billion as mentioned above), 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 the JV Land.

As stated in the letter from the Board contained in the Circular, the abovementioned adjustment mechanism is determined to capture the upside and downside adjustments to the target sales amount of the Redevelopment. The thresholds of RMB15.933 billion and RMB15.617 billion are determined on the basis that the parties agreed that de minimis differences to the actual tax-included sales and target sales amount of RMB15.775 billion within the range of approximately 1% either upwards (i.e., RMB15.933 billion) or downwards (i.e., RMB15.617 billion) are considered as nominal differences for the purpose of the adjustment mechanism, and therefore no adjustments to the compensation shall be required if the difference is within this de minimis range.

In view of the above, we have obtained a valuation consultation report on the Redevelopment prepared by 深圳市戴德梁行土地房地產評估有限公司 (“DTZ”), a renowned international property valuer, and a sensitivity analysis prepared by the Company (the “**Sensitivity Analysis**”) illustrating the estimated market value of the Redevelopment and the impact of the changes of the sales amount of the Redevelopment on the amount of the Relocation Compensation respectively. We note from the Sensitivity Analysis that the net present value (the “**NPV**”) of the Relocation Compensation is expected to be approximately RMB3,672 million in the base case scenario, which is higher than the sum of (i) the market value of the JV Land as at 31 December 2020 of approximately RMB2,349.4 million as appraised by PSA Surveyors; and (ii) the Losses and Costs of approximately RMB56.6 million. Overall, we consider the compensation mechanism to be fair and reasonable since the expected Relocation Compensation is higher than the aforesaid sum of the estimated market value of the JV Land and the Losses and Costs. Please refer to the sections headed “8. Valuation of the JV Land” and “9. Sensitivity analysis” in this letter for our detailed assessment.

The adjustment mechanism, in particular, the pre-determined rate of 30.29%, 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 determination of pre-determined rate. The Company has made reference to two redevelopment projects in Baoan District and two redevelopment projects in Longgang District, and these projects are selected by the Company as comparables on the basis that (i) these are the relevant projects in the past three years; (ii) the land modification involved in these projects are similar to the Redevelopment (i.e., the lands involved in these projects have been upgraded for general industrial and emerging industrial uses); and (iii) these lands are located in the industrial districts in Shenzhen. The relocation compensation mechanism of the comparable projects is similar to the one determined in the Relocation Compensation Agreement, in which the pre-determined rate of relocation compensation provided under these comparable projects falls within a range of 30% to 40%. The Company has adopted the lower end to determine the pre-determined rate of 30.29% due to the following: (i) this was based on the arm’s length negotiation between the parties to the Relocation Compensation Agreement; (ii) the scale of the Redevelopment is larger than those comparable projects in terms of capital injected

where the expected compensation to be received by the Company from the JV will be larger in absolute value, and therefore will not adopt the pre-determined rate at the higher end; and (iii) the difficulty of sale of properties for land with modified land use of general industrial and emerging industrial is relatively higher than the sale of residential properties or commercial properties, such difficulty is caused by the government's restrictions on the eligibility of purchasers of such properties (i.e. properties for residential use) erected on the land with modified land use of general industrial and emerging industrial whilst no such restriction has been imposed to purchasers of residential properties or commercial properties. In particular, a notice issued by the Shenzhen government on 19 January 2020 has imposed a restriction on the sales of such properties where such properties erected on the land with modified land use of general industrial and emerging industrial shall be limited to corporate entities only. This results in longer period to sell the properties erected on the JV Land which incurs higher operating costs to the JV. Therefore, a pre-determined rate at the lower end is adopted such that the compensation payable by the JV to the Company factors into the higher operating costs. Having considered the above, we concur with the view of the Management and the pre-determined rate of 30.29% is within range of that of the comparable projects, we are of view that the adoption of the pre-determined rate of 30.29% in the adjustment mechanism to be fair and reasonable.

In respect of the above adjustment mechanism, we understand that the Company has adopted the target sales amount of RMB15.775 billion as the reference amount for the adjustment of the Relocation Compensation. Based on our review of the report and work done of DTZ (further details are set out in the section headed "9. Sensitivity analysis" in this letter), we note that the target sales amount of RMB15.775 billion is generally in line with that appraised by DTZ. Also, we were also given to understand that the pre-determined rate of 30.29% in the adjustment mechanism was designed to resemble an approximate land cost proportion to a property development project, which is in line with that of the comparable property projects. In light of the above, we are of the view that the inclusion of the two aforesaid adjustment factors in the computation formula of the Relocation Compensation is relevant and reasonable for determining the Relocation Compensation.

(f) 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:

$$\text{Monetary compensation amount} \times \frac{\text{the proportion of the floor area of first phase of properties delivered (the portion of sales achieved in the delivery period and before) to the total saleable floor area of properties}}{1}$$

- (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:

$$\begin{array}{ccccc} \text{(Monetary compensation amount)} & \times & \frac{\text{the cumulative proportion of floor area of properties sold up to such year to the total saleable floor area of properties}}{1} & - & \text{the cumulative monetary compensation amount paid} \end{array}$$

- (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.

As stated in the letter from the Board contained in the Circular, the arrangement of deferred payment is adopted since the JV would only be able to pay the relocation compensation at the time of delivery of properties erected on the JV Land. The capital injection and any subsequent financial assistance to the JV provided by Shenzhen Runtou and CR Snow Investment serve as the capital of the JV to commence the Redevelopment and therefore only cash inflow could be generated by the JV at the time of completion of the Redevelopment and commencement to delivery of properties on the JV Land.

To better understand the projected cash flows of the Redevelopment and the JV, we have obtained and reviewed a cash flow forecast of the JV from the Company. The cash flow forecast of the JV was prepared after taking into account, among other things, the expected income from sales of the saleable properties and lease of the investment properties to be developed on the JV Land, the capital and operating expenditure including land cost (i.e. the Relocation Compensation), construction costs,

selling and financing costs and taxes. We are of the view that the aforesaid cash flow forecast was compiled based on reasonable basis and assumptions. We also note that the JV is expected to be able to start repaying the Relocation Compensation in May 2025 when the saleable properties are anticipated to be completed and delivered to the buyers commencing from 2024. In addition, we consider the terms of payment to be on normal commercial terms on the basis that the NPV of total sum of future installments of the Relocation Compensation anticipated to be paid by the JV shall be greater than the appraised value of the JV Land of approximately RMB2,349.4 million as at 31 December 2020. Based on our review on the aforesaid cash flow forecast and the rationale as stated above and, in particular, the NPV of the Relocation Compensation is expected to exceed the market value of the JV Land, we are of the view that it is acceptable to adopt the arrangement of deferred payment.

As the payment of the Relocation Compensation, which approximately equals to the amount of the proceeds from sales of the properties to be constructed on the JV Land, will be made shortly after the delivery of the sold properties, it is considered the payment of the Relocation Compensation to CR Snow will be secured as long as the relevant properties on the JV Land are sold and delivered.

(g) 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 approximately RMB180.0 million. 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 JV Land is part of the Property and it will be transferred to the JV in accordance with the Relocation Compensation Agreement.

For details of the terms and conditions of the Relocation Compensation Agreement, please refer to the letter from the Board contained in the Circular.

