



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

**KIRIN**

**China Resources Enterprise, Limited  
&  
Kirin Holdings Company, Limited**

**Joint Press Conference**

**24 January 2011**

***Birth of China's New Beverage Leader***

## Transaction Summary

China Resources Enterprise, Limited (“CRE”) and Kirin Holdings Company, Limited (“Kirin”) are pleased to announce the exciting formation of a 60% / 40% JV focused on non-alcoholic beverages in Greater China<sup>(1)</sup>. CRE and Kirin will each contribute their respective existing non-alcoholic beverage operations in the Chinese Mainland to the JV



Note:

1. Includes the Chinese Mainland, Hong Kong and Macau;  
Excludes Taiwan

**“Birth of China's New Beverage Leader”**

## Transaction Rationale

**This new JV is a win-win partnership that marries the strengths of CRE's expertise in multi-format retail and product distribution and know-how in China with Kirin's extensive product portfolio and established R&D capability. The goal is to accelerate the development of the JV into a leading player in the rapidly growing non-alcoholic beverages market in China**



- **Leverage CRE's Extensive Distribution Network, Expertise and Knowledge on the Greater China Market**
  - Nationwide distribution network
  - Vanguard – #1 supermarket chain
  - CR Snow – #1 single beer brand globally by volume
  - C'estbon – #1 market share for packaged water in Guangdong Province
  - Ng Fung Hong – largest Chinese foodstuff supplier in Hong Kong
- **Harness the Collective Strength of the China Resources Family of Group Companies**
  - Extensive experience in the Greater China market
  - Potential synergies with other group companies and business units
- **Extensive Track Record of Successful JVs and Long-Term Partnerships with Foreign Partners**
  - CR Snow – JV with a leading international brewer
  - Pacific Coffee – JV with Chevalier Pacific
  - Past JV with ESPRIT



- **Leading Non-Alcoholic Beverage Producer in Japan**
- **Extensive International and Operational Expertise**
- **Rich and Diverse Product Offering**
  - Diversified product offering – including tea, coffee, functional beverages, carbonated beverages as well as fruit and vegetable drinks
- **Strong Operational, Technical and R&D Capability**
  - Extensive new product development capability – on average 77 new SKUs p.a. for the past 10 years
  - Core technologies, such as “sterilized filling”, “tea extraction”, etc.
  - Accelerate product development for the China market

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## Transaction Highlights

### 1 Accelerate Development of Leading Non-Alcoholic Beverages Producer

- ✓ Enrich the combined product offering with Kirin's research and development and CRE's market knowledge of local tastes and local know-how

### 2 Leverage CRE's Existing Distribution Network

- ✓ Enhance the distribution of Kirin's existing China product offerings
- ✓ Benefit from more quickly achieving scale economies

