



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

雪花
SNOW BEER
啤酒



迎 * 新

Embrace the **FUTURE**

**Financial and
operational review**

H1 2015

Investor presentation

21 August 2015

The diagram illustrates a timeline of key milestones for the proposed capital reduction and special dividend. A central horizontal orange arrow points to the right, with four black dots marking specific points in time. Each dot is connected by a vertical line to a text box. The text boxes are color-coded: purple for the first milestone (3 August) and yellow for the others (September, End of October, Early November).

- 3 August**
Approval from shareholders (**over 98% votes cast**) in EGM for capital reduction and disposal of non-beer businesses
- September**
Expected completion of capital reduction
- End of October**
Expected payment of special dividend (HK\$12.30 per share)
- Early November**
Dispatch of composite document of Partial Offer
(Option to sell at least 41.44% of shares into Partial Offer at HK\$12.70 per share)

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H1 2015	H1 2014	<i>change</i>
HK\$m	HK\$m	

Turnover	94,660	83,506	+13%
EBITDA*	(292)	4,721	-106%
Earnings*	(4,327)	929	-566%
Underlying net profit*	(4,406)	668	-760%
EPS (HK¢) – Basic	(179)	39	-559%
DPS (HK¢) **	-	11	-100%
ROE (%) (based on earnings)	(9.8)	1.8	-644%
ROE (%) (based on underlying net profit*)	(10.0)	1.3	-869%
Net cash/(debt) ***	(4,345)	1,385	-414%

EBITDA, earnings and underlying net profit in H115 included the provision for goodwill impairment (HK\$2,014m attributable to shareholders), provision for stores closure (HK\$422m attributable to shareholders) and loss on re-measurement of disposal group (HK\$2,222m attributable to shareholders).

*** Net debt of the continuing operation as at 30 June 2015 was \$868m.

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Turnover Breakdown - by Divisions

	H1 2015 HK\$m	Prop	H1 2014 HK\$m	Prop	change
<u>Continuing operations</u>					
Beer	19,609	21%	18,475	22%	+6%
<u>Discontinued operations</u>					
Retail	61,146	64%	52,589	63%	+16%
Food	8,480	9%	8,035	10%	+6%
Beverage	6,307	7%	5,057	6%	+25%
Less: inter-co transactions	(786)	(1%)	(600)	(1%)	
	75,147	79%	65,081	78%	+15%
Less: inter-co transactions	(96)	-	(50)		
Turnover – total	94,660	100%	83,506	100%	+13%

Continuing operations



Discontinued operations



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Continuing operations

Discontinued operations

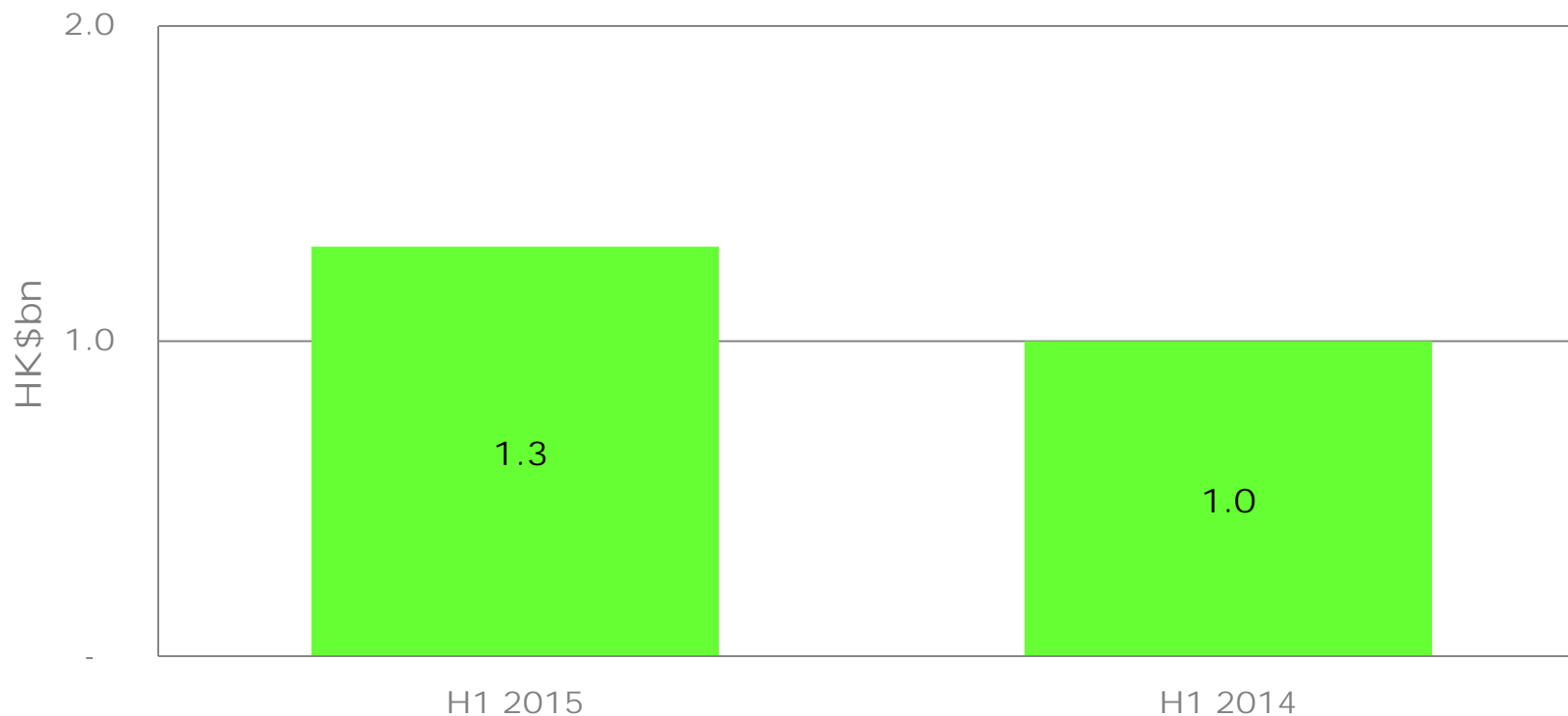
Underlying Net Profit	(4,406)	(100%)	668	100%	-760%
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Earnings	(4,327)	929	-566%
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■ Beer



CRH will 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 to support beer business development.