7. Principal terms of the Construction Agreement

Set out below is a summary of the principal terms of the Construction Agreement:

(a) Date

22 January 2021

(b) Parties

- (i) CR Land Shenzhen; and
- (ii) CR Snow

(c) Terms of construction services

From the date of execution of the Construction Agreement to two years after the receipt of certificate of completion of acceptance and delivery (whichever is later).

(d) 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.

(e) Service fees

3% of the total construction costs of the Project (the “**Service Fee Percentage**”).

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.

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The abovementioned service fees would be calculated with reference to all costs required to complete the overall work 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 are 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 are 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:

$$\begin{array}{ccccccc} \text{(Difference between} & & & & & & \\ \text{the actual costs and} & - & \text{2\% of the} & & \times & & \text{5\%} \\ \text{the Target Costs} & & \text{Target Costs)} & & & & \end{array}$$

In addition, in the event that the actual costs exceed the Target Costs due to the reason of CR Land Shenzhen, the additional costs will be fully borne by CR Land Shenzhen.

In connection with the above, we have obtained an opinion letter issued by Guozhonglian Construction Project Management Consultants Limited ("**Guozhonglian Consultants**"), an independent construction project consultant appointed by the Company and a fellow subsidiary of the PSA Surveyors, setting out their opinion on the Service Fee Percentage. We have reviewed and discussed with Guozhonglian Consultants and we were given to understand that the Service Fee Percentage is on normal commercial terms as the Service Fee Percentage is within the range of service fee percentages charged by other PRC construction companies in construction projects in similar size, and thus they considered the Service Fee Percentage fair and reasonable. In addition, we have also obtained and reviewed two project management agreements entered into between CR Land Shenzhen and independent third parties in relation to the service fees charged by CR Land Shenzhen of projects in similar nature in the period from 2019 to 2020. The service fees of these comparable projects were over 3% and therefore are higher than that of the Construction Agreement. Furthermore, we have obtained and reviewed the adjustment mechanism contained in two construction agreements for property projects entered into between CR Land Group and certain other Hong Kong listed group under CRC, and we note that the adjustment mechanism in the Construction Agreement is in generally no less favourable to the Group than that of the said two construction agreements. On the basis that the 3% service fee and the adjustment mechanism of the Construction Agreement are no less favourable than those of the comparable transactions, we

consider the terms for the Construction Agreement are fair and reasonable, in the interests of the Company and the Shareholders as a whole and no less favourable than the terms offered by independent third parties.

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, and further modified by considering the scale and complexity of construction, through the arrangements as follows: (i) setting a cap on the service fee to not exceed RMB100 million; and (ii) by placing the responsibility for the selection of professional parties for the construction and for budget control on CR Land Shenzhen, such that CR Land Shenzhen is incentivised to lower the actual cost of the construction of the Project in order to be awarded additional monetary rewards (as described in the formula above) in the case that the actual cost is less than the Target Costs, or to receive less service fee (as described above in the formula above) in the case that the actual costs have exceeded the Target Costs, where such arrangements would economically benefit the Group as a whole.

We have reviewed the adjustment mechanism above. As (i) the additional costs will be fully borne by CR Land Shenzhen if such additional costs are caused by CR Land Shenzhen; and (ii) the additional monetary reward will only be given to CR Land Shenzhen when there is saving in the construction costs, we are of the view that the adjustment mechanism is acceptable.

(f) Terms of payment

The service fees will be paid by CR Snow after completion of each phase of the Project.

For details of the terms and conditions of the Construction Agreement, please refer to the letter from the Board contained in the Circular.

8. Valuation of the JV Land

(a) Background of the valuation

PSA Surveyors was engaged by the Company to derive at an appraised value of the JV Land (the “**Valuation**”) as at 31 December 2020 (the “**Valuation Date**”). The valuation of the JV Land as appraised by PSA Surveyors as at the Valuation Date was approximately RMB2,349.4 million. Details of the Valuation are set out in the Valuation Report enclosed in appendix I to the Circular. The Valuation has been prepared in compliance with The HKIS Valuation Standards (2020 Edition) published by The Hong Kong Institute of Surveyors and the requirements set out in Chapter 5 and Practice Note 12 of the Listing Rules.

We have reviewed the Valuation Report and the relevant valuation workings of PSA Surveyors and interviewed the relevant staff of PSA Surveyors with particular attention to (i) PSA Surveyors' terms of engagement with the Company; (ii) PSA Surveyors' qualification and experience in relation to the preparation of the Valuation;

and (iii) the steps and due diligence measures taken by PSA Surveyors in performing the Valuation. From our review of the engagement letter between the Company and PSA Surveyors, we are satisfied that the terms of engagement between the Company and PSA Surveyors are appropriate to the opinion PSA Surveyors is required to give. PSA Surveyors has confirmed that it is independent from the Company, CR Snow, CR Snow Investment, CR Land, Shenzhen Runtou, CR Land Shenzhen and their respective core connected persons, close associates and associates. We further understand that PSA Surveyors is certified with the relevant professional qualifications required to perform the Valuation and the person-in-charge of the Valuation has over 25 years' experience in conducting valuation services to clients in the property industry. We note that PSA Surveyors mainly carried out its due diligence through on-site inspections, management interviews and conducted its own proprietary research and has relied on publicly available information obtained through its own research as well as the financial information provided by the Management.

(b) Valuation methodology

In arriving at its opinion of value of the JV Land, PSA Surveyors valued the JV Land by adopting the market approach and assumed the JV Land is for general industrial and emerging industrial uses and by making reference to comparable land sale transactions as available in the Shenzhen market. PSA Surveyors has also taken into account the estimated land premium and relocation compensation amount of approximately RMB2,137.4 million payable to the government and assigned no value to the properties currently erected on the JV Land, given that they are vacant and will be shortly demolished, to arrive at their opinion of value of the JV Land. Given the properties currently erected on the JV Land are no longer in use and will be demolished and the JV Land's land use will be modified to become general industrial and emerging industrial uses and there are sufficient number of market comparables identified, the valuation methodology is, in our opinion, a reasonable approach in establishing the open market value of the JV Land by comparing against transactions of comparable lands.

(c) Valuation basis and assumption

We note that the JV Land was valued on the basis that assuming all consents, approvals and licences from relevant government authorities for the land use modification to general industrial and emerging industrial uses have been obtained without onerous conditions or delays. In arriving at the appraised value of the JV Land, PSA Surveyors generally started the process by collecting and analysing recent transactions of market comparables located in the vicinity of the JV Land. In particular, PSA Surveyors selected market comparable transactions that (i) were located in the same district of Shenzhen or, if not available, nearby districts in Shenzhen; (ii) were conducted in around the past one and a half year; and (iii) had the same land usage of the JV Land. The selected market comparables were then adjusted to reflect the difference between the market comparables and the JV Land in terms of, among others, location, date of transaction and size. The appraised value of the JV Land was then derived from the adjusted average price per square metre multiplies by

the gross floor area of the respective intended usages of the JV Land and less the estimated land premium and relocation compensation amount payable to the government (both the land premium and relocation compensation amount were estimated based on prescribed formula set by the government).

