

Investor Presentation

July 2015



華潤(集團)有限公司
China Resources (Holdings) Co., Ltd.



華潤創業有限公司
China Resources Enterprise, Limited

中國啤酒翹楚 釀出新華創
China's Leading Beer Company

Overview of Transaction

The New CRE

Key Transaction Terms

Disposal of Non-Beer Businesses

- ❑ CRH and the Company have entered into the Sale and Purchase Agreement¹, pursuant to which the Company agreed to sell the Non-Beer Businesses of the Company to CRH for a consideration of **HK\$30.0bn** (the “Disposal”)
- ❑ Completion of the Disposal is subject to approval from the Company's independent shareholders



Special Dividend

- ❑ Following Completion of the Disposal, it is proposed that the Company would pay a **Special Dividend of HK\$12.30 per share (approximately HK\$29.8bn)**, returning most of the cash proceeds from the Disposal consideration to all shareholders
- ❑ The proposed Special Dividend is conditional on a capital reduction that requires approval from shareholders



Partial Offer and Continued Support

- ❑ Conditional upon the completion of the Disposal and the payment of the Special Dividend, CRH has undertaken to make a Partial Offer for up to 484,273,072 shares of the Company (approximately **20.0%** of the issued share capital) at **HK\$12.70 per share**
 - If acceptance of the Partial Offer is 484,273,072 shares or below, all shares validly accepted will be tendered by the Offeror
 - If acceptance of the Partial Offer is more than 484,273,072 shares, the number of shares to be taken up by CRH from each Qualifying Shareholder will be determined on a pro rata basis with a minimum of approximately 41.44% of independent shares currently outstanding
- ❑ CRH will also provide shareholder's loan(s) of up to HK\$10.0bn for not more than 3 years at prevailing market rate obtained by / available to CRH

Note

1. As amended by the Supplemental Agreement

What will Shareholders receive?

Shareholders will receive a Special Cash Dividend of HK\$12.30 per share and either retain their remaining shares in CRE or tender into the Partial Offer to receive HK\$12.70 per share in cash to the extent accepted

1

Special Cash Dividend

HK\$12.30 per share



2



Ongoing ownership in Beer

Market Position / Volume Share¹	#1 in China / 23% ⁴
Volumes^{2,3}	118m hectolitres
Sales^{2,3}	HK\$34.5bn
EBITDA^{2,3}	HK\$4.4bn
Foreign Partner since 1994	SABMiller (49%)
Number of Breweries^{2,3}	98 in 25 provinces

3

Option to sell at least 41.44% of shares into Partial Offer at

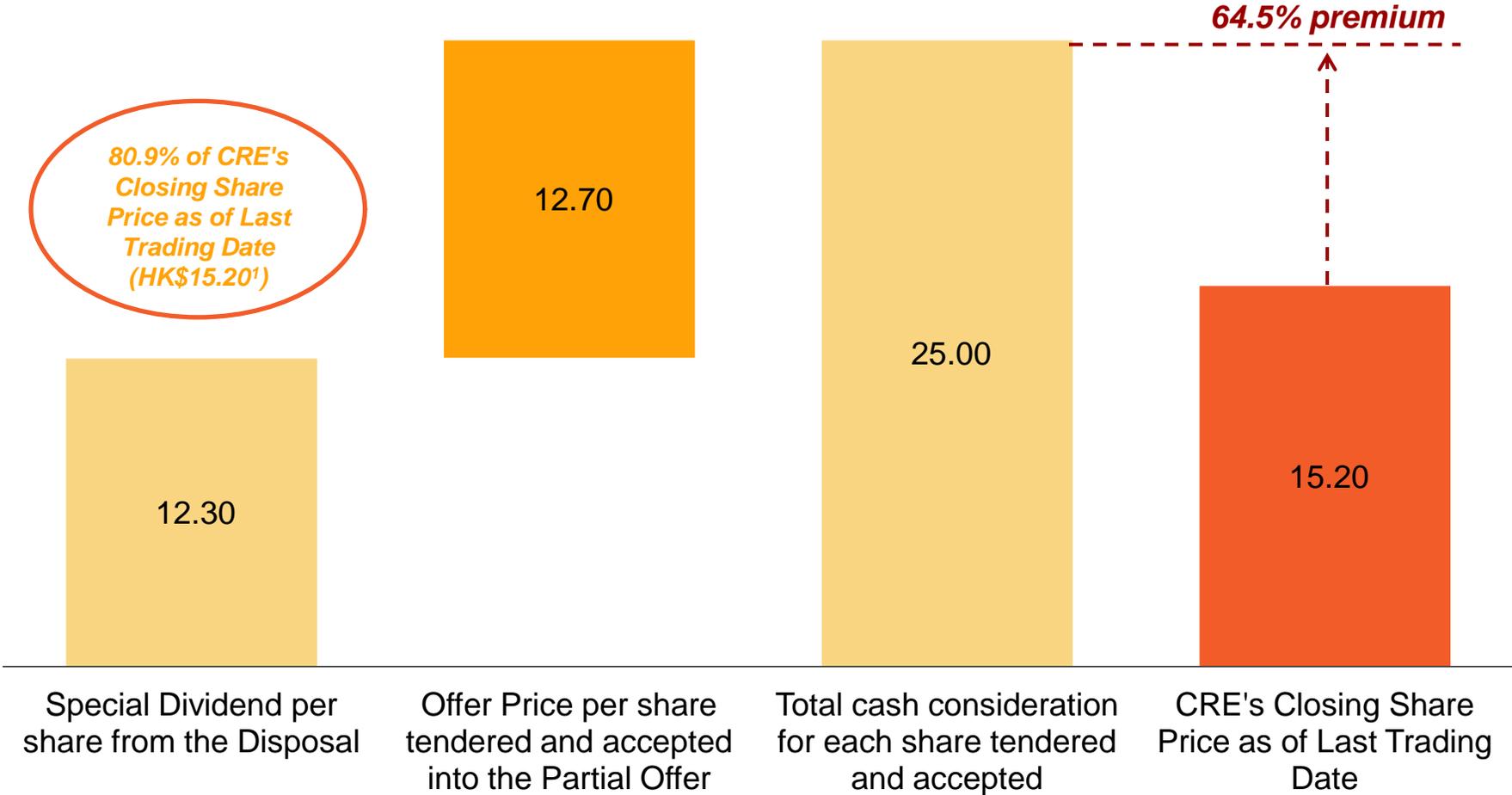
HK\$12.70 per share

Notes

1. Volume market share as of 2014
2. Audited Volumes, sales, EBITDA and number of breweries as of 2014
3. Company Investor Presentation for 2014 full year financial result
4. Euromonitor International, based on historical owner share data

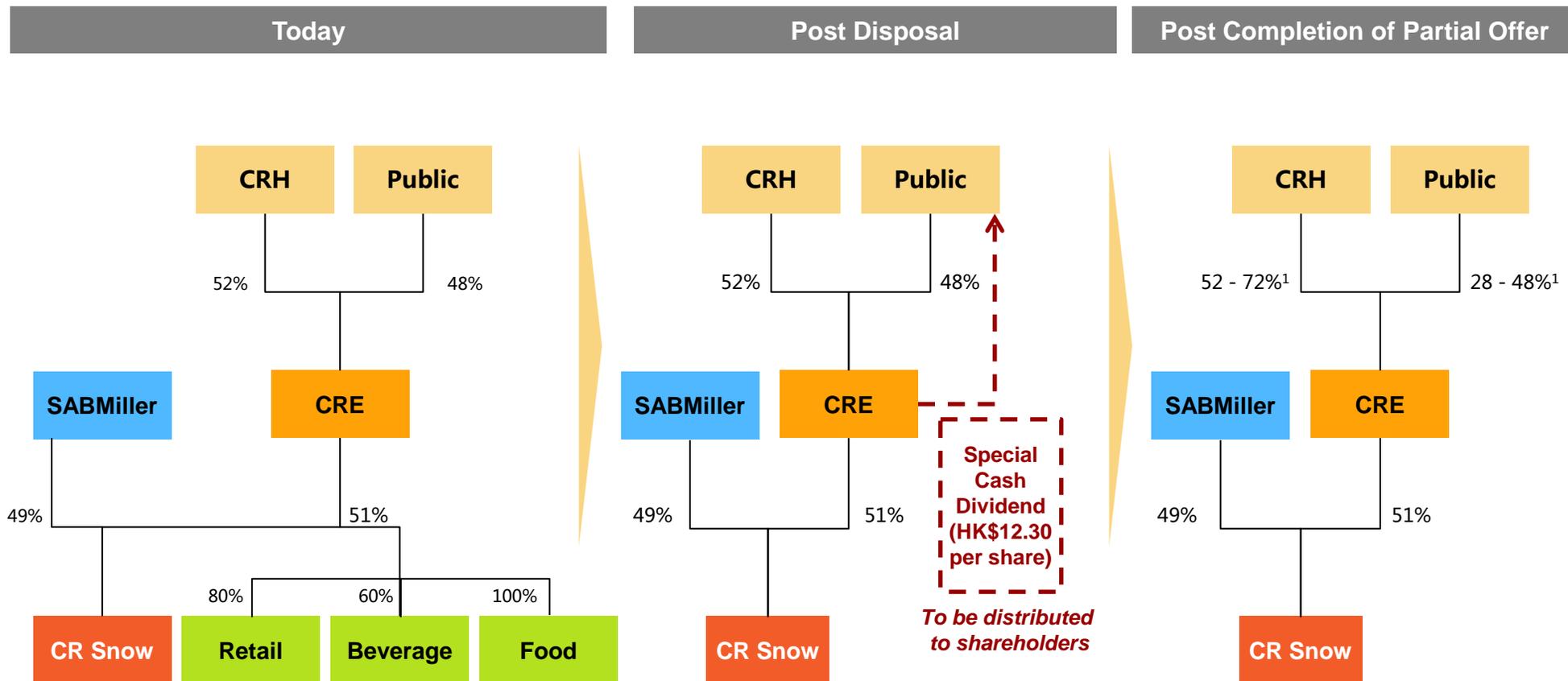
Binding Proposal represents a 64.5% Premium for each share accepted in the Partial Offer