### 3 Synergistic Combination

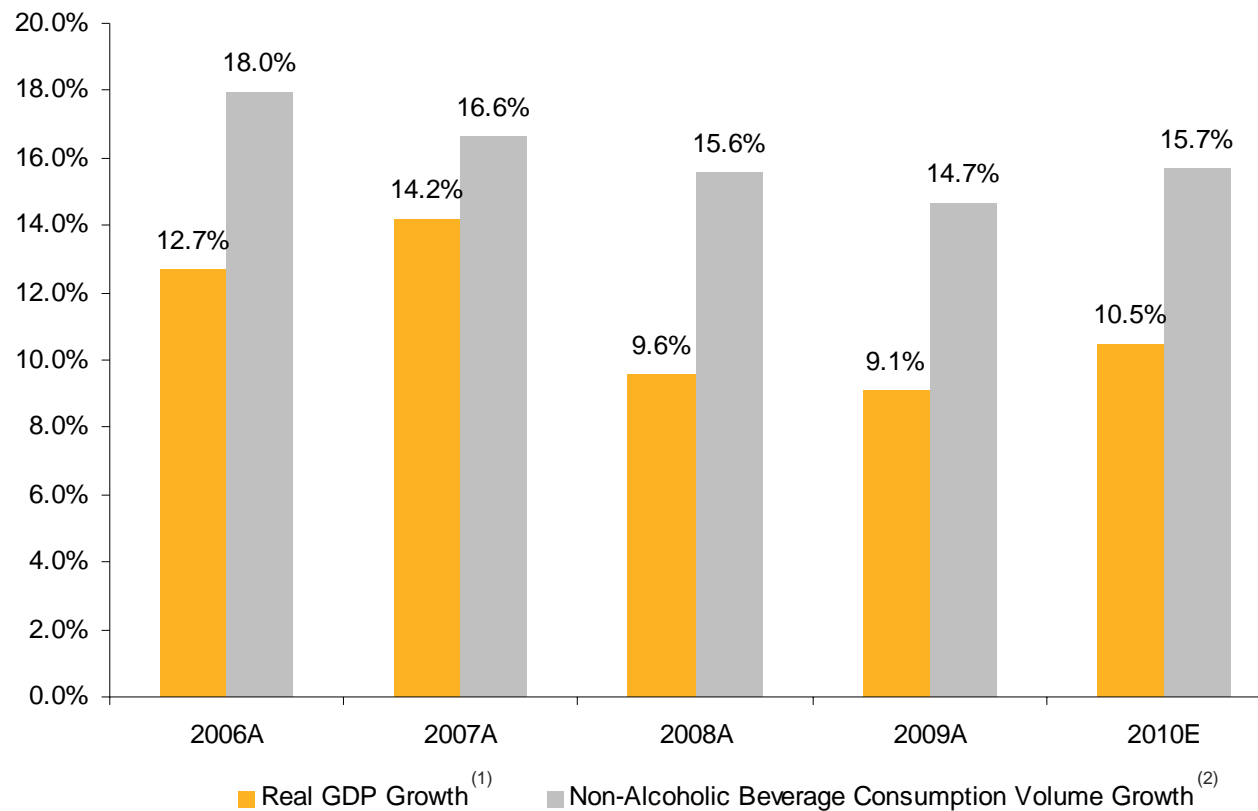
- ✓ C'estbon enjoys dominant position in the packaged water business in Guangdong Province while Kirin mainly focuses on Eastern China
- ✓ The locations of the production facilities as well as the distribution network of the two businesses complement each other

### 4 Enhanced New Product Development Capability

- ✓ A R&D center in China will be established to support the development of JV products. Kirin will send secondees from Japan to provide support to the product development of the JV.

## Robust Industry Dynamics

**The rapid growth of China's non-alcoholic beverage consumption has even outpaced China's GDP growth and this growth trend is expected to continue with the increasing affluence and rising consumption of Chinese consumers**



Notes:

1. Source: Euromonitor

2. Source: Canadean

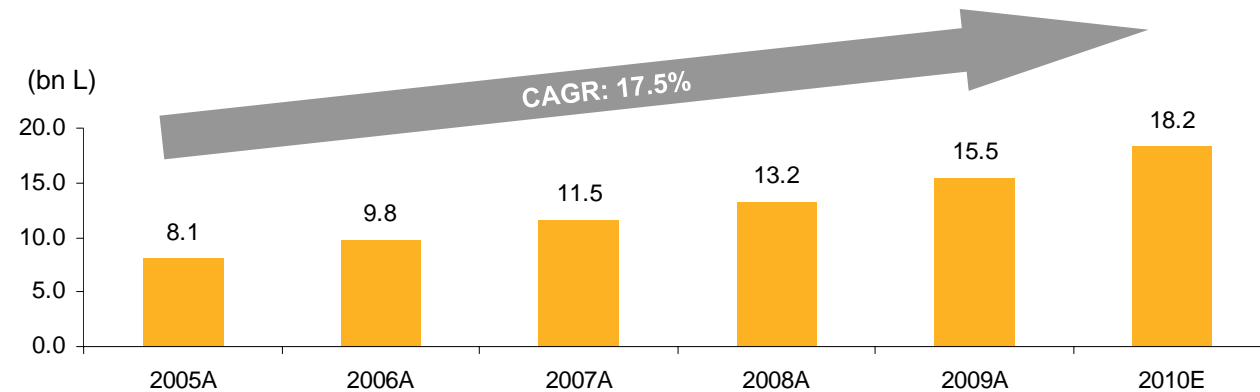
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## Robust Industry Dynamics (Cont'd)

### ▪ Packaged water products

- the current focus of C'estbon
- the largest non-alcoholic beverage sub-segment
- High growth momentum which is expected to continue