We have reviewed PSA Surveyors' working paper and discussed with PSA Surveyors on their selection criteria (the "**PSA Selection Criteria**"), such as location, size and land use purpose, to identify the 12 market comparable lands and the adjustments made including purchase restriction, location, date of transaction, size and plot ratio. In our review of the Valuation working paper, we note their basis for adopting the PSA Selection Criteria and we consider the PSA Selection Criteria to be reasonable and relevant to the JV Land and the 12 market comparable lands identified fulfill the PSA Selection Criteria. Furthermore, we note that an average downward adjustment factor of approximately 16.5% was made to reflect the differences between the selected comparable lands and the JV Land. Overall, we are of the view the selection criteria of the comparable lands and the adjustments made by PSA Surveyors are reasonable, in line with our understanding of market practices and relevant for the purpose of establishing the appraised value of the JV Land. Lastly, we also understand that PSA Surveyors had performed cross-checking on the valuation by using residual method. We have obtained and reviewed their residual method working schedule and we note that the result is generally similar to that derived at by using market approach.

After taken into account the above, we consider that the valuation methodology, together with the basis and assumptions, of the Valuation adopted by PSA Surveyors as discussed above are reasonable and in line with market practices.

9. Sensitivity analysis

Pursuant to the Relocation Compensation Agreement, the Relocation Compensation payable by the JV to CR Snow comprises (i) the preliminary amount of compensation of RMB4.65 billion; and (ii) the amount to be added to or deducted from the aforesaid RMB4.65 billion in accordance to pre-determined formula that closely relates to the sales amount of saleable properties of the Redevelopment. The target sales amount of RMB15.775 billion is determined based on the estimated market value of the saleable properties to be erected on the JV Land and after taking into consideration the future planning and use of the JV Land.

In this regard, the Company engaged DTZ to prepare a valuation consultation report on the estimated sales value of the properties for sale and the estimated rental value of properties for lease of the Redevelopment. In arriving at its opinion, DTZ valued the Redevelopment by adopting market approach (except for the residential portion, in which weighted result from both income approach and market approach were adopted in order to factor into the differences arose from the changes in regulatory environment for the reasons set out below) in order to derive at an estimated value of the properties to be constructed on the JV Land. For the market approach, DTZ selected market comparables by taking into account, among others, location, building quality, development facilities and development scale (the "**DTZ Selection Criteria**"). The selected comparables were then adjusted to reflect

the differences between the comparables and the properties planned to be developed on the JV Land in terms of, among others, location and building condition. In addition, DTZ considered it appropriate to include income approach in the valuation of the residential portion since the market comparables identified under market approach were prior to the change in the property sector regulatory environment in 2020, but the rental yields of market comparables under income approach are recent information such that the income approach will provide complementary information for the purpose of the valuation. DTZ first identified the rental rates of market comparables in order to determine the rental rates of the developments on the JV Land. Then DTZ applied a discount rate to the rental for the remaining rental period and, lastly, deducted factors such as estimated vacant rates and related operating expenses from the estimated rental income. In view of the sufficient number of market comparables identified, the adoption of market approach and income approach is, in our opinion, a fair and reasonable approach in establishing an estimated open market value of properties to be constructed on the JV Land. We have reviewed DTZ's report and discussed with DTZ on the selection of the valuation methodologies, market comparables selection criteria to identify the 15 market comparables and the relevant adjustments applied including date of transaction, location, building condition and the existence of unified title. In our review, we note their basis for adopting the DTZ Selection Criteria and we consider the DTZ Selection Criteria to be reasonable and relevant to the types of property to be constructed on the JV Land and the 15 market comparables identified fulfil the DTZ Selection Criteria. Moreover, the adjustments made to the selected comparables are in line with our understanding of relevant market practices, which account for the differences between the selected comparables and the properties to be developed on the JV Land and we are of the view that the approach adopted to be fair and reasonable and relevant for the purpose of establishing the fair values of the various properties to be developed on the JV Land (the **"DTZ Appraised Value"**). We note that the DTZ Appraised Value is in line with the target sales amount of RMB15.775 billion as mentioned above and the total sales amount of the saleable properties on the JV Land in the base case scenario in the sensitivity analysis prepared by the Company as discussed below.

In order to illustrate the impact of the changes in the sales amount of the saleable properties and rental income of the investment properties of the Redevelopment on the amount of the Relocation Compensation and the profit or loss of the JV, we have obtained and reviewed a sensitivity analysis prepared by the Company factoring in the estimated sales proceeds and rental income to be received by the JV. The sensitivity analysis took into account, among others, net present value of expected sales proceeds and rental income, cost of the JV Land, estimated costs for the Redevelopment such as construction fees, project management fees, sales expenses and tax expenses. The aforesaid net present value was

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derived at by using a discount factor of 4.35%, being China's recent benchmark lending rate. Independent Shareholders are reminded that the sensitivity analysis involves estimates and assumptions and therefore it is for illustrative purpose only and the actual sales amount of the saleable properties of the Redevelopment or the actual performance of the JV may deviate from the estimates. Set out below are certain key results of the sensitivity analysis:

	Base case scenario <i>(RMB million)</i>	Negative 25% scenario <i>(RMB million)</i>
The Relocation Compensation (net present value)	3,672	2,697
Share of profits of the JV by CR Snow (net present value)	908	153
Less: initial capital contribution by CR Snow	<u>(500)</u>	<u>(500)</u>
Total	<u><u>4,080</u></u>	<u><u>2,350</u></u>

Note: The base case scenario assumes the total sales amount of the saleable properties to be developed on the JV Land will be RMB15.775 billion. The negative 25% scenario assumes the total sales amount of the saleable properties and rental income of the investment properties to be developed on the JV Land will be 25% less than the base case scenario and therefore the total sales amount of the saleable properties will be approximately RMB11.831 billion.

In the base case scenario of the sensitivity analysis, the net present value of the Relocation Compensation is expected to be approximately RMB3,672 million and the share of the JV's profits by CR Snow is expected to be approximately RMB908 million. In the event that the total sales amount of the saleable properties and rental income of the investment properties drop by approximately 25% from the base case scenario, the net present value of the Relocation Compensation is expected to reduce to approximately RMB2,697 million and the share of the JV's profits by CR Snow is expected to decrease to approximately RMB153 million. In such circumstances, the aggregate net amount receivable by the Group is expected to be approximately RMB2,350 million, being the sum of the Relocation Compensation of approximately RMB2,697 million and the share of the JV's profits of approximately RMB153 million and less the initial capital contribution made by CR Snow of RMB500 million, and it is very close to the Valuation of the JV Land of approximately RMB2,349.4 million.

While the actual total return of the Redevelopment may vary due to various factors including but not limited to the actual sales of the saleable properties to be developed on the JV Land, changes in property prices, construction costs or property market measures that may be implemented by the government, we note that the net present value of the Relocation Compensation in the base case scenario is expected to be approximately RMB3,672 million, which is higher than the market value of the JV Land as at 31 December 2020 of approximately RMB2,349.4 million as appraised by PSA Surveyors. We therefore consider the Relocation Compensation to be fair and reasonable.

The Independent Shareholders are reminded for the risk factors in relation to the possible fluctuation in property prices and property market environment that may impact on the future return of the Transactions. For an overview of the historical performance of the property market in Shenzhen, please refer to the section headed “3. Industry overview” in this letter.