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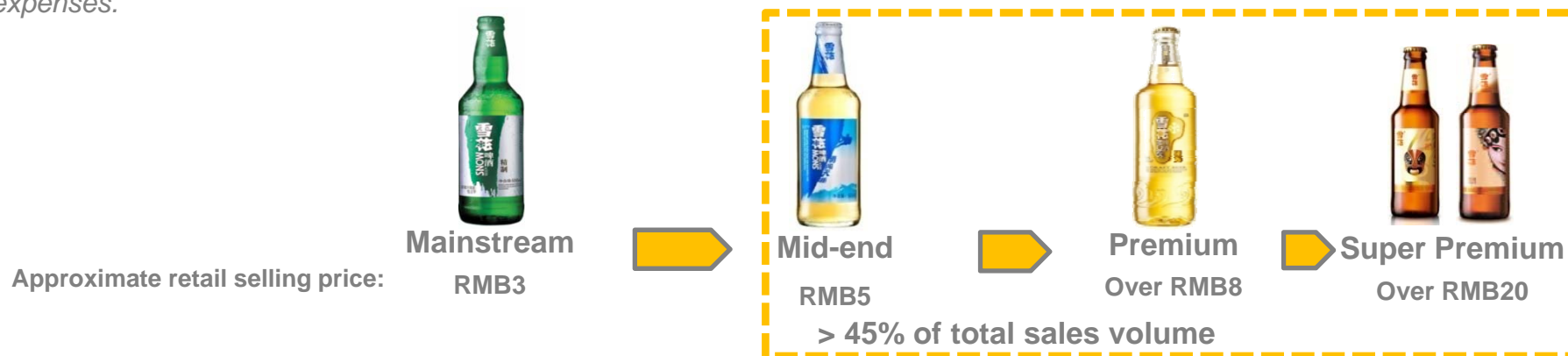
Beer (*No.1 brand by volume in the world since 2008*)



- Growth through: Solidifying market leader position and upgrade of product mix

	H1 2015 HK\$m	H1 2014 HK\$m	change
Sales volume (million kl)	6.25	6.30	-1%
ASP (in RMB/kl)	2,480	2,322	+7%
Turnover	19,609	18,475	+6%
EBITDA	2,615	2,291	+14%
Earnings (#)	1,067	818	+30%
EBITDA margin (%)	13.3	12.4	+7%
Net margin (%) (#)	5.4	4.4	+23%

Improvement was mainly contributed by continuous product mix upgrade, economy of scale and better management on selling expenses.



(#) Profit attributable to CRE was 51% share of the above earnings.

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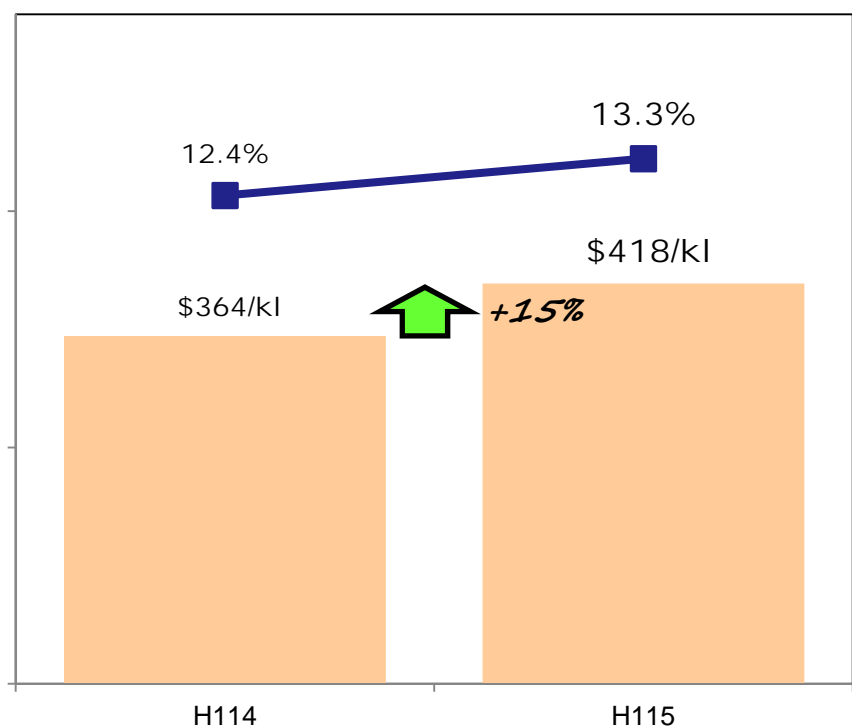
Beer (*No.1 brand by volume in the world since 2008*)