HK\$ per share



Note
1. Last Trading Date before trading suspension on 8 April 2015

Proposed Transaction Structure



Note
1. Depending on acceptance of Partial Offer

Note
1. All shareholding percentage rounded up to whole numbers

Key Benefits of the Transaction to Shareholders

- ✓ **Transaction delivers immediate cash realization**
 - Shareholders can realise cash proceeds of **HK\$25.00** in cash for each share that is tendered and accepted into the Partial Offer, which represents an approximate **64.5%** premium to the Last Trading Date¹ share price
 - For shares not tendered into or fully accepted under the Partial Offer, its holders receive **HK\$12.30** per share representing **80.9%** of the Last Trading Date¹ share price and retain all or part of their shareholding in CRE

- ✓ **Retains control in the #1 beer business in China**
 - Focused management and strategy that is no longer impacted by capital requirements of the non-beer businesses
 - #1 position in the largest beer market in the world by volume

- ✓ **Eliminates CRE's exposure to execution risks and earnings volatility associated with challenging issues facing its non-beer businesses**
 - Non-beer businesses are facing a challenging operating environment in China with uncertainties on turnaround and ongoing integration issues

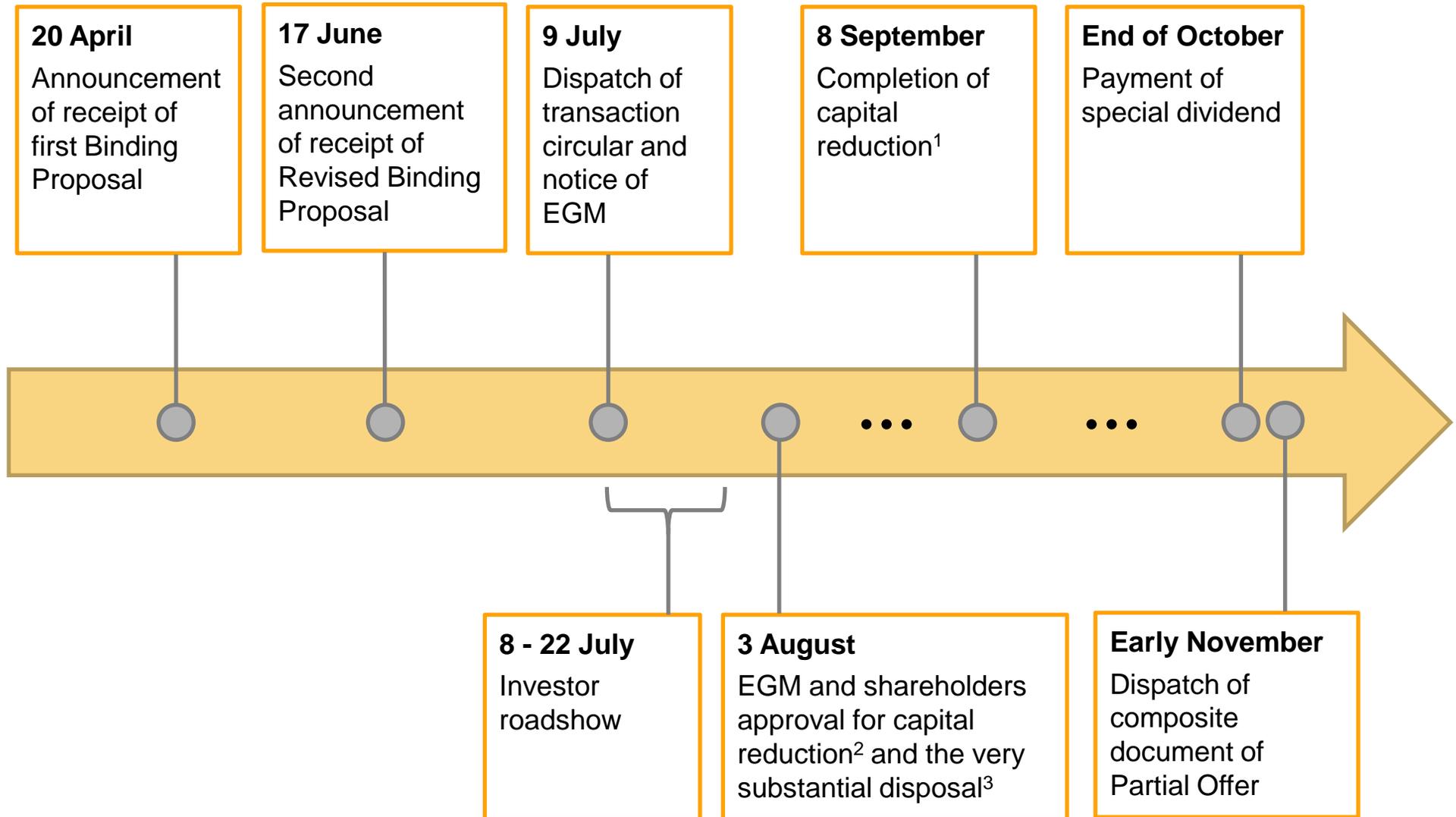
- ✓ **Unlocks value within CRE by simplifying its structure**
 - Unlocks beer from a conglomerate structure and establishes a single focus beer business to increase transparency

Note

1. Last Trading Date before trading suspension on 8 April 2015

Indicative Transaction Timetable

The Board and Management are supportive of the proposed transaction and recommend shareholders vote to support at the EGM



Notes

- 1. Subject to no application made by shareholder or creditor to revoke special resolution on capital reduction
- 2. >75% shareholders approval required
- 3. >50% minority shareholders approval required

Overview of Transaction

The New CRE

New CRE at a Glance



Notes

- 1. By volume according to Euromonitor International
- 2. Historical segment financials

New CRE: The “*Must Own*” Investment in China Consumer Today

The Undisputed Leader in World’s Most Attractive Beer Market

- 1 • China is the largest¹ and most attractive beer market globally valued at US\$79bn in 2014 with expected next 5 year CAGR of 10%
 - CRE is the #1 brewer in China for the past 9 years with 23% market share¹ vs. 18% for the next player in 2014

Irreplaceable Heritage Brands That Resonate Nationwide with the Local Consumer

- 2 • Snow (“雪花”) is the world’s largest selling beer brand by volume since 2008
 - Portfolio of 30+ sub-brands and products catering across the entire consumer spectrum
 - Nationwide presence operating 98 breweries in 25 out 34 provinces in China

Successful 21 Year Strategic Partnership with the Second Largest Global Brewer

- 3 • Successful partnership with SABMiller since 1994 providing global best practices, technology and operational know-how
 - Pioneer in collaboration with global players (Tsingtao’s collaboration with Asahi only since 2009 and not fully integrated)

Proven Track Record of Double-Digit Growth Through Premiumisation and Innovation

- 4 • Successful track record of growth through increasing volumes and ASPs
 - Sales and net income CAGR of 26% and 23%, respectively since inception in 1994
 - Increasing focus on premiumisation of mid-end to high-end products

The Leading Platform for Industry Consolidation

- 5 • Leading market consolidator with successful acquisition and integration of domestic breweries in the past
 - Track record of M&A with 20+ acquisitions over last 10 years, including the HK\$6.6bn acquisition of Kingway in 2013

Consistent and Proven Management Leadership Since Formation of Partnership

- 6 • Experienced management team led by Wang Qun who has been leading CR Snow since its inception in 1994
 - Sponsorship from one of the leading SOEs in China and the second largest global brewer