10. Financial impacts of the Transactions on the Group

(a) The JV Agreement

The JV will be a jointly controlled entity of the Company upon its establishment for accounting purpose. Accordingly, the Group’s share of financial results, assets and liability of the JV will be equity accounted for in the consolidated financial statements of the Group after the formation of the JV. As the principal business of the JV is development and construction of the JV Land, the JV is not expected to contribute any meaningful amount of earnings to the Group until the construction of the JV Land is completed and the relevant properties are either delivered to the buyers or leased for rental income. As such, the formation of JV is not expected to bring any significant and immediate impact on the financial results of the Group until the completion of the construction of the JV Land. The capital contribution to the JV of RMB0.5 billion is expected to have no material impact on the net asset value (the “NAV”) of the Group as the amount will be recorded as an interest in joint venture on the Group’s balance sheet. However, the capital contribution will result in a cash outflow and therefore the working capital and net cash position will be decreased. In addition, as mentioned in the section headed “5. Principal terms of the JV Agreement”, in the event where the JV requires additional funding, either Shenzhen Runtou or CR Snow Investment (or its related connected person(s)) could provide shareholder’s loan at its own discretion, which could result in additional cash outflow to the Group.

(b) The Relocation Compensation Agreement

As stated in the letter from the Board contained in this circular, the initial after-tax compensation gain of the Group is expected to be approximately RMB1.32 billion, which is determined on the basis of: (i) RMB3.70 billion, being the NPV of the preliminary compensation amount of RMB4.65 billion discounted at the China’s recent benchmark lending rate of 4.35%; (ii) relocation costs of approximately RMB184.0 million, which comprise book value of the JV Land and the buildings presently erected on the JV Land and equipment losses; (iii) income tax on the compensation gain; and (iv) unrealised gain on the “transfer” of the JV Land to the JV. The abovementioned compensation gain is estimated by the Company and subject to audit. As advised by the Management, the aforesaid remaining unrealised gain on the “transfer” of the JV Land will be largely realised when the construction of the JV Land is completed and after the saleable properties are delivered to the buyers. As at 30 June 2020, the NAV of the Group amounted to approximately RMB21,673 million. Assuming the Relocation Compensation Agreement had been completed on 30 June 2020, the NAV of the Group would have increased by the initial after-tax compensation gain of approximately RMB1.32 billion. In terms of working capital

and net cash position of the Group, there will no immediate improvement until the Relocation Compensation is received in a few years' time when the construction of the JV Land is completed and after the relevant properties are either delivered to the buyers or leased for rental income.

(c) The Construction Agreement

There will be no significant impact on the NAV and earnings of the Group as the majority of the service fees payable to CR Land Shenzhen under the Construction Agreement will be capitalised into the balance sheet of the Group. Nevertheless, payment of the service fees will reduce the cash and lead to the drop in the working capital and net cash position of the Group.

Overall, the Transactions are expected to bring an earnings and increase in the NAV of approximately RMB1.32 billion to the Group immediately upon completion of the “transfer” of the JV Land to the JV. Further significant earnings and NAV enhancements are anticipated to be recognised only when the construction of the JV Land is completed and the relevant properties are either delivered to the buyers or leased for rental income. In terms of working capital and gearing, based on the cash flow forecast of the Group provided by the Management, while the Group is expected to maintain a net cash position, both the current ratio and net cash of the Group are anticipated to reduce and the net current liabilities of the Group are expected to increase due to the capital contribution of RMB0.5 billion to the JV and potential shareholder's loans that may be required to provide to the JV as a result of the Transactions. The working capital and gearing of the Group will improve once the anticipated payment of the Relocation Compensation, repayment of shareholder's loans and distribution of dividends, if any, by the JV commencing from 2025, when the construction of the JV Land is completed and the relevant properties are either delivered to the buyers or leased for rental income.

DISCUSSION AND ANALYSIS

The Company is principally engaged in manufacture, sales and distribution of beer products. The Land is located at the Baoan District in Shenzhen and is currently owned by the Group. The current factories erected on the Land were closed in November 2019 and therefore it is logical to put such idle resources into other uses for generating additional revenue or profit for the Group. The Snow Brewery Land will be built with the headquarters, R&D centre, craft brewery and employees' dormitories of CR Snow, as well as the construction of the beer museum, while the JV Land will be developed into a complex consisting of offices, commercial properties (including properties for residential use), factories, recreational facilities, supermarkets, restaurants and bars etc., which will be subject to sale and leasing.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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. It has been one of the leading property developers in the PRC with substantial experience in developing of various types of properties. Given the credentials of CR Land Group, it is logical for the Group to partner with CR Land Group for the redevelopment of the Land.

The Group will form a 50:50 JV with CR Land Group for the development and construction of the JV Land. The terms of the JV Agreement regulate and ensure rights and obligations of the partners of the JV to be in proportion to their respective equity interests in the JV.

The Relocation Compensation Agreement provides, among other things, the basis of determination of the Relocation Compensation payable to the Group, which is initially set at RMB4.65 billion and is determined with reference to the target sales amount of the saleable properties of the Redevelopment of RMB15.775 billion and subject to adjustments based on the final sales amount of the aforesaid properties. While there is a downside risk of not reaching the target sales amount, the extent of the such shortfall has to be over approximately one-fourth such that the total amount receivable by the Group, being the sum of the Relocation Compensation and the share of the JV's profits less the initial capital contribution, will be less than the Valuation of approximately RMB2,349.4 million, being the estimated amount of the JV Land that could be realised in the market.

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) pursuant to the Construction Agreement. The terms of the Construction Agreement, in particular the level of service fee and its adjustment mechanism are considered no less favourable than the market.

The Transactions are expected to bring an immediate profit after-tax of approximately RMB1.32 billion upon completion of the "transfer" of the JV Land to the JV, while the majority of the remaining profits, if any, is expected to be recognised when the construction of the JV Land is completed and the relevant properties are either delivered to the buyers or leased for rental income. The capital contribution to the JV under the JV Agreement and the payment of the service fees under the Construction Agreement will lead to short-term cash outflow to the Group. Nevertheless, having considered the significant positive cash flows from operations and the net cash position of the Group as well as the expected positive cash flows from the JV to the Group after the relevant properties of the JV are either delivered to the buyers or leased for rental income, the impacts on the cash flows and working capital position of the Group are acceptable.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

OPINION AND RECOMMENDATION

Having taken into account the above principal factors and reasons, we consider that the Transactions, although are not in the ordinary and usual course of business of the Group, are in the interests of the Company and the Shareholders as a whole and the terms of the Agreements are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned. We therefore advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the Transactions.

Yours faithfully,
for and on behalf of
SOMERLEY CAPITAL LIMITED
Danny Cheng
Director

Mr. Danny Cheng is a licensed person registered with the Securities and Futures Commission and a responsible officer of Somerley Capital Limited, who is licensed under the SFO to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities. He has over 15 years of experience in the corporate finance industry.



9 March 2021

The Board of Directors
China Resources Beer (Holdings) Company Limited
39/F China Resources Building,
26 Harbour Road,
Wanchai,
Hong Kong

Dear Sirs

Re: Valuation of Four Parcels of Land located at Chuangye Second Road, Xinan Subdistrict, Baoan District, Shenzhen, Guangdong Province, The People's Republic of China (the "Property")

We refer to the instruction from China Resources Beer (Holdings) Company Limited (hereinafter refer to the "**Company**") for us to carry out valuation of the property interests located in the People's Republic of China, detail of which are set out in the attached valuation certificate. We confirm that we have made relevant investigation and enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the capital value of the property interests as at 31 December 2020 ("**Valuation Date**").