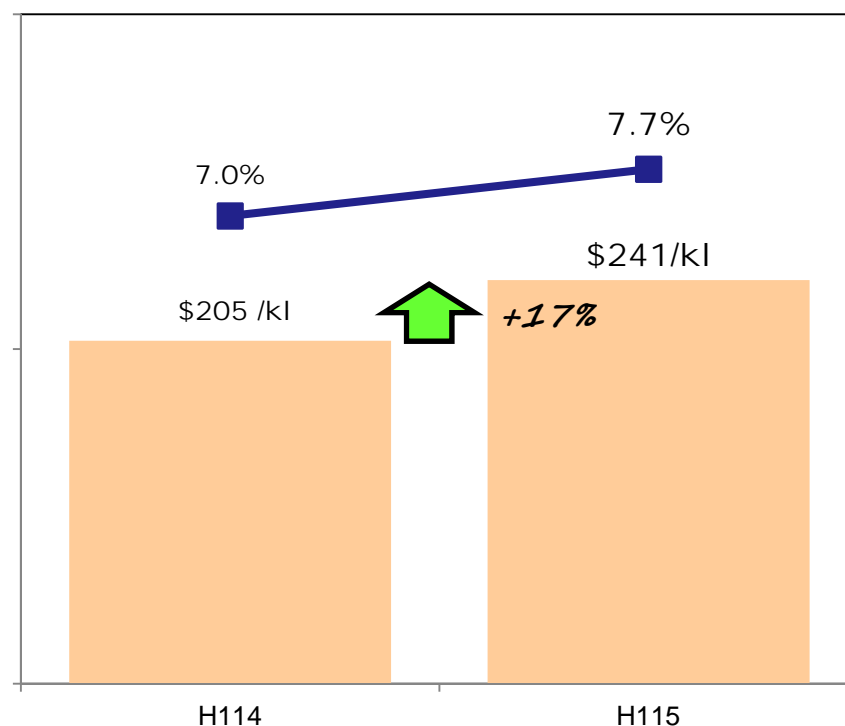
- Growth through: Solidifying market leader position and upgrade of product mix

Improvement on operating efficiency:

EBITDA margin and EBITDA/kl (in HK\$)



EBIT margin and EBIT/kl (in HK\$)



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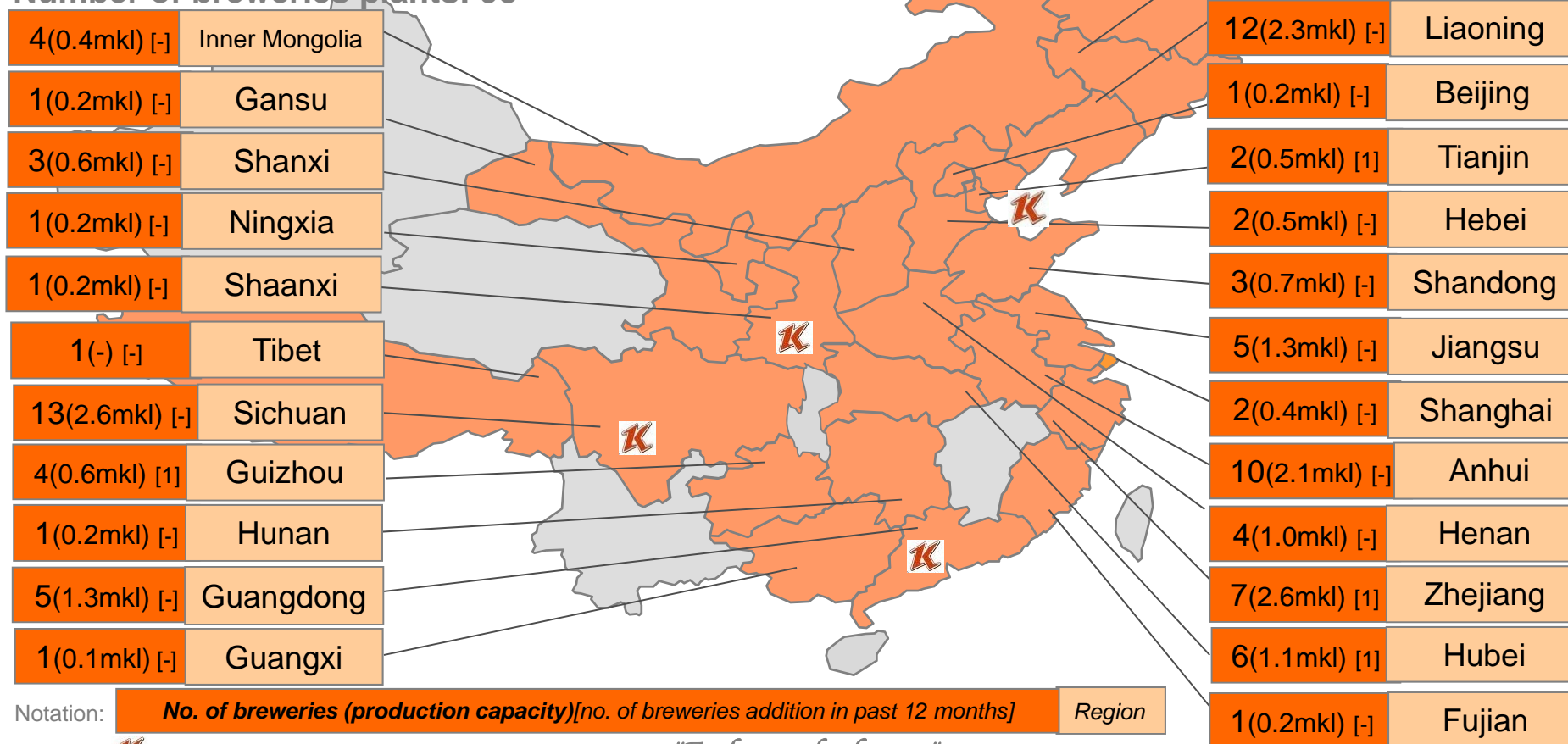
Beer (*No.1 brand by volume in the world since 2008*)

- Growth through: Solidifying market leader position and upgrade of product mix

Geographical distribution of the breweries

Having presence in 25 out of 34 regions/cities (incl., autonomous regions, municipalities and SAR) in China