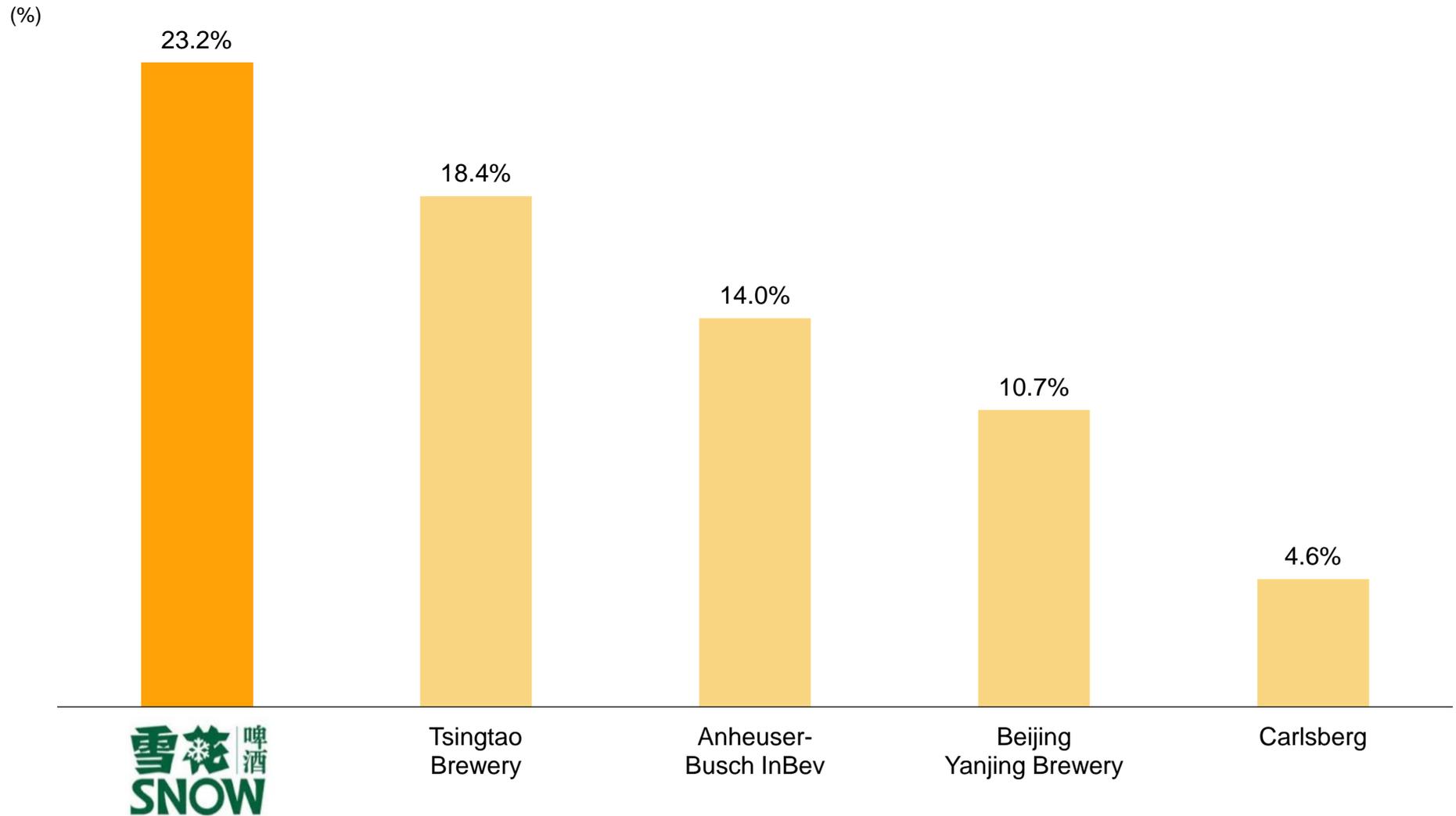
Note

1. By volume according to Euromonitor International

1 The Undisputed Leader in China Beer

CR Snow is the #1 brewer in China by volume with 23% market share vs. 18% for the next player in 2014

Beer Market Share by Volume in 2014

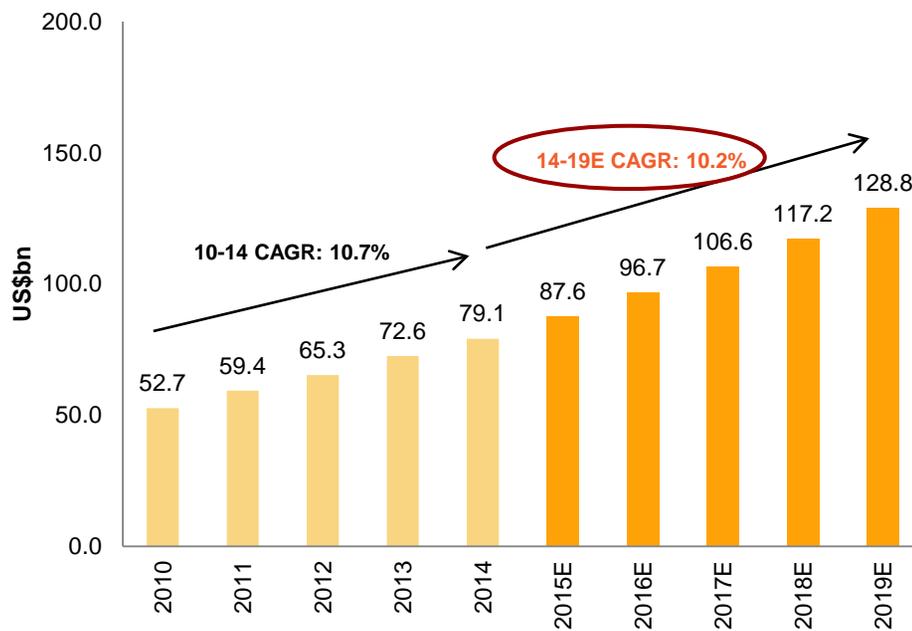


Source: Euromonitor International

1 China is the largest beer market globally with highly attractive growth prospects

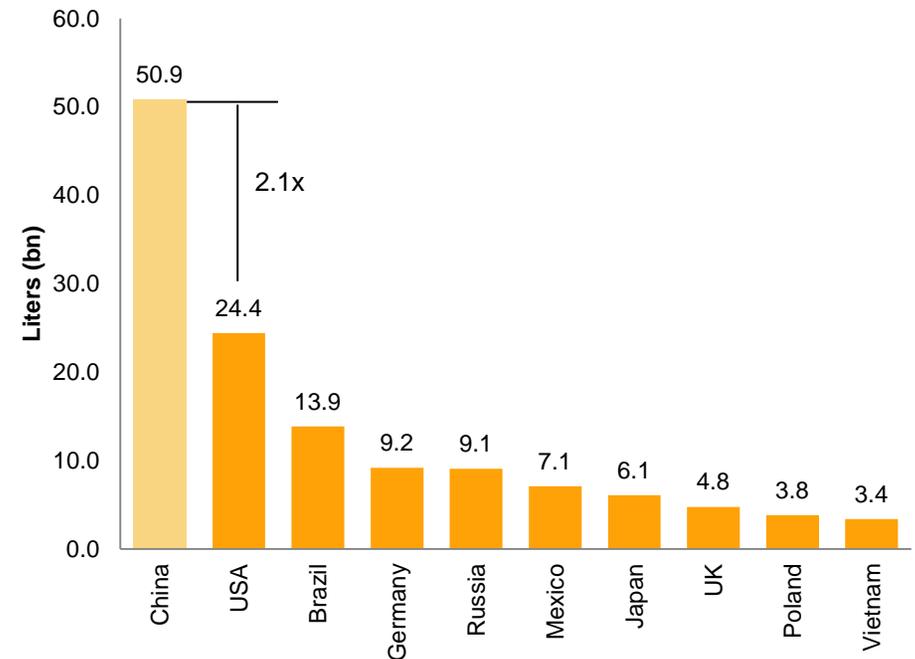
China's ongoing economic growth, increasing disposable income and urbanization will continue to support robust double digit growth

China beer market size and growth by value



Source: Euromonitor International

Top ten beer markets in the world



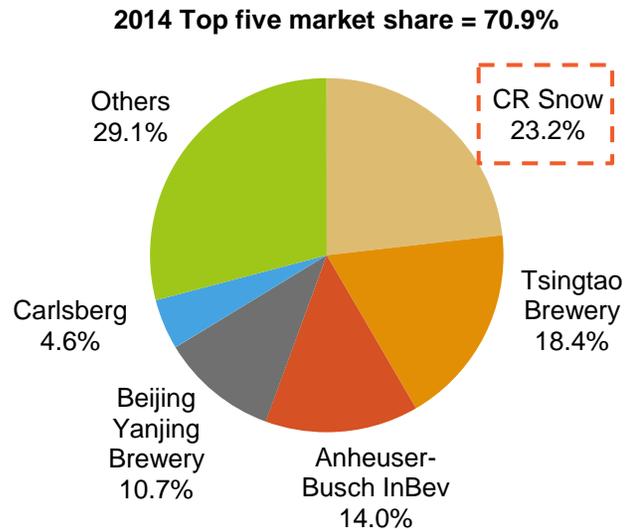
Source: Euromonitor International

- China is the world's largest beer market by volume and is more than twice the size of the US beer market
- Long term double-digit growth driven by economic growth, increasing disposal incomes, and urbanization, driving both volumes and ASPs