VALUATION STANDARDS AND BASIS

In valuing the property interests, we have complied with relevant requirements contained in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited and the "HKIS Valuation Standards (2020 Edition)" published by the Hong Kong Institute of Surveyors.

Our valuation is conducted on market value basis. Market value is defined as "*the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion*".

Market value is understood as the value of an asset or liability estimated without regard to cost of sales or purchases (or transactions) and without offsetting any associated taxes or potential taxes.

VALUATION ASSUMPTIONS

Our valuation has been made on the assumption that the owner sells the property on the open market without the benefit of any deferred terms contract, leaseback, joint venture, management agreement or any similar arrangement which would serve to increase the value of the property.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the property nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property is free from encumbrances, restrictions and outgoings of an onerous nature which could affect its value.

VALUATION METHODOLOGY

In valuing the Property in Group I, which is held by the Group for development, there are two valuation methodologies applicable, namely direct comparison method and residual method. According to the HKIS Valuation Standards (2020 edition), price information from an active market is generally considered to be the strongest evidence of value. In the case of the Property, there are sufficient market evidence and so the direct comparison method was adopted.

Residual method was not adopted because the result is subject to various assumptions including development and financial parameters. The value assessment is sensitive to changes in various inputs and those inputs can only be based on assumptions. Moreover, as at the Valuation Date, the subject Redevelopment is in planning stage and does not have detailed architectural design nor building plans. Therefore residual method is not appropriate.

We have adopted direct comparison approach to value the Property by making reference to comparable sale evidence available in the relevant market. Comparable properties of similar size, character and location are analyzed and carefully weighted against all the respective advantages and disadvantages of each property in order to arrive at a fair value.

SOURCE OF INFORMATION

We have relied on a considerable extent on the information provided by the Company and have accepted the advice given to us on such matters as tenure, planning approvals, statutory notices, easements, site area, gross floor area, development scheme and all other relevant matters. All documents and contracts are for reference only, while all dimensions, measurements and areas are approximations.

We have had no reason to doubt the truthfulness and accuracy of the information provided to us, which are material to the valuation. We also made enquiries to the Company and being confirmed that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to form an informed opinion and have no reason to doubt any material information hidden.

We have been provided with copies of the title documents relating to the Property, however due to the nature of the land registration system in the PRC, land search cannot be done on the title of the Property nor have we scrutinized all the original documents to verify the land use right and encumbrances or to ascertain subsequent amendments, if any, which may not appear on the copies handed to us. In forming our opinion of value of the Property, we have also relied on the legal opinion provided by the Company's PRC legal advisor, Zhong Lun Law Firm (the "PRC Legal Opinion").

PROPERTY INSPECTION

The Property was inspected by our valuer, Mr. Edison Liu, Registered Real Estate Appraiser, on 18 September 2020. We have inspected the Property to such extent as for the purpose of this valuation. In the course of our inspection, we did not notice any serious defects. However, we have not carried out any structural survey nor any tests were made on the building services. Therefore, we are not able to report whether the Property is free of rot, infestation or any other structural defects.

No on-site measurement has been taken. Dimensions, measurements and areas included in the valuation certificate are based on the information contained in the documents provided to us and are therefore only approximations.

We have not carried out investigations on the site to determine the suitability of the ground conditions and the services etc. for any future development. Our valuation is on the basis that these aspects are satisfactory.

Unless stated otherwise, all currencies are in Renminbi ("RMB").

We enclose herewith our valuation certificate.

Yours Faithfully
For and on behalf of
PSA (HK) Surveyors Limited

Harry C W Chan *FHKIS, MRICS, MCIREA, RPS(GP)*
Managing Director
Valuation & Advisory Services

Notes:

Mr. Harry Chan is a Registered Professional Surveyor (General Practice) with over 25 years' experience in asset valuation in Hong Kong and China. Mr. Chan is a fellow member of The Hong Kong Institute of Surveyors, a corporate member of Royal Institution of Chartered Surveyors and a member of China Institute of Real Estate Appraisers and Agents.

Encl.

Group I — Property held by the Group for Development**VALUATION CERTIFICATE**

Property	Description and Tenure	Details of Occupancy	Capital Value in Existing State as at 31 December 2020
Four parcels of land located at Chuangye Second Road, Xinan Subdistrict, Baoan District, Shenzhen, Guangdong Province, The People's Republic of China	<p>The Property comprises four parcels of land namely Parcels 01-03, 01-04, 01-07 and 03-01. The total site area of the Property is approximately 85,189.4 square metres. Currently erected on the Property are industrial buildings and ancillary facilities completed during 1998 to 2000.</p> <p>The Property is planned for an emerging industrial/commercial development with total gross floor area of about 634,976 square metres.</p> <p>The land use right of the Property is held for industrial use for a term of 50 years expiring on 16 March 2047.</p>	The Property together with the buildings erected thereon were vacant as at the Valuation Date.	RMB2,349,400,000 (Renminbi Two Billion Three Hundred Forty Nine Million and Four Hundred Thousand)

Notes:

1. The Property forms part of three land lots known as A011-0036, A011-0040 and A011-0041 with total site area of about 186,502.1 square metres. According to the following Realty Title Certificates, the registered owner of the Property which falls within the three land lots is 華潤雪花啤酒(中國)有限公司. The information of the Realty Title Certificates is summarized below:

Land Lot	Realty Title Certificate Number	Use	Site Area (sq.m.)
A011-0036	Yue (2019) Shen Zhen Shi Bu Dong Chan Quan No. 0178500	Industrial	55,429.2
	Yue (2019) Shen Zhen Shi Bu Dong Chan Quan No. 0178501		
	Yue (2019) Shen Zhen Shi Bu Dong Chan Quan No. 0178508		
	Yue (2019) Shen Zhen Shi Bu Dong Chan Quan No. 0178510		
	Yue (2019) Shen Zhen Shi Bu Dong Chan Quan No. 0178512		
	Yue (2019) Shen Zhen Shi Bu Dong Chan Quan No. 0178509		
	Yue (2019) Shen Zhen Shi Bu Dong Chan Quan No. 0178511		
	Yue (2019) Shen Zhen Shi Bu Dong Chan Quan No. 0178502		
A011-0040	Yue (2019) Shen Zhen Shi Bu Dong Chan Quan No. 0178495	Industrial	52,743.8
	Yue (2019) Shen Zhen Shi Bu Dong Chan Quan No. 0178487		
	Yue (2019) Shen Zhen Shi Bu Dong Chan Quan No. 0178493		
	Yue (2019) Shen Zhen Shi Bu Dong Chan Quan No. 0178494		
A011-0041	Yue (2019) Shen Zhen Shi Bu Dong Chan Quan No. 0178498	Industrial	78,329.1

2. According to the reply letter Shen Bao Geng Xin Han (2019) No. 84 from City Renewal and Land Development Bureau of Baoan District of Shenzhen dated 19 September 2019, the City Renewal Scheme of Snow Beer Area at Xinan Street of Baoan District where the Property situated has been incorporated in the 5th Batch Projects of 2019 City Renewal Program of Baoan District in Shenzhen.
3. According to the reply letter from Industrial and Information Technology Bureau of Baoan District of Shenzhen dated 8 March 2020, the proposed land use (general industrial and emerging industrial) of the City Renewal Scheme of Snow Beer Area at Xinan Street of Baoan District and proposed redevelopment scheme comply with the planned land use and relevant planning requirements under “Industrial Space Planning of Integrated Multi-Planning in Baoan District”.