Number of breweries/plants: 98



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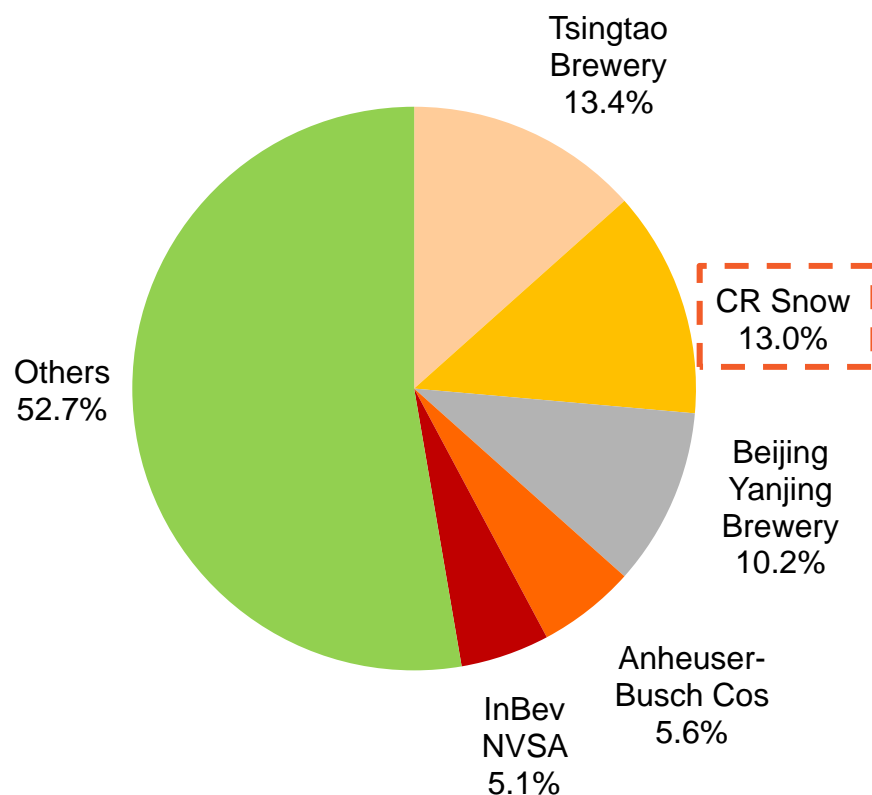
Beer (*No.1 brand by volume in the world since 2008*)



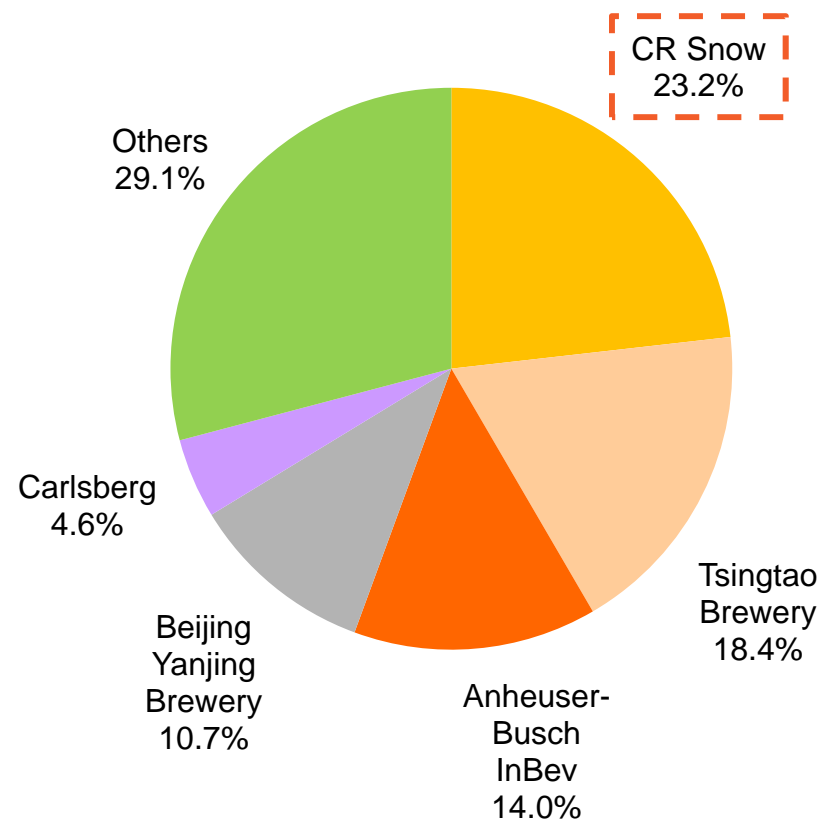
- Growth through: Solidifying market leader position and upgrade of product mix