2 Snow is the most consumed beer brand globally and in China

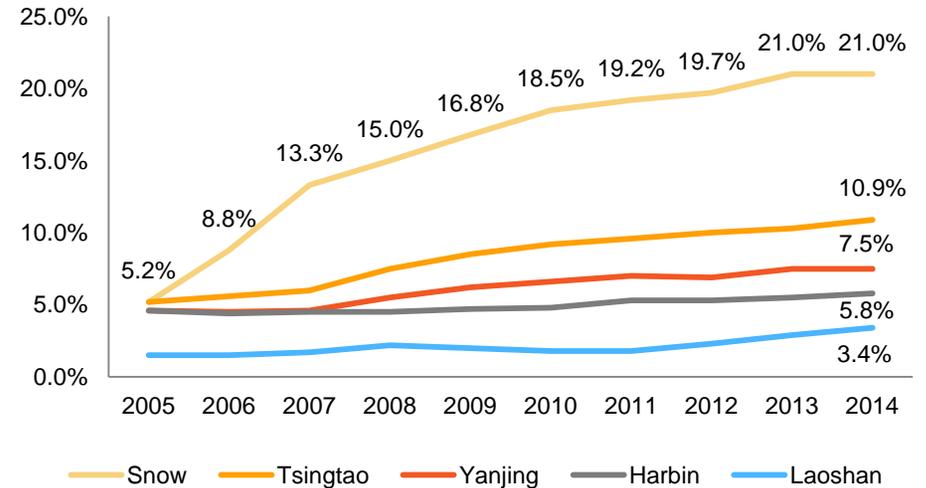
CR Snow's #1 market position is supported by Snow, the leading beer brand in China since 2005 and the largest globally since 2008

2014 China beer market competitive landscape by volume



Source: Euromonitor International

Volume share of top 5 beer brands in China



Source: Euromonitor International

Strong resonance with Chinese consumers with several international awards



No. 1 on "The World's Most Popular Beer" list in 2014



"No.1 beer brand in China Brand Power Index"



"China's Top 10 Beer Brands 2013" and No. 1 on the list of "China's Top 10 Best-Selling Beer Brands 2013"

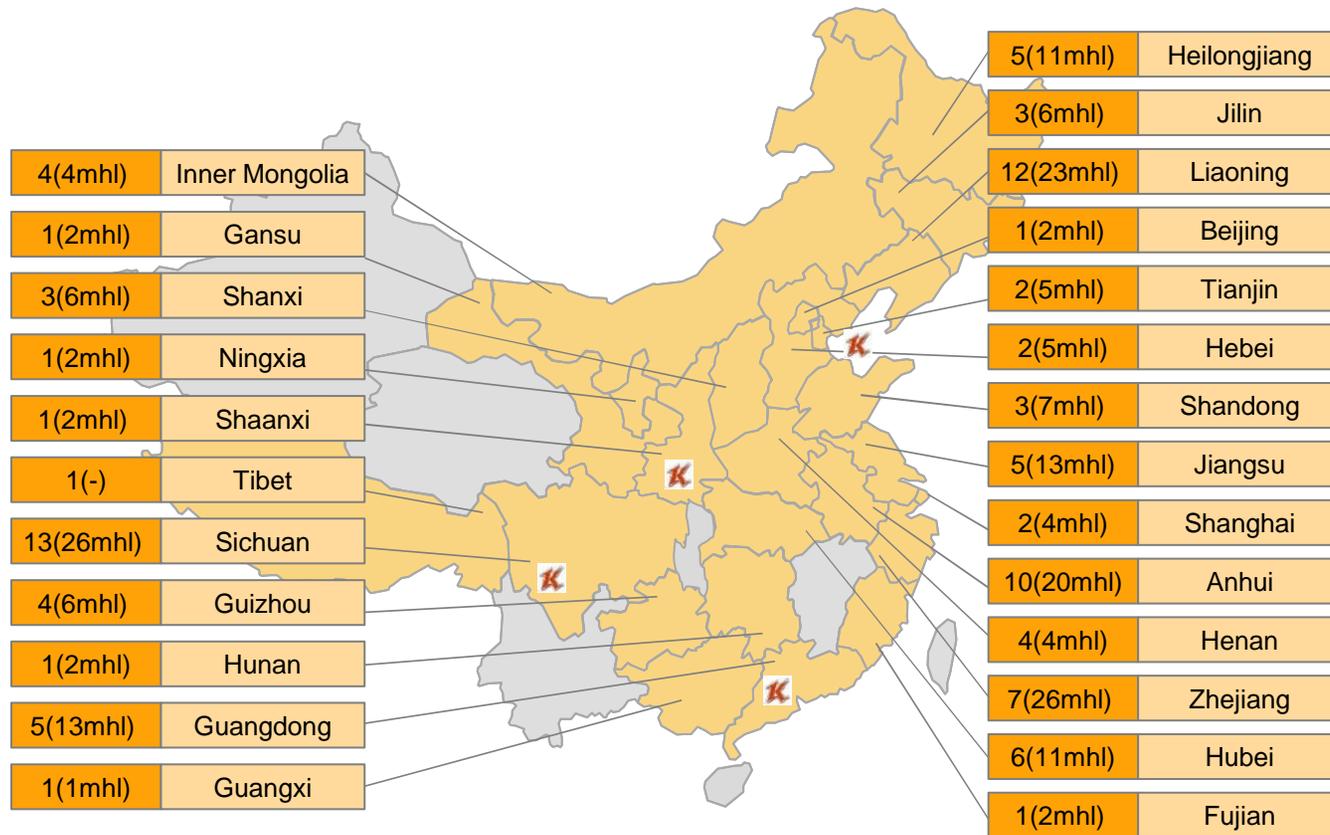


#28 amongst all Chinese brands

Source: Company Information

2 Well established brewery network with close proximity to key markets and early mover advantages

Operating 98 breweries in 25 out of 34 provinces in China, with total nominal capacity of over 200 million hectoliters as of the end of 2014



Early mover advantage to establish leading market positions

*Northeastern China
c.50% market share*

*Eastern China
c.43% market share*

*Southwestern China
c.35% market share*

Notation:

No. of breweries (nominal production capacity)	Province
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K Incl. Kingway brewery plants

2 Differentiated sales channel strategy with unique on-the-ground capabilities

Distribution strategy focused on professionalism, exclusivity and flatness of network

Urban markets

High end on-trade channel

- **Specific sales force** to target on-trade customers such as high-end restaurants and night clubs to promote sales of mid to high-end products
- Build and maintain a strong channel and customer relationship

Other on-trade channel and traditional retail channel

- Established a **flat distributor network** by dividing targeted markets into smaller areas which eliminates layers of distributors
- Allows for **higher profitability**, closer proximity to end customers and **better management** of distributors and retailers

Modern retail channel

- **Sales team at headquarters** covers and negotiates with nationwide retailers directly
- **Regional sales team** coordinate negotiations with regional retailers and provide comprehensive sales support and monitor performance

E-commerce channel

- Sales on **e-commerce platforms** such as Yihaodian, JD.com
- Flagship stores on platforms such as T-mall, Haigou.com
- Establishing own e-commerce platform to directly interact with end customers and consumers

Regional markets¹

- Maintain **long standing relationships** with local distributors to broaden coverage and penetration
- **Flat distribution model** through careful and finer division of regional markets
- Utilize **secondary distributors** to supply to rural areas