4. According to the Public Notice of the City Renewal and Land Development Bureau of Baoan District of Shenzhen dated 14 July 2020, the Property falls within the City Renewal Scheme of Snow Beer Area at Xinan Street of Baoan District, and the Draft Planning of Snow Beer Area has been approved by the City Renewal Planning Broad. The newly designated land uses and permissible gross floor area of future development on the Property are as follows:

Land Parcel	Land Use	GFA (m^2)
01-03	Emerging Industry, Residential (3), Commercial	170,155
01-04	Emerging Industry	134,786
01-07	Residential (3)	112,830
03-01	Industrial	217,205
Total:		634,976

5. The opinion of the legal adviser on the PRC laws states that:
- (a) 華潤雪花啤酒(中國)有限公司 has obtained valid Realty Title Certificates and legally holds the proper title of land use rights of three land lots A011-0036, A011-0040 and A011-0041 where the Property is situated.
 - (b) The Property is not subject to any mortgage and court order.
 - (c) As per Shenzhen City Renewal Measures gazetted on 1 December 2009, the land user of a property to be redeveloped within the City Renewal Programme shall obtain land use right of the construction land through private treaty grant process.
 - (d) As per Clause 2 of Section 54 of Implementation Rules of Shenzhen City Renewal Measures, responsible local authority and the land user shall sign the land use right grant contract after the land has been changed to construction land, and the land use certificate will be issued upon payment of land premium to the government.
6. The current use of the Property complies with the town planning use.
7. In our valuation, we have taken into account the estimated land premium and relocation compensation amount of about RMB2,137.4 million payable to the government.

The following are the particulars of the Director proposed to be re-elected at the Extraordinary General Meeting:

Mr. Richard Raymond WEISSEND (*Non-executive Director*)

Mr. Richard Raymond WEISSEND, aged 59, has been appointed as a Non-Executive Director of the Company since 26 June 2020. Mr. WEISSEND is the Managing Director and Chairman of the board of directors of Heineken Management (Shanghai) Co. Ltd (“**Heineken Management China**”), which provides support to the Company and its subsidiaries in premium brand building, marketing communication and activation, trade marketing and production. Mr. WEISSEND is also a Director on the boards of CRH (Beer) Limited, the controlling shareholder of the Company, and China Resources Snow Breweries Limited, a wholly-owned subsidiary of the Company. Heineken Management China is a subsidiary of Heineken N.V., which holds an indirect 40% interest in CRH (Beer) Limited.

Mr. WEISSEND has been appointed as Managing Director of Heineken Management China since July 2019. He joined Heineken Spain as Vice-President in 2007 and took over as Chief Executive Officer of Heineken Spain from July 2008 to June 2019. He was also the President of the Spanish Brewers Association from March 2014 to March 2019. From 2001 to 2006, he was Managing Director of Brasseries Heineken (now Heineken Enterprise), a subsidiary of Heineken France and distributor of the International and National Group brands. He was sales director of Heineken France in 1998 and was promoted to commercial director and member of the management team of Heineken France in 2000.

Mr. WEISSEND graduated in Marketing and Commercial Strategy from the Strasbourg Business School.

Save as disclosed above, Mr. WEISSEND did not hold any directorship in other listed public companies in Hong Kong or overseas in the last three years or any position with the Company or other members of the Group. Save as disclosed above, Mr. WEISSEND is and was not connected to any Directors, senior management or substantial or controlling Shareholders of the Company.

There is no service contract between the Company and Mr. WEISSEND. He has no fixed term of service with the Company but will be subject to retirement by rotation and re-election requirements at the annual general meeting of the Company pursuant to the Articles of Association. The Directors’ fee payable to Mr. WEISSEND shall be determined by the Board under the authority granted by the Shareholders at the annual general meeting and with reference to his duties and responsibilities in the Company and the recommendation made by the compensation committee of the Board. The Directors’ fee as a non-executive Director of the Company for the year ended 31 December 2020 has been determined at HK\$120,000 per annum. As at the date of Latest Practicable Date, Mr. WEISSEND does not have any interests in the Shares within the meaning of Part XV of the Securities and Futures Ordinance.

Save as disclosed above, Mr. WEISSEND has confirmed that there are no other matters relating to his re-election that need to be brought to the attention of the Shareholders and there is no other information which is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS OF DIRECTORS OF THE COMPANY

As at the Latest Practicable Date, the interests and short positions of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations, within the meaning of Part XV of the SFO, which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, including interests and short positions which the directors and chief executive of the Company are taken or deemed to have under such provisions of the SFO, or which are required to be and are recorded in the register required to be kept pursuant to section 352 of the SFO or as otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules were as follows:

(a) Interests in issued ordinary shares and underlying shares of the Company

Name of director	Long position/ Short position	Number of shares	Aggregate percentage of interest (%) ⁽¹⁾
HOU Xiaohai	Long position	1,068,000	0.03
LAI Ni Hium, Frank	Long position	149,498	0.01
LI Ka Cheung, Eric	Long position	271,817	0.01

Notes:

1. This represents the percentage of the aggregate long positions in shares of the Company to the total issued shares of the Company as at the Latest Practicable Date.
2. All interests disclosed above are being held by each Director in his capacity as beneficial owner.

(b) Interests in issued ordinary shares and underlying shares of associated corporations

As at the Latest Practicable Date, certain directors had interest in the issued ordinary shares of associated corporations (within in the meaning of the SFO):

(i) Interests in issued ordinary shares of an associated corporation, CR Land

Name of director	Long position/ Short position	Number of shares	Aggregate percentage of interest (%) ⁽¹⁾
LAI Ni Hium, Frank	Long position	10,000	0.01
LI Ka Cheung, Eric	Long position	50,000	0.01

Notes:

1. This represents the percentage of the aggregate long positions in shares of CR Land to the total issued shares of CR Land as at the Latest Practicable Date.
2. All interests disclosed above are being held by each Director in his capacity as beneficial owner.

(ii) Interests in issued ordinary shares of an associated corporation, China Resources Mixc Lifestyle Services Limited ("CR Mixc")

Name of director	Long position/ Short position	Number of shares	Aggregate percentage of interest (%) ⁽¹⁾
LAI Ni Hium, Frank	Long position	4,157	0.01
LI Ka Cheung, Eric	Long position	387	0.01

Notes:

1. This represents the percentage of the aggregate long positions in shares of CR Mixc to the total issued shares of CR Mixc as at the Latest Practicable Date.
2. All interests disclosed above are being held by each Director in his capacity as beneficial owner.

(iii) Interests in issued ordinary shares of an associated corporation, China Resources Gas Group Limited (“CR Gas”)

Name of director	Long position/ Short position	Number of shares	Aggregate percentage of interest (%) ⁽¹⁾
LAI Ni Hium, Frank	Long position	10,000	0.01

Notes:

1. This represents the percentage of the aggregate long positions in shares of CR Gas to the total issued shares of CR Gas as at the Latest Practicable Date.
2. All interests disclosed above are being held by the Director in his capacity as beneficial owner.