China beer market competitive landscape by volume

2005 Top five market share = 47.3%



2014 Top five market share = 70.9%



Source: Euromonitor International

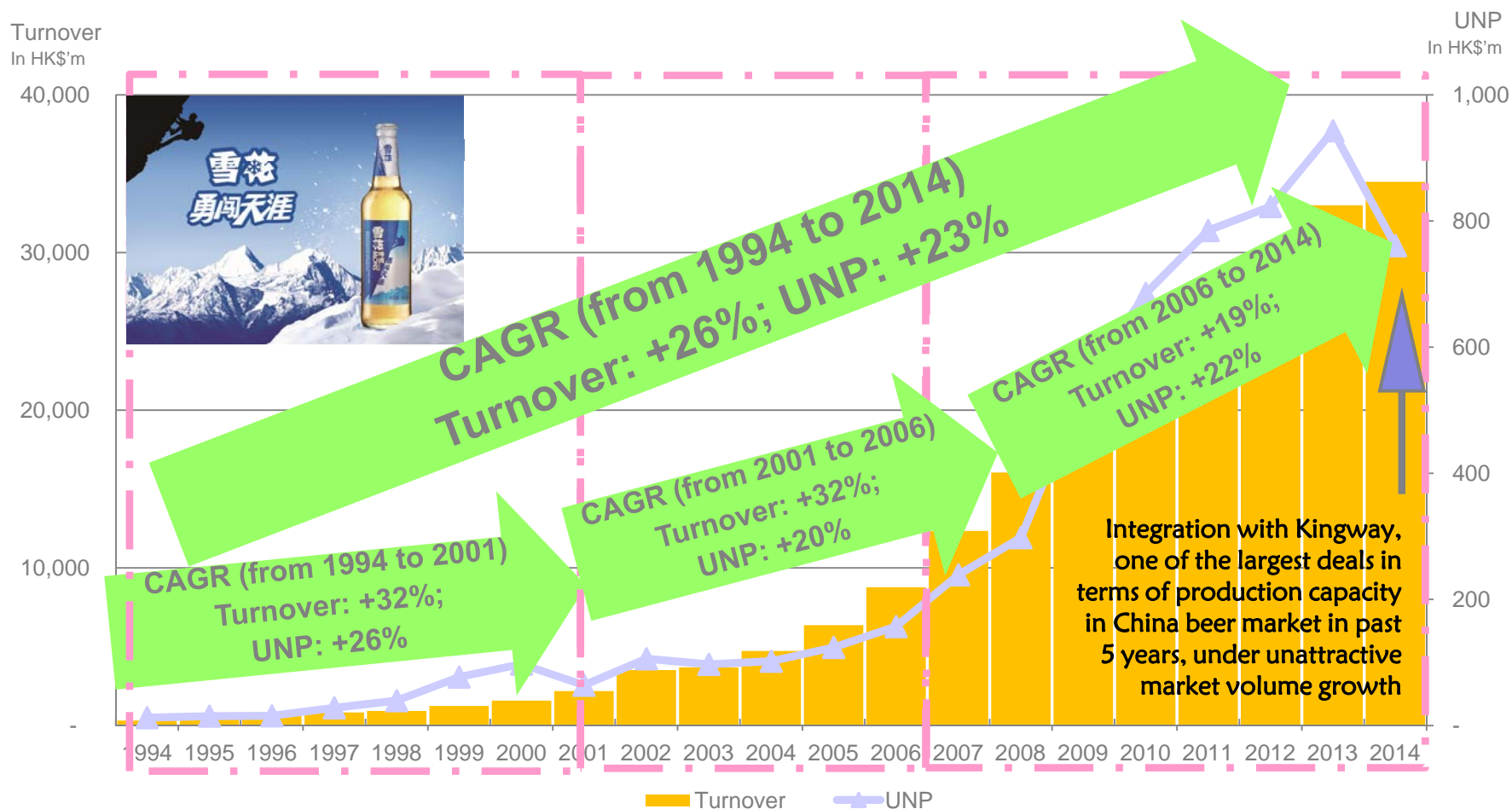
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Beer (No.1 brand by volume in the world since 2008)



- Growth through: Solidifying market leader position and upgrade of product mix



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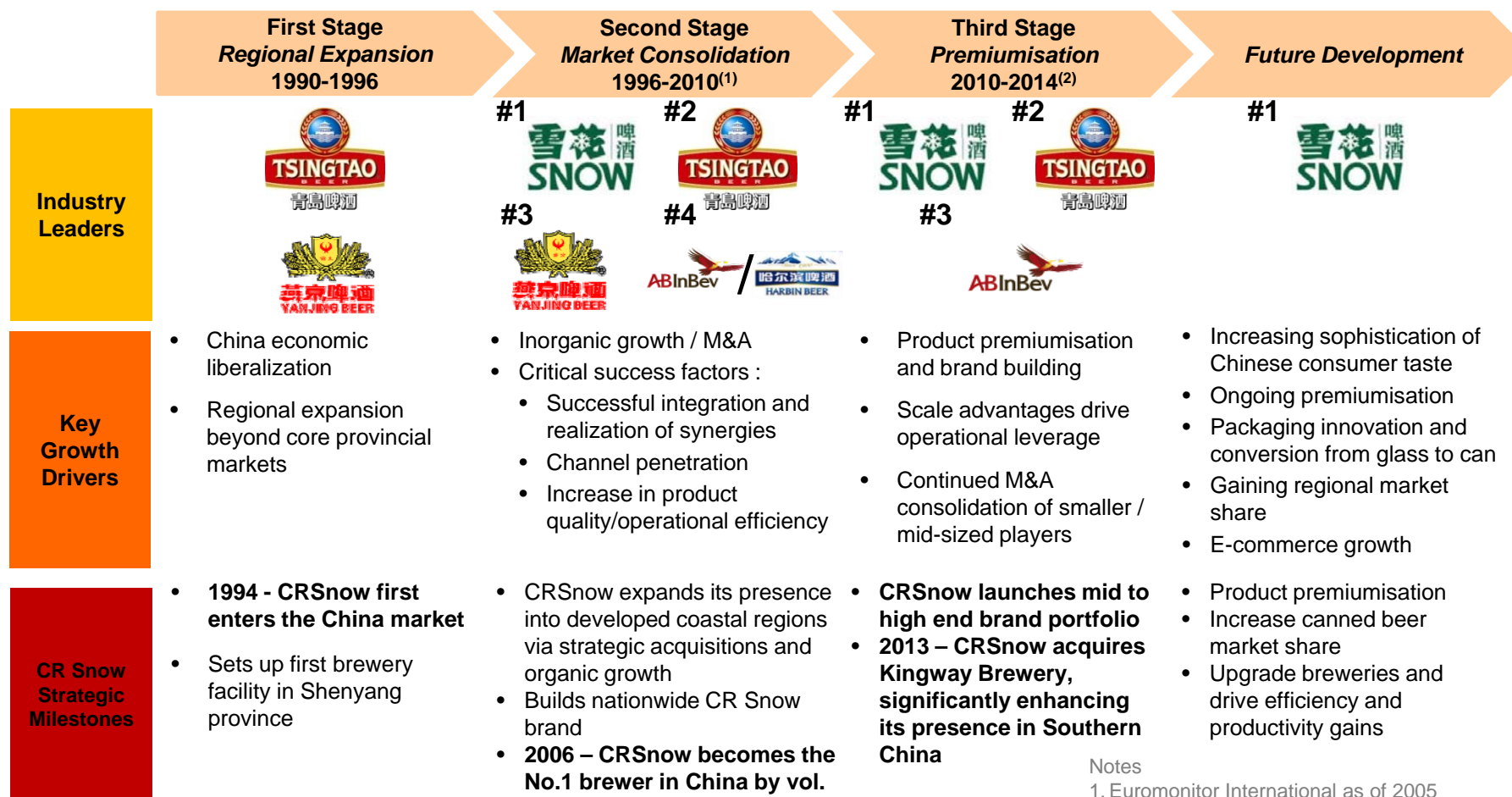