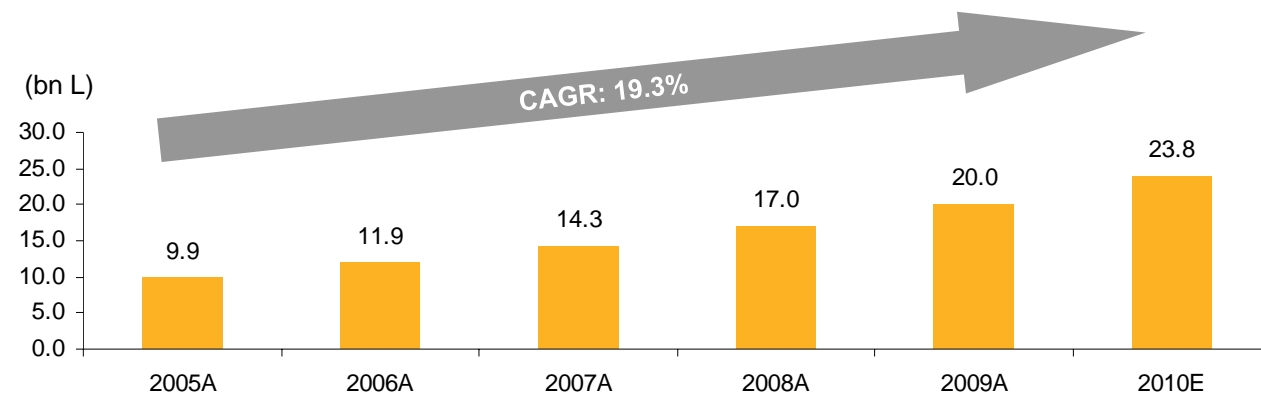
**Packaged Water Consumption in China**



### ▪ RTD beverages products

- including tea, coffee, juice and other flavored drinks, excluding carbonates
- the future focus of the JV
- Rapidly growing industry with strong growth potential

**RTD Beverages Consumption in China**



## Overview of C'estbon







- C'estbon is the largest packaged water brand by volume in Guangdong Province in 2010
- The purified water operation reported a revenue of USD205 million in 2009, a 17.3% increase from 2008
- Sales volume of purified water rose by 16.6% yoy to approximately 1,594,000 KL in 2009
- Awarded “Well-Known Trademarks” by State Administration for Industry and Commerce of the PRC in 2009
- The only winner of “The 5<sup>th</sup> China Best Brand-Building Case Award” by 21<sup>st</sup> Century Business Herald and Interbrand (Dec 2009)
- To continue expansion in Guangdong Province, penetrate into new markets, and develop new products



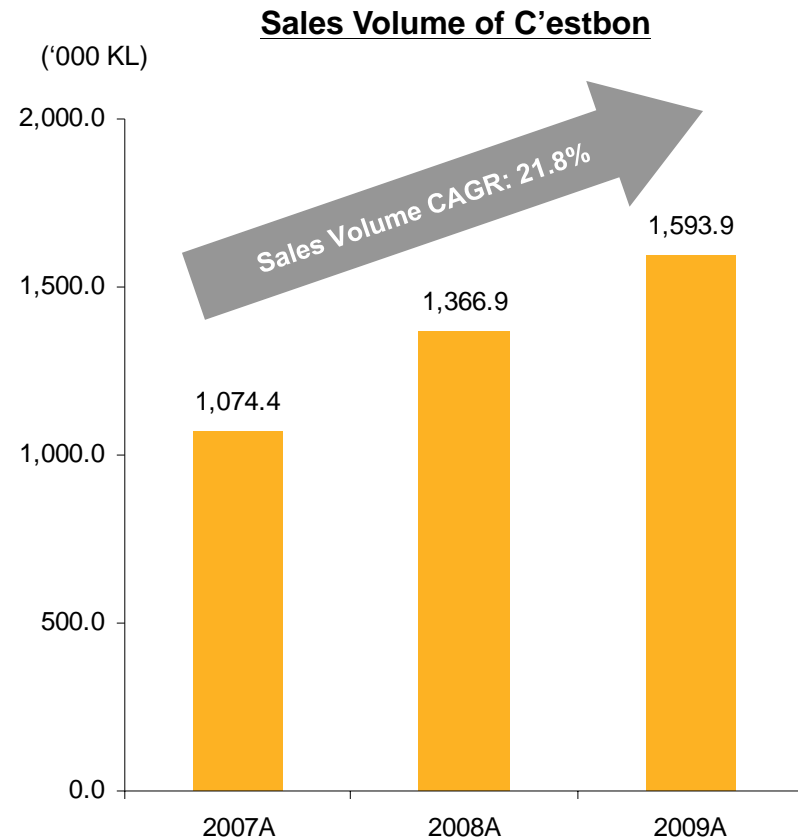
## Overview of C'estbon (Cont'd)

### Nationwide Distribution Network

-  Existing Markets: 22 Provinces / Cities
-  Leading Player: 3 Provinces (Guangdong, Hunan and Sichuan)
-  2009-2010 Newly Entered Markets: 9 Provinces
-  Key regions



### Proven Track Record



“Birth of China's New Beverage Leader”

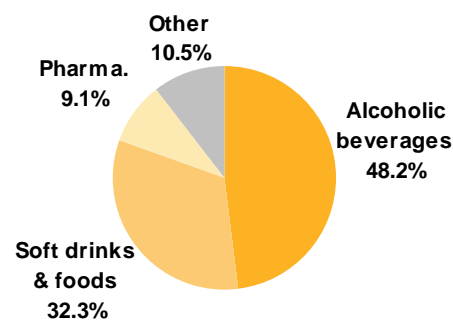


## Overview of Kirin Holdings and Kirin Beverage

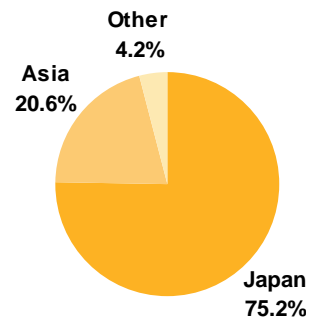
### About Kirin Holdings

- Founded in February 1907 and headquartered in Tokyo, Japan, with >35,000 employees
- Mainly engaged in the production and sales of liquor, beverage, food and pharmaceuticals
- 2009 total sales: JPY2.3 trillion (HKD190.8 billion<sup>(1)</sup>)
- Also owns 100% of Lion Nathan National Foods, Australasia's largest food and beverage group, and 14.7% of Fraser & Neave, a SG-listed beverage company

**2009 Sales Breakdown  
by Product**



**2009 Sales Breakdown  
by Geography**



Notes:

1. Converted at the 2009 daily average exchange rate of 1 JPY = 0.08296 HKD

### About Kirin Beverage

- The non-alcoholic beverage arm of Kirin Holdings
- 2009 sales: JPY371.6 billion (HKD30.8 billion<sup>(1)</sup>)
  - 16.3% of Kirin Holdings' total sales
- One of the leading players in the soft beverage industry in Japan
- **Rich product offerings**, including tea, coffee, functional beverages, carbonated beverages as well as fruit and vegetable drinks
  - Featured products include Kirin Afternoon Tea and FIRE Coffee
- **Strong R&D capabilities**, with >1,500 new SKUs since 1990 (mainly tea and coffee)
- **Advanced production technology**, such as sterilized filling production lines in China as well as core technologies for producing tea and coffee drinks



**“Birth of China's New Beverage Leader”**

## Overview of Kirin Beverage Business in China

### About Kirin Beverage Business in China

- Entered the China market in 1996
- Major products in China include Kirin Afternoon Tea and FIRE Coffee
  - Have gradually gained recognition in China during the last decade
- Current operations mainly focused on Eastern China



Kirin Afternoon Tea



FIRE Coffee

### China Footprint

- Four principal subsidiaries in China
  - Three based in Shanghai and one based in Beijing



## Birth of China's New Beverage Leader

Riding on CRE's extensive track record of successful joint ventures, as well as its long-term partnerships with international partners, both CRE and Kirin are confident that similar success can be achieved with this new joint venture and it will become the new beverage leader in Greater China



- Beer leader: largest single beer brand by sales volume in China and the world

China's leading beverage player with diversified product offerings

2011



Birth of China's New Beverage Leader

- “雪花Snow” became the No. 1 beer brand by volume in China since 2005

2005

- Establishment of the beer JV  
- Birth of the future beer leader

1994



“Birth of China's New Beverage Leader”

**Thank You**