3 Successful 21 Year Strategic Partnership with the Second Largest Global Brewer

Partnership bringing together local knowledge and international expertise



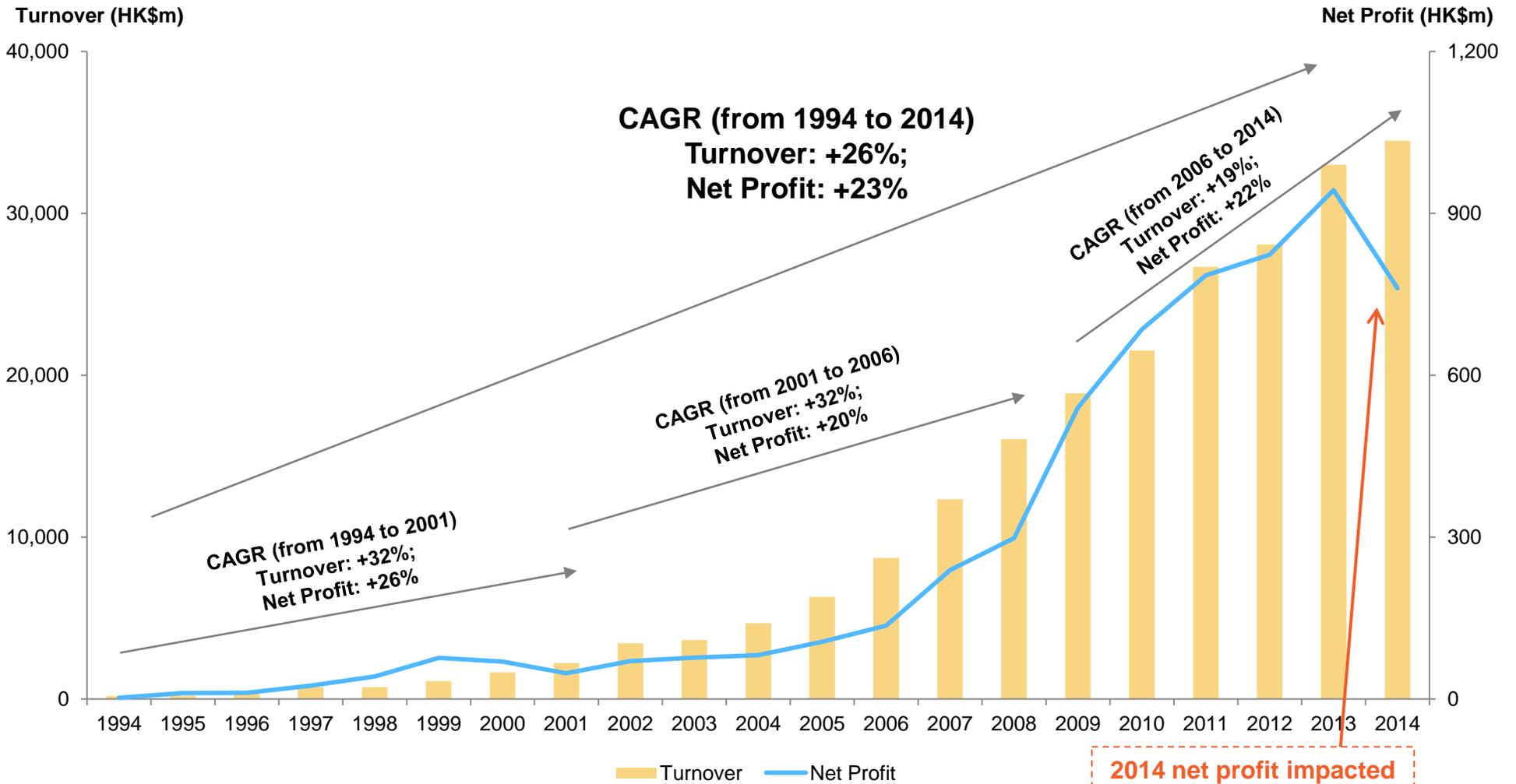
- ❑ CR Snow has a highly experienced management team with an **average of over 20 years of experience in the beer industry**
- ❑ Many members have been with CR Snow for **over 15 years**
- ❑ Ability to successfully integrate and turn around acquired businesses

- ❑ SABMiller has been a 49% shareholder of CR Snow since the inception of the **21 year successful partnership**
- ❑ SABMiller is the second largest brewer globally with a strong track record of **growth in emerging markets**
- ❑ SABMiller provides **strong support and global know-how** to CR Snow's operations
 - Areas include: technology, production, product standards, quality controls, raw materials, product testing, research and development, product innovation, and brand portfolio and category development

4 Proven Track Record of Double-Digit Growth

Sales and net income CAGR of 26% and 23%, respectively since inception in 1994

Evolution of Sales and Net Profit Growth

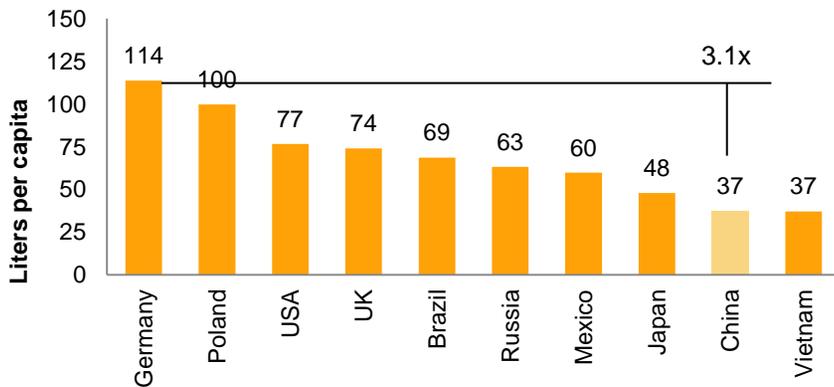


Source: Company Filings

4 Long term growth driven by both volume and premiumization

China continues to have strong volume growth potential with low per capita consumption

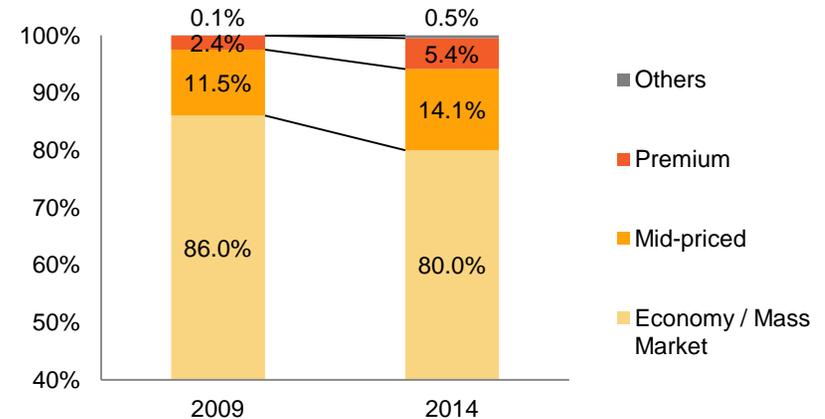
2014 Top ten beer markets per capita volume consumption



Source: Euromonitor International

Clear trend of premiumization driving increase in unit price and demand

China beer market volume by pricing

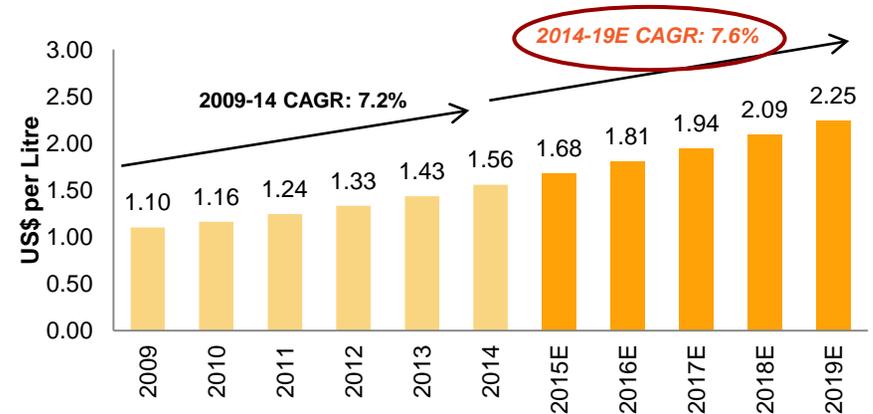


Source: Euromonitor International

Note

1. Economy / Mass Market – below RMB 7 per L; Mid-priced – between RMB 7-14 per L; Premium over RMB 14 per L

China beer market unit price per litre¹ (US\$/L)



Source: Euromonitor International

Note

1. Based on current value and fixed 2014 exchange rates

Huge long term volume growth potential

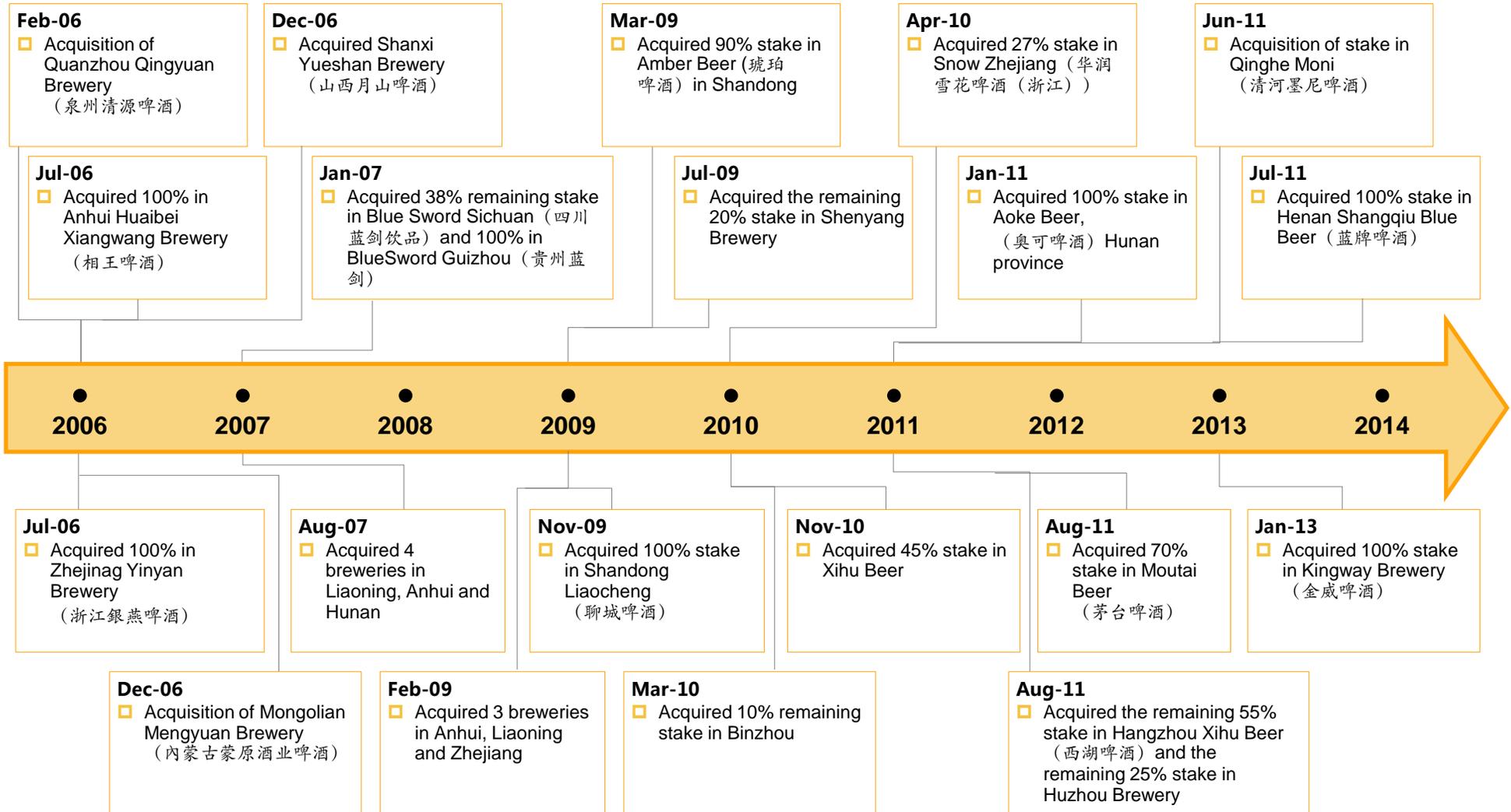
- China only 32% of per capita consumption in Germany
- Becoming drink of choice on more occasions

Strong premiumization trend driving ASP

- Economy / Mass Market segment share declining – overall market average unit price growing at c.8%
- Rising consumer sophistication and leading brewers such as CR Snow driving premiumization through new product launches

5 The Leading Platform for Industry Consolidation

Since establishment of the joint venture in 1994, CR Snow has had a strong track record of M&A, including the HK\$6.6bn acquisition of Kingway in 2013

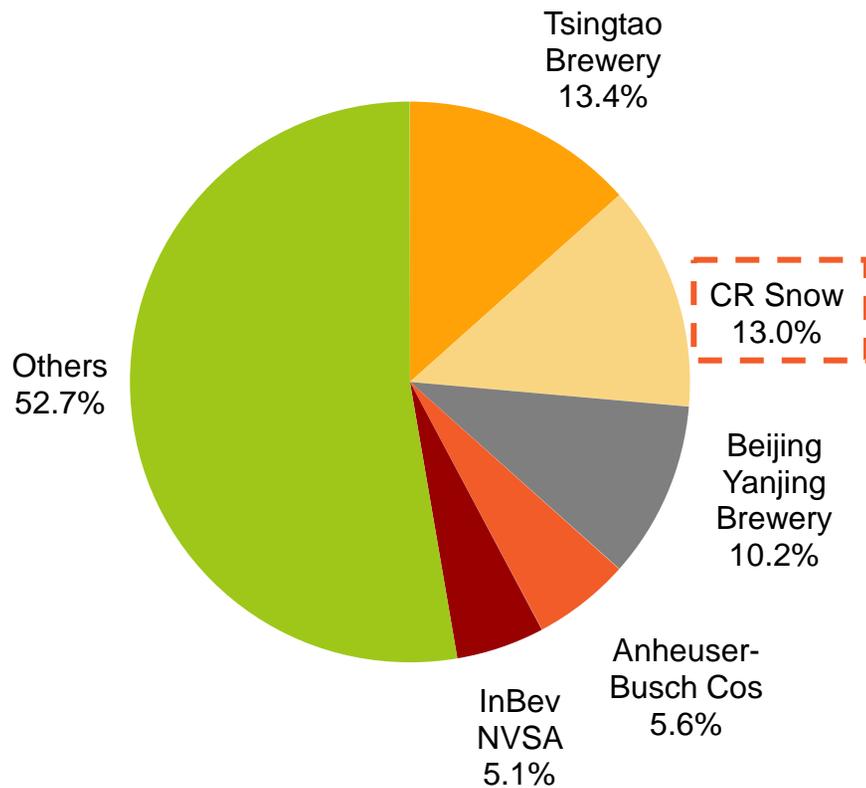


Source: Company information

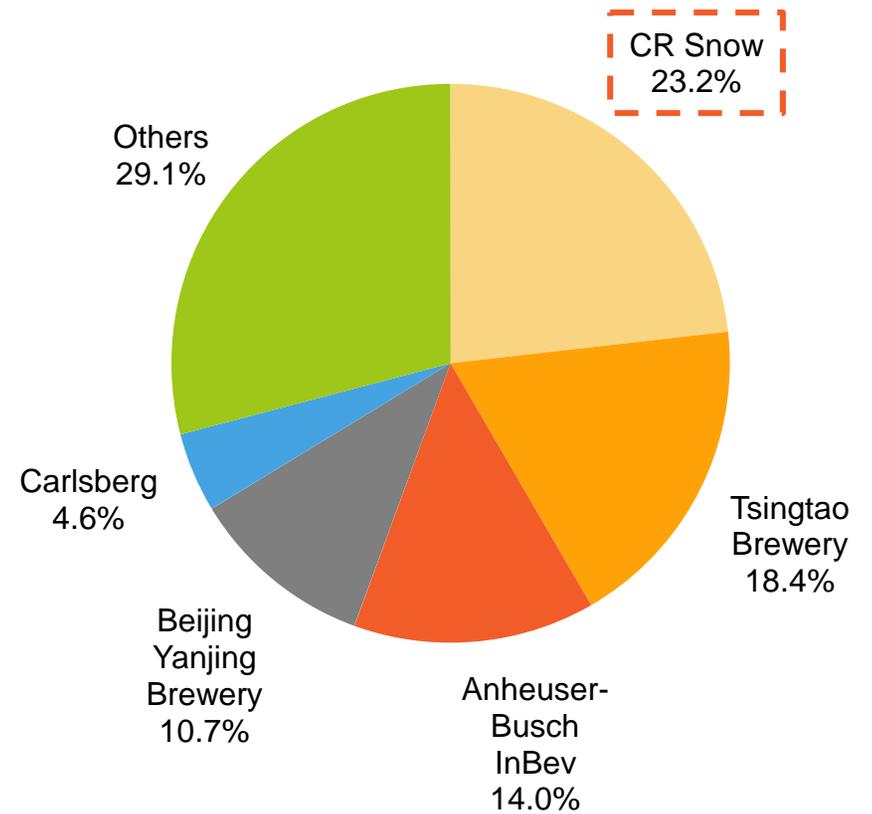
5 Historical Track Record of Capturing Market Share

China beer market competitive landscape by volume

2005 Top five market share = 47.3%



2014 Top five market share = 70.9%



Source: Euromonitor International

Future Growth Strategy

Our vision going forward is to continue to capture market share and improve efficiency

1

Further penetrate the high-end on-trade and modern retail channels well suited for premium brands

- Focus on premiumization to drive sales and profitability growth
- Grow higher-priced and higher margin brands and products

2

Strengthen our regional presence through organic growth and acquisitions

- Continue to grow market share on a regional basis both organically and through acquisitions
 - Focus on expanding and upgrading current breweries and improve efficiencies
 - Ongoing evaluation of acquisition targets that can help strengthen regional presence

3

Utilise the Kingway production plants to manufacture CR Snow beer products

- Continue to integrate Kingway into the platform with expectations to complete within the next three to four years
 - Upgrade Kingway's breweries to CR Snow's best-in-class operating standards
 - Integrate Kingway's distribution and channel strategy into platform

4

Collaboration with SABMiller

- Continue to improve operating efficiencies and optimizing production to ensure the most cost effective end-to-end supply chain
- Leverage SABMiller technology and know how to improve production facilities, methods and expertise of management

Overview of Transaction

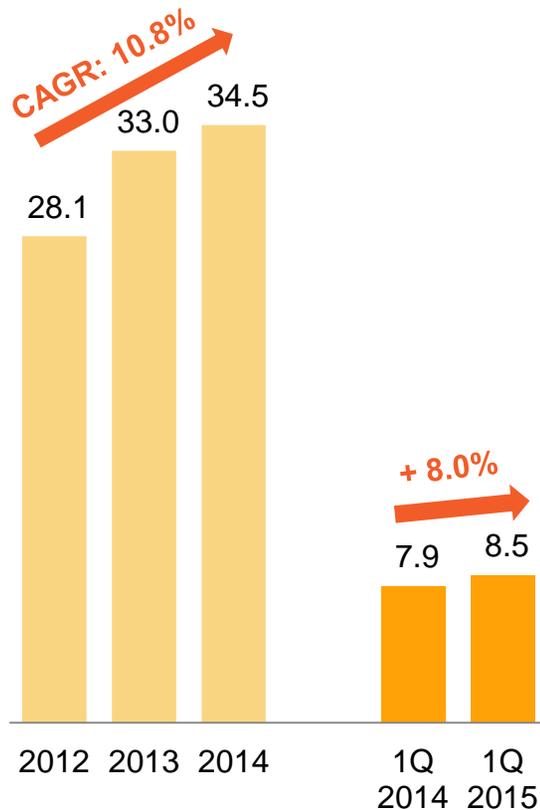
The New CRE

Financial Overview

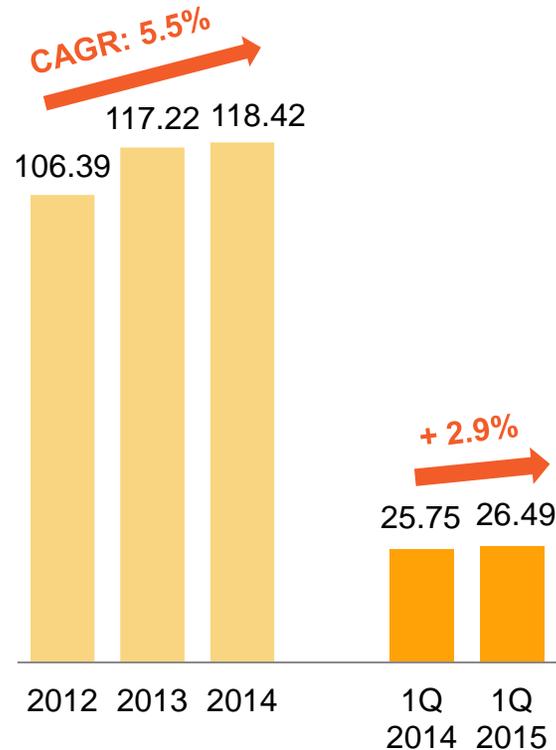
CR Snow Turnover

CR Snow has shown consistent growth in both volume and ASP over the past few years, resulting in double digit sales growth

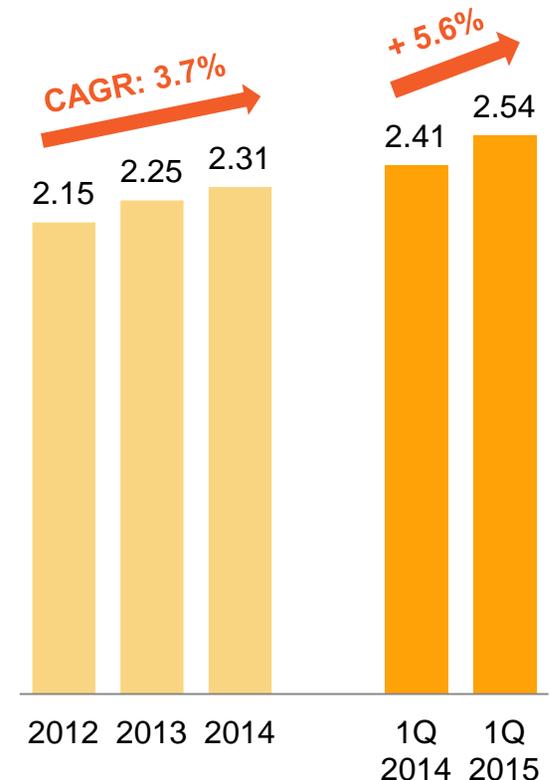
Turnover¹ (HK\$bn)



Sales volume¹ (m hectolitre)



Implied ASP (RMB/L)²



- Volume growth supported by investments in capacity and expansion of sales and distribution network
- Launches of premium products driving ASP growth
 - Mid-end and high-end products volume growth of over 25% in 2014 and approximately 30% in 1Q 2015

Source: Company Filings

Notes

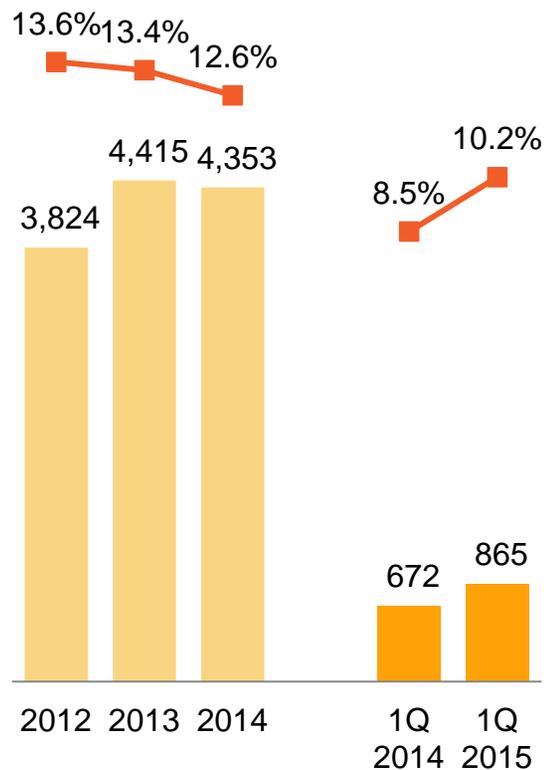
1. Historical segment financials excluding any allocated head office costs

2. Turnover divided by sales volume

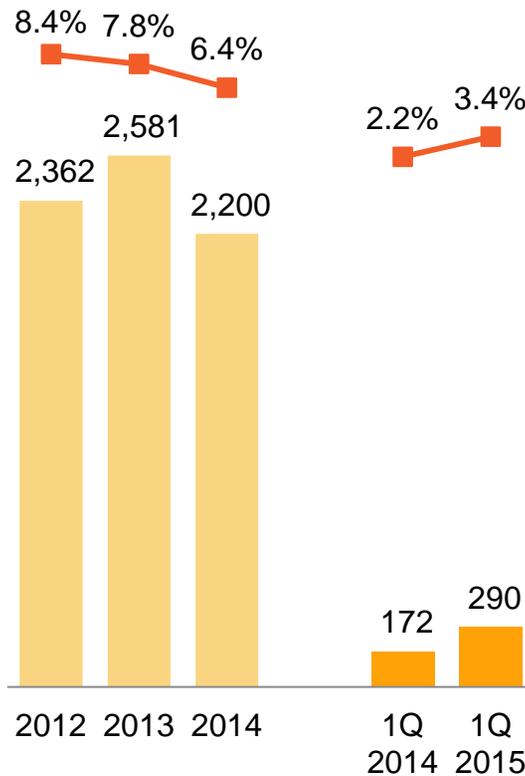
CR Snow Profitability

1Q 2015 has shown strong improvement in profitability

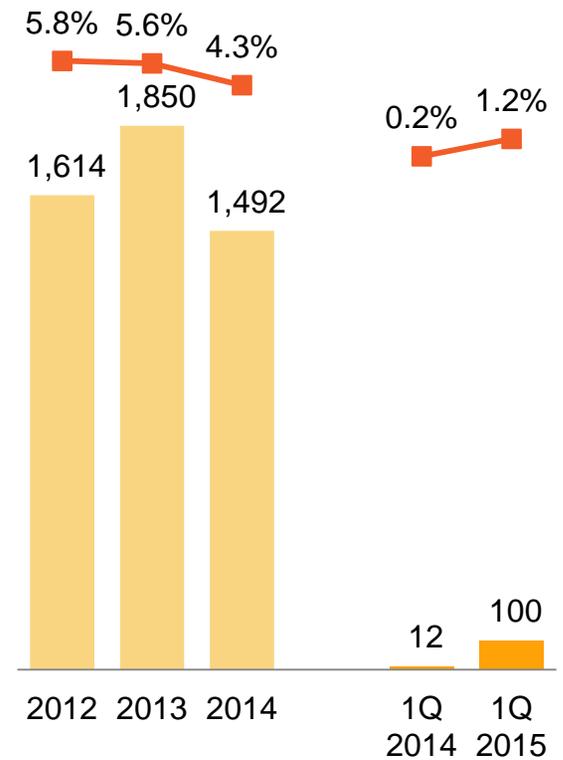
EBITDA¹ and margin (HK\$m, %)



EBIT¹ and margin (HK\$m, %)



Net profit^{1,2} and margin (HK\$m)



- 2014 margins impacted by integration of Kingway Brewery as well as slower sales growth
- However, significant improvement in 1Q 2015 profitability driven by sales growth, premiumization, expansion of sales and distribution network, and improvements in production efficiency

Source: Company Filings

Notes

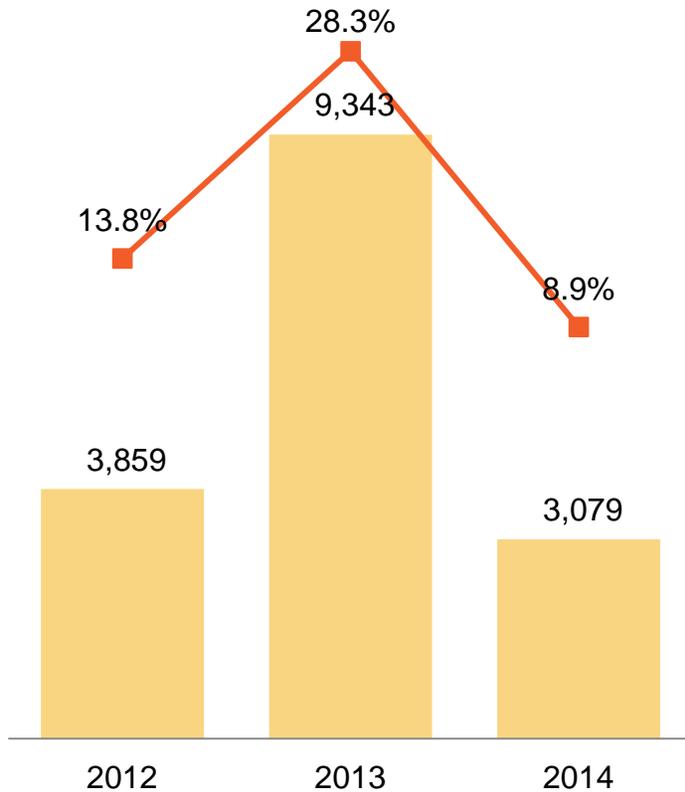
1. Historical segment financials excluding any allocated head office costs