Beer (No.1 brand by volume in the world since 2008)



Evolution of the China Beer Market Over the Past 3 Decades

CR Snow has been at the forefront of evolution, effectively positioning itself to capture outsized growth



Notes

1. Euromonitor International as of 2005

2. Euromonitor International as of 2014

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Beer (*No.1 brand by volume in the world since 2008*)



▪ New CRE: Pure beer business

1

The Undisputed Leader in World's Most Attractive Beer Market

- 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

2

Irreplaceable Heritage Brands That Resonate Nationwide with the Local Consumer

- 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 of 34 provinces in China

3

Successful 21 Year Strategic Partnership with the Second Largest Global Brewer

- 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)

4

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

- 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

5

The Leading Platform for Industry Consolidation

- 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

6

Consistent and Proven Management Leadership Since Formation of Partnership

- 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

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Beer (*No.1 brand by volume in the world since 2008*)

- 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	<ul style="list-style-type: none"> □ 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	<ul style="list-style-type: none"> □ 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	<ul style="list-style-type: none"> □ 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	<ul style="list-style-type: none"> □ 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

Source: Company Filings, Company Information

Regional markets¹

<ul style="list-style-type: none"> □ 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
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Regional markets in smaller towns and rural areas

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Beer (No.1 brand by volume in the world since 2008)



- Diverse product portfolio and innovation across brands and price points addressing premiumization trend

- Developed mainstream, mid and high-end products across different retail price points ranging from RMB3 to RMB25 per bottle to cater for a full spectrum of consumers
- Driving of mid to high-end products in recent years in recognition of the premiumization trend in China
- Regional brands complementing product offerings in certain markets
- Brand strategy focused on solidifying aspirational appeal to consumers

Snow – the brand for all consumer groups

Mainstream ← → Super Premium



Price range

RMB 3 - 5



RMB 5 - 7



RMB 9 - 12



Over RMB 25

Complemented by Regional Brands

North

Central / East

South

Southwest

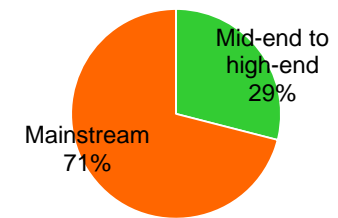
Northwest



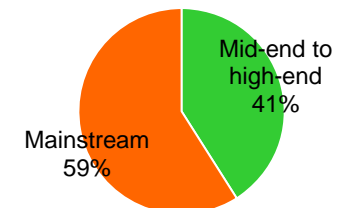
Source: Company Filings, Company Information

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2012 Sales volume breakdown



2014 Sales volume breakdown



Note: Mid-end to high-end products defined as products with a retail price of c.RMB5 per 500ml or above



Beer (*No.1 brand by volume in the world since 2008*)

▪ Future growth strategy

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

Source: Company Filings, Company Information

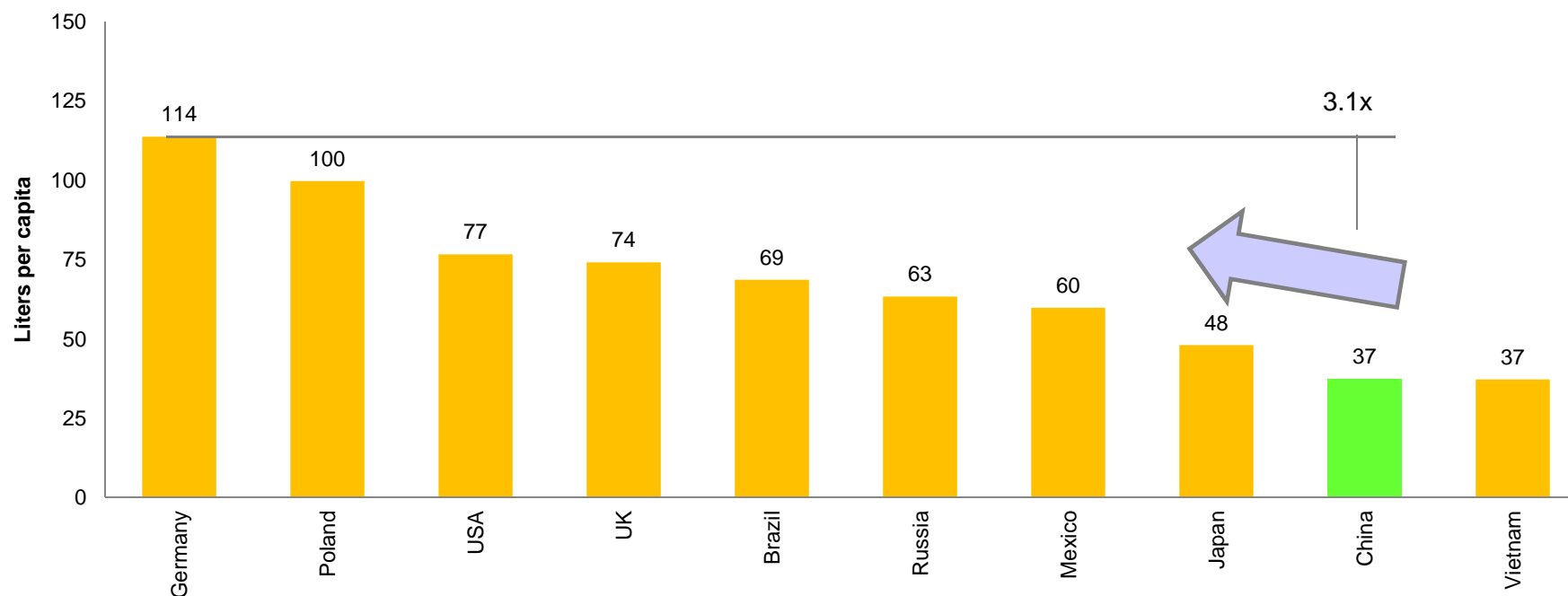
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Appendix I – Global beer consumption summary