(iv) Interests in issued ordinary shares of an associated corporation, China Resources Power Holdings Company Limited (“CR Power”)

Name of director	Long position/ Short position	Number of shares	Aggregate percentage of interest (%) ⁽¹⁾
JIAN Yi	Long position	1,200,000 ⁽²⁾	0.02
LAI Ni Hium, Frank	Long position	10,000	0.01

Notes:

1. This represents the percentage of the aggregate long positions in shares of CR Power to the total issued shares of CR Power as at the Latest Practicable Date.
2. Mr. JIAN Yi was deemed to be interested in 1,200,000 shares through interests of his spouse.
3. Save as otherwise specified under note 2, all interests disclosed above are being held by each Director in his capacity as beneficial owner.

(v) Interests in issued ordinary shares of an associated corporation, China Resources Cement Holdings Company Limited (“CR Cement”)

Name of director	Long position/ Short position	Number of shares	Aggregate percentage of interest (%) ⁽¹⁾
LAI Ni Hium, Frank	Long position	40,000	0.01

Notes:

1. This represents the percentage of the aggregate long positions in shares of CR Cement to the total issued shares of CR Cement as at the Latest Practicable Date.
2. All interests disclosed above are being held by the Director in his capacity as beneficial owner.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor the chief executive of the Company had any interest or short position in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV to the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of SFO), or are required, pursuant to Section 352 of the SFO, to be recorded in the register required to be kept by the Company, or which are required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules.

3. SUBSTANTIAL SHAREHOLDERS

As at Latest Practicable Date, other than the interests and short positions as disclosed above, the following persons have interests or short positions in the shares and underlying shares of the Company as they fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Name of interested party	Long position/ Short position	Number of shares in which the interested part is deemed to have interests	Percentage of shareholding (%)
CRC ⁽¹⁾	Long position	1,684,077,366	51.91
China Resources Inc. (formerly known as China Resources Co., Limited) ("CRI") ⁽¹⁾	Long position	1,684,077,366	51.91
CRC Bluesky Limited ⁽¹⁾	Long position	1,684,077,366	51.91
CRH ⁽¹⁾	Long position	1,684,077,366	51.91
CRH (CRE) Limited ⁽¹⁾	Long position	1,676,338,664	51.67
China Resources Enterprise, Limited ⁽¹⁾	Long position	1,676,338,664	51.67
Heineken Holding N.V. ⁽¹⁾	Long position	1,676,338,664	51.67
Heineken N.V. ⁽¹⁾	Long position	1,676,338,664	51.67
CRH (Beer) Limited ⁽¹⁾	Long position	1,676,338,664	51.67

Note:

1. CRH (Beer) Limited and Commotra Company Limited directly held 1,676,338,664 shares and 7,738,702 shares in the Company respectively. CRH (Beer) Limited is owned as to 60% by China Resources Enterprise, Limited and 40% by Heineken Brouwerijen B.V.. China Resources Enterprise, Limited is a wholly-owned subsidiary of CRH (CRE) Limited. CRH (CRE) Limited and Commotra Company Limited are beneficially wholly-owned subsidiaries of CRH. CRH is a beneficially wholly-owned subsidiary of CRC Bluesky Limited, which is in turn wholly-owned by CRI. CRI is an ultimately beneficially wholly-owned subsidiary of CRC. Thus, CRH, CRC Bluesky Limited, CRI and CRC are deemed to be interested in an aggregate of 1,684,077,366 shares in the Company. Heineken Brouwerijen B.V. is a wholly-owned subsidiary of Heineken International B.V. Heineken International B.V. is a wholly-owned subsidiary of Heineken N.V., which in turn is a wholly-owned subsidiary of Heineken Holding N.V. Thus, Heineken Brouwerijen B.V., Heineken International B.V., Heineken N.V. and Heineken Holding N.V. are deemed to be interested in 1,676,338,664 shares in the Company.

Save as disclosed above, the Directors and the chief executive of the Company were not aware of any party who, as at the Latest Practicable Date, had interests or short positions in the Shares and underlying shares, which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or the proposed Directors of the Company was a director or employee of a company (or its subsidiary) which has an interest or a short position in the Shares or underlying shares which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO.

4. DIRECTOR'S INTEREST

(a) Interests in contract or arrangement

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement subsisting at the Latest Practicable Date which is significantly in relation to the business of the Group.

(b) Interests in assets

As at the Latest Practicable Date, none of the Directors had any direct or indirect interests in any assets which had been, since 31 December 2019, the date of which the latest published audited consolidated financial statements of the Group were made up, acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

(c) Interests in competing business

As at the Latest Practicable Date, the Directors are not aware that any of the Directors and their respective close associates (as defined in the Listing Rules) had any interest in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group (as would be required to be disclosed under Rule 8.10 of the Listing Rules as if each of them was a controlling shareholder of the Company).

5. LITIGATION

As at the Latest Practicable Date, no member of the Group was or is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was or is known to the Directors to be pending or threatened by or against any members of the Group.

6. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with any member of the Group which will not expire or is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

7. EXPERTS AND CONSENTS

The following are the qualifications of the experts who have given opinions or advices which are contained on this circular:

Name	Qualifications
Somerley	A licensed corporation under the SFO to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
PSA Surveyors	An independent professional valuer
Zhong Lun Law Firm (“ Zhong Lun ”)	Legal adviser of the Company as to PRC law

Each of Somerley, PSA Surveyors and Zhong Lun has given and confirmed that they have not withdrawn their written consent to the issue of this circular with the inclusion herein of their letter and report and/or references to their names in the form and context in which they appears.

As at the Latest Practicable Date, each of Somerley, PSA Surveyors and Zhong Lun was not interested in the share capital of any member of the Group, and did not have any shareholding in any Shares or any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any shares in any member of the Group. Each of Somerley, PSA Surveyors and Zhong Lun is not interested in any assets which have been, since 31 December 2019 (being the date to which the Company’s latest audited financial statements were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

8. NO MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2019, being the date to which the latest published audited financial states of the Group were made up.

9. GENERAL

The registered office and principal place of business of the Company is 39/F, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours (Saturdays, Sundays and public holidays excepted) at the office of the Company at 39th Floor, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong from the date of this circular up to and including 29 March 2021:

- (a) the JV Agreement;
- (b) the Relocation Compensation Agreement;
- (c) the Construction Agreement;
- (d) the letter from the Independent Board Committee, the text of which is set out on pages 32 to 33 of this circular;
- (e) the letter from Somerley, the text of which is set out on pages 34 to 65 of this circular;
- (f) the letter from PSA Surveyors, the text of which is set out on pages I-1 to I-6 of this circular;
- (g) the letters from Somerley, PSA Surveyors and Zhong Lun referred to in the above paragraph headed “Experts and Consents” in this Appendix; and
- (h) this circular.