2. Net profit represents 100% of CR Snow net profit. Profit attributable to CRE was 51% of net profit

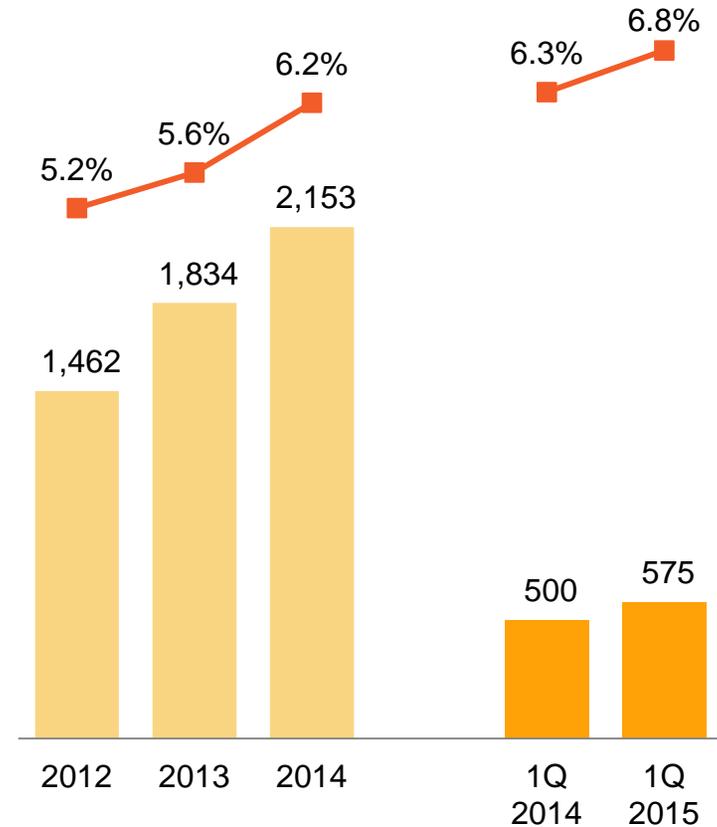
CR Snow Capex and D&A

Capex as a % of sales has been relatively high due to acquisitions and related integration spending

Capex¹ and % of sales (HK\$m, %)



D&A¹ and % of sales (HK\$m, %)



- We have been investing in our business leading to higher capex and D&A in recent years
- Capex in 2013 was exceptionally high due to HK\$6.6bn acquisition of Kingway Brewery

Source: Company Filings

Note

1. Historical segment financials excluding any allocated head office costs

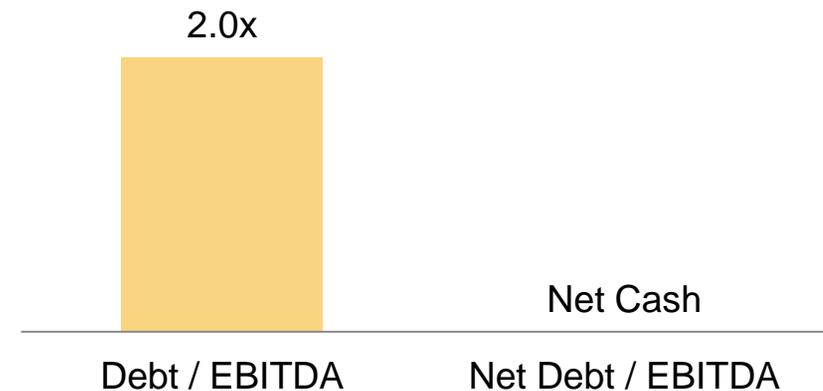
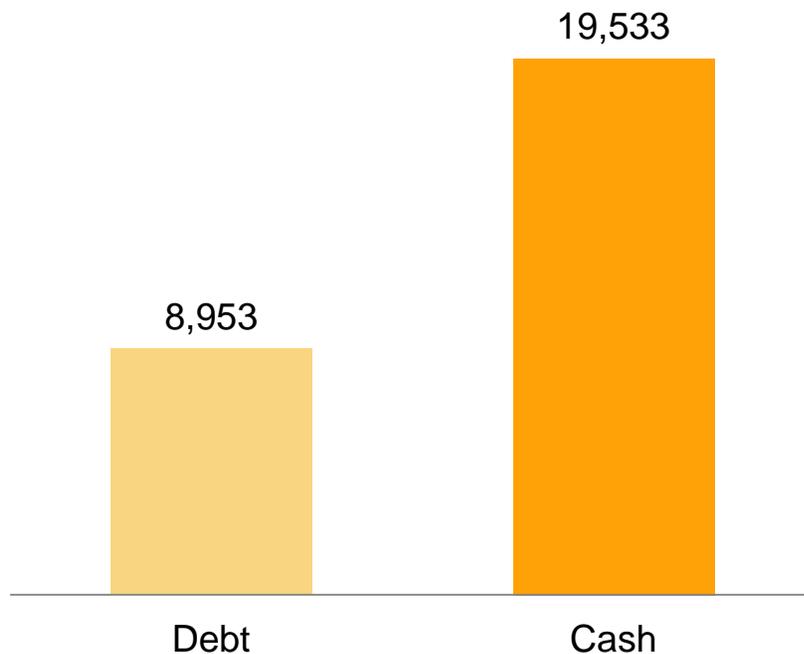
CR Snow Credit Profile

The Remaining Group has a strong balance sheet with sustainable levels of debt, HK\$19.5bn of cash and bank balances¹ and HK\$10.0bn of available shareholder loans provided by CRH

Debt and Cash position as of 31 Mar 2015¹

Credit Metrics as of 31 Mar 2015²

Net cash position: HK\$10,787m³



Notes

1. Cash and bank balance before payment of Special Dividend and Promissory Note
2. Based on LTM EBITDA of HK\$4,546m
3. Includes pledged bank deposits

Appendix

Unaudited PF consolidated Balance Sheet of the Remaining Group

The Remaining Group has a strong balance sheet with sustainable levels of debt and HK\$19.5bn of cash and bank balances¹

<i>(HK\$m)</i>	31 Dec 2014	31 Mar 2015
Fixed assets	26,389	26,608
Goodwill	10,444	10,409
Others	2,263	2,173
Non-current assets	39,096	39,190
Stocks	9,612	9,200
Cash and bank balances ¹	20,644	19,533
Others	18,418	17,569
Current assets	48,674	46,302
Short term loans	3,251	4,651
Others	19,606	21,745
Current liabilities	22,857	26,396
Long term loans	5,603	4,302
Others	2,132	1,181
Non-current liabilities	7,735	5,483
Equity attributable to shareholders of the company	43,741	41,993
Non-controlling interests	13,437	11,620
LTM EBITDA	4,353	4,546
Debt	8,854	8,953
Net Debt / (Cash) ²	(11,973)	(10,787)
Debt / EBITDA	2.0x	2.0x
Net Debt / EBITDA	net cash	net cash

Source: Company Filings

Note

1. Cash and bank balance before payment of Special Dividend and Promissory Note

2. Includes pledged bank deposits

Unaudited PF consolidated Profit and Loss Account of the Remaining Group

<i>(FYE Dec, HK\$m)</i>	FY 2014
Turnover	34,482
Gross profit	11,952
<i>% margin</i>	<i>34.7%</i>
Other income	967
Selling and distribution expenses	(6,931)
General and administrative expenses	(3,515)
Operating income²	2,473
<i>% margin</i>	<i>7.2%</i>
Finance costs	(188)
Gain on disposal of Disposal Assets	1,332
Profit before taxation¹	3,617
<i>% margin</i>	<i>10.5%</i>
Taxation	(803)
Profit for the period¹	2,814
<i>% margin</i>	<i>8.2%</i>

Source: Company Filings

Note

1. Includes the one-off Loss on disposal of Disposal Assets

2. Includes interest income

Unaudited PF consolidated Cash Flow Statement of the Remaining Group

<i>(FYE Dec, HK\$m)</i>	FY 2014
Cash generated from operations	4,480
Chinese Mainland income tax paid	(1,061)
Hong Kong Profits Tax refunded	4
Net cash from operating activities	3,423
Disposal of subsidiaries/business (net of cash and cash equivalents disposed of)	14,579
Purchase of fixed assets	(2,146)
Repayment of loan to a holding company	1,136
Others	1,046
Net cash used in investing activities	14,615
Dividends paid	(276)
Proceeds from bank and other borrowings	1,000
Repayment of bank and other borrowings	(1,551)
Others	3,446
Net cash used in financing activities	2,619

Source: Company Filings

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