Huge long term potential on volume growth (32% of Germany only)

2014 Top ten beer markets per capita volume consumption



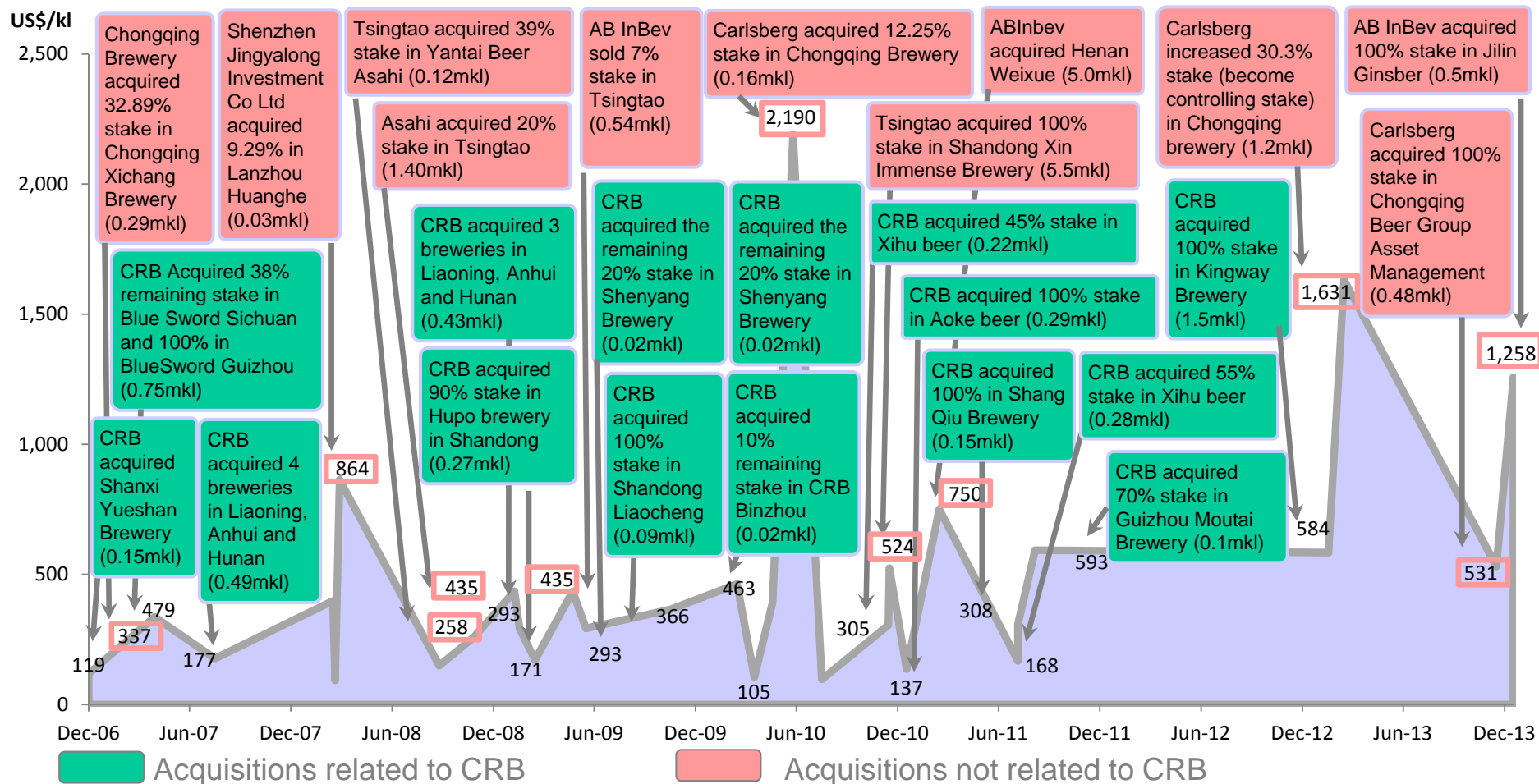
Source: Euromonitor International

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Appendix II – Historical major M&As in beer business

Strong bargaining power and lower acquisition cost on M&A



Source: Deutsche bank and Company data

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Appendix III – Retail operation

- Growth through: Multi-format with operational balance and efficiency

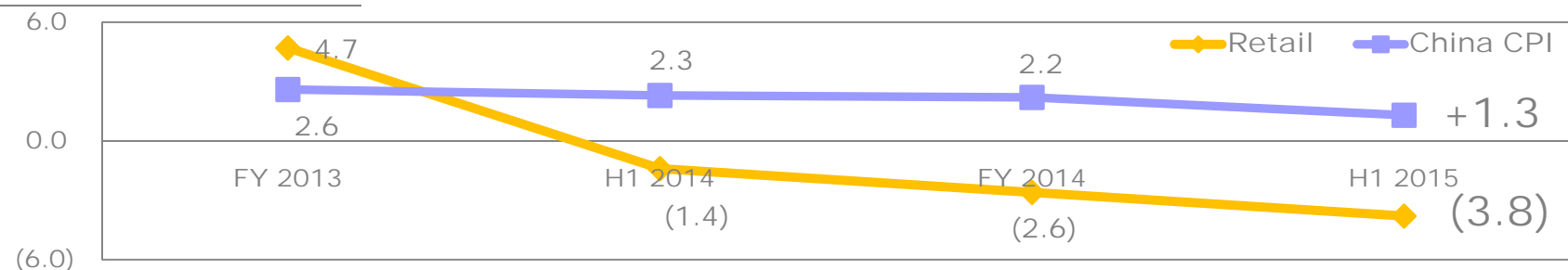
	H1 2015 HK\$m	H1 2014 HK\$m	change
Turnover	61,146	52,589	+16%
Underlying EBITDA #	(1,445)	1,894	-176%
Underlying net profit #	(2,847)	439	-749%
Underlying EBITDA margin (%) #	(2.4)	3.6	-167%
Underlying net profit margin (%) #	(4.7)	0.8	-688%

Slower economic growth, competition from e-commerce and integration continued to affect the performance.

The EBITDA and underlying net profit in H115 included the provision for goodwill impairment (HK\$2,014m attributable to shareholders) and provision for stores closure (HK\$422m attributable to shareholders).

Turnover and underlying net profit contribution from Tesco China in H1 2015 was HK\$9,157m and HK\$(283)m, respectively.

SSSG of retail business:



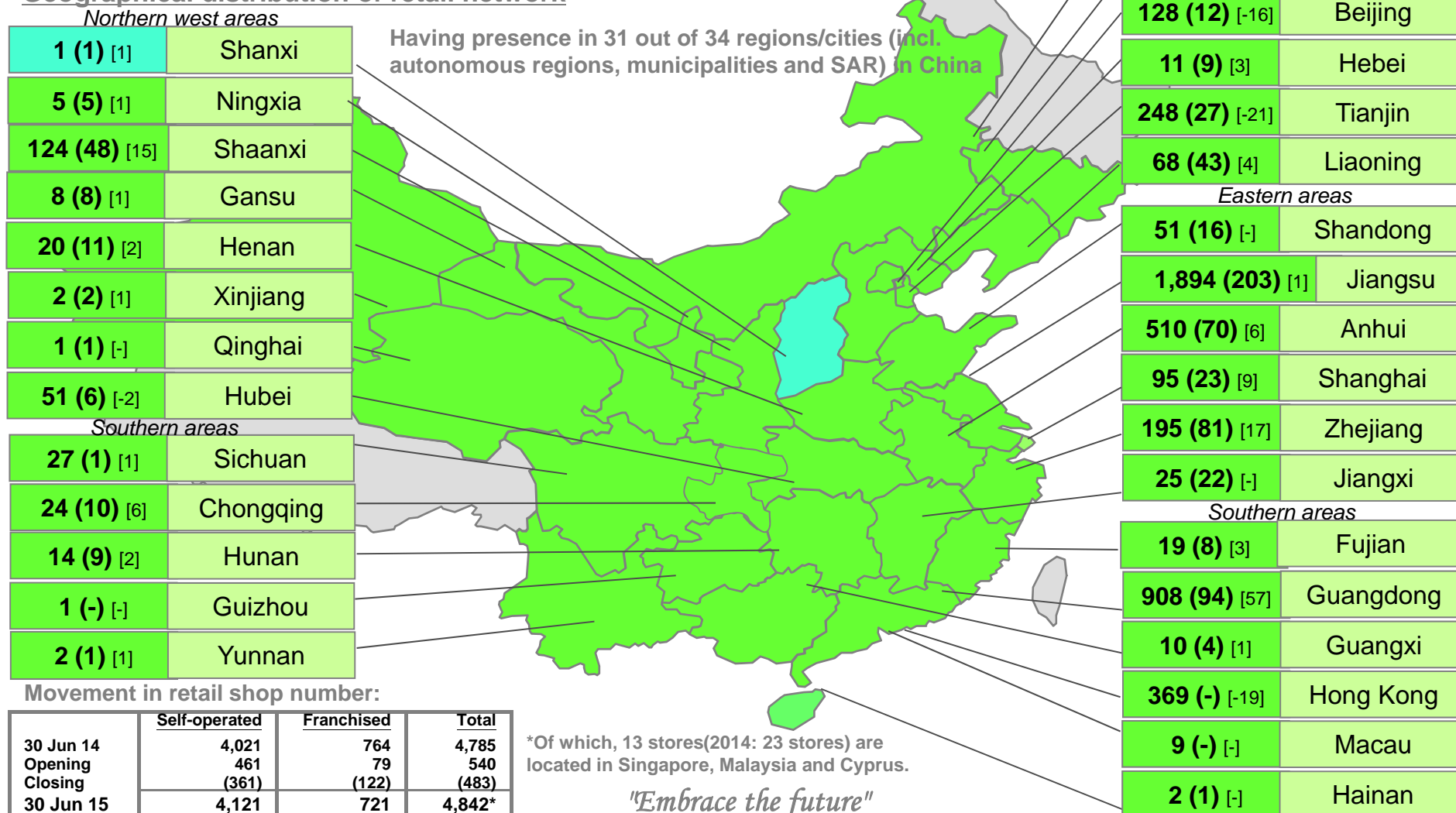
excluded the revaluation of investment property

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Appendix III













- Growth through: Multi-format with operational balance and efficiency
- Geographical distribution of retail network**





Vanguard*
华润万家

Appendix III – Retail operation

Format	Major brands	Average areas (sq.m)	30 Jun 15				31 Dec 14		30 Jun 14	
			% of turnover	App. average GP margin	Self-operated	Franchised	Self-operated	Franchised	Self-operated	Franchised
I. Hypermarket	  	Over 6,000	App.81%	21%	710	13	711	13	693	13
II. Standard supermarket		500 – 800	App.10%	22%	1,354	586	1,382	603	1,361	634
III. Convenience stores		30 – 120	App.3%	24%	1,292	80	1,285	74	1,232	75
IV. Ole', blt	 	4,000	App.3%	more than 25%	48	-	46	-	40	-
V. Pacific Coffee		120	App.1%	more than 50%	387	42	377	41	342	42
VI. CAC and CR Care	 	various	App.1%	more than 30%	153	-	158	-	155	-
VII. Health and beauty stores		200	less than 1%	more than 25%	146	-	150	-	172	-
VIII. Wine cellar and others		200	less than 1%	Various	31	-	26	-	26	-
Total					4,121	721	4,135	731	4,021	764
					4,842		4,866		4,785	

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Appendix III – Food operation