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)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of the China Resources Beer (Holdings) Company Limited (the “**Company**”) will be held at Plaza 3–4, Lower lobby, Novotel Century Hong Kong, 238 Jaffe Road, Wanchai, Hong Kong on Monday, 29 March 2021 at 3:30 p.m. for the purpose of considering and, if thought fit, passing, with or without modification the following resolutions as ordinary resolutions:

ORDINARY RESOLUTIONS

1. “**THAT**

- (a) the entry into and performance by the Company of the joint venture agreement (the “**JV Agreement**”) dated 22 January 2021 entered into between Shenzhen Runtou Consulting Co., Ltd.* (深圳市潤投諮詢有限公司) and China Resources Snow Breweries (China) Investment Co., Ltd., an indirectly wholly-owned subsidiary of the Company, in relation to the formation of a joint venture (the “**JV**”) and the transactions contemplated thereunder as more particularly set out in the circular of the Company dated 9 March 2021 be and are hereby approved;
- (b) the provision of additional capital commitment, shareholder’s loans and/or guarantee by the Group to the JV pursuant to the JV Agreement in which the aggregate amount of the additional capital commitment, shareholder’s loans and guarantee should not exceed RMB4.0 billion;
- (c) the entry into and performance by the Company of the relocation compensation agreement (“**Relocation Compensation Agreement**”) dated 22 January 2021 entered into between Shenzhen Runtou (on behalf of the JV), CR Snow Investment (on behalf of the JV) and China Resources Snow Breweries (China) Co., Ltd. (“**CR Snow**”), an indirectly wholly-owned subsidiary of the Company, in relation to the relocation and demolition of the land located at the intersection of Chuangye 2nd Road and Liuxian 3rd Road, Xin’an Street, Bao An District, Shenzhen, the PRC (中國深圳市寶安區新安街道創業二路與留仙三路交匯處) and the transactions contemplated thereunder as more particularly set out in the circular of the Company dated 9 March 2021 be and are hereby approved;

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (d) the entry into and performance by the Company of the new relocation compensation agreement (the “**New Relocation Compensation Agreement**”) to be entered into within one month of the establishment of the JV between the JV and CR Snow upon the establishment of the JV, in which the terms of the New Relocation Compensation Agreement are the same as the Relocation Compensation Agreement and will replace the Relocation Compensation Agreement in its entirety, and the transactions contemplated thereunder as more particularly set out in the circular of the Company dated 9 March 2021 be and are hereby approved;
- (e) the entry into and performance by the Company of the construction agreement (the “**Construction Agreement**”) dated 22 January 2021 entered into between China Resources Land Urban Management (Shenzhen) Co., Ltd.* (華潤置地城市管理(深圳)有限公司) and CR Snow, in relation the construction and development of the Snow Brewery Land and the transaction contemplated thereunder (including the payment of service fee of not more than RMB100 million) as more particularly set out in the circular of the Company dated 9 March 2021 be and are hereby approved; and
- (f) the directors of the Company (the “**Directors**”) be and are hereby authorised to do such acts and things and to take such steps as they may consider necessary, desirable or expedient for the purpose, or in connection with, the implementation and giving effect to the JV Agreement, the Relocation Compensation Agreement, the New Relocation Compensation Agreement and the Construction Agreement, and the transactions contemplated thereunder.”
2. “**THAT** Mr. Richard Raymond WEISSEND be re-elected as Director.”

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

Hong Kong, 9 March 2021

* *For identification purposes only*

Notes:

1. Any member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and, on a poll, vote instead of him. A proxy need not be a member of the Company.
2. To be valid, a form of proxy, together with any power of attorney or other authority (if any) under which it is signed, or a notarially certified copy thereof, must be lodged with the registered office of the Company at 39th Floor, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the meeting.

NOTICE OF EXTRAORDINARY GENERAL MEETING

3. The register of members of the Company will be closed from Wednesday, 24 March 2021 to Monday, 29 March 2021, both days inclusive, during which period no transfer of shares of the Company will be effected. In order to determine the identity of members who are entitled to attend and vote at the meeting, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's Registrar, Tricor Standard Limited at Level 54, Hopewell Centre, 183 Queen's East, Hong Kong not later than 4:30 p.m. on Tuesday, 23 March 2021 for registration.
4. With regard to item no. 2 in this notice, the Board of Directors of the Company proposes that one retiring Director, namely Mr. Richard Raymond WEISSEND who shall be eligible for re-election, be re-elected as Director of the Company. Details of the Director are set out in Appendix II to the circular to Shareholders dated 9 March 2021.
5. Precautionary measures for the EGM

In view of the ongoing development of COVID-19 pandemic and recent requirements for prevention and control of its spread by the HKSAR Government, the Company recommends Shareholders to exercise their voting rights by appointing the Chairman of the EGM as their proxy to vote on the relevant resolutions at the EGM as an alternative to attending the EGM in person. Shareholders are reminded that physical attendance at the EGM is not necessary for the purpose of exercising the voting rights. Shareholders who choose to do so should take action as soon as possible to ensure the proxy instructions reach our share registrar not less than 48 hours before the time fixed for holding the EGM.

The Company will implement the following prevention and control measures at the EGM against the pandemic to protect the Independent Shareholders or proxies from the risk of infection:

- compulsory body temperature check will be conducted for every Shareholder or proxy at the entrance of the venue and anyone with abnormal body temperature may be denied entry into the venue;
- every Shareholder or proxy is required to bring and wear surgical face masks during their attendance of the EGM;
- no distribution of corporate gifts and no refreshments will be served;
- Shareholders or proxies who attend the EGM need to maintain a safe and appropriate social distance;
- hand sanitizers will be provided to the Shareholders or proxies at the EGM venue to safeguard their health and safety;
- there will be no Q&A session during the EGM, shareholders could choose to raise questions to the management in writing before the meeting; and
- other measures may be required by governmental bodies.

Any person who is in violation of the prevention and control measures or is under quarantine as required by the HKSAR Government may be denied entry into the venue.

The EGM is being held at Plaza 3-4, Lower lobby, Novotel Century Hong Kong, 238 Jaffe Road, Wanchai, Hong Kong. We understand that the hotel may refuse entry to the hotel by any person who fails the temperature check. Persons so refused entry to the hotel will not be able to attend the EGM.

As a precautionary safety measure, seating at the EGM will be arranged so as to reduce interaction between participants. As a result, there will be limited capacity for Shareholders to attend the EGM.

NOTICE OF EXTRAORDINARY GENERAL MEETING

Shareholders are in any event asked (a) to consider carefully the risk of attending the EGM, which will be held in an enclosed environment; (b) to follow any requirements or guidelines of the HKSAR Government relating to COVID-19 in deciding whether or not to attend the EGM; and (c) not to attend the EGM if they have contracted or are suspected to have contracted COVID-19 or have been in close contact with anybody who has contracted or is suspected to have contracted COVID-19.

Due to the constantly evolving COVID-19 situation in Hong Kong, the Company may be required to change the EGM arrangements at short notice. Shareholders should constantly visit our website at www.crbeer.com.hk for future announcement(s) and updates on the EGM arrangements.

If a Typhoon Signal No. 8 or above is hoisted, or a Black Rainstorm Warning Signal or “extreme conditions after super typhoons” announced by the HKSAR Government is/are in force on the EGM date, or in the event that the COVID-19 situation requires the EGM date to be changed, the EGM will be considered to be postponed or adjourned. The Company will post an announcement on the Company’s website (www.crbeer.com.hk) and the Stock Exchange’s website (www.hkexnews.hk) to notify shareholders if there are any changes on the date, time and place of the EGM.

The EGM will be held as scheduled when an Amber or a Red Rainstorm Warning Signal is in force. Shareholders should decide on their own whether they would attend the EGM under bad weather conditions bearing in mind their own situations.

6. Unless otherwise indicated, the capitalised terms used in this notice shall have the same meaning as those defined in the circular of the Company dated 9 March 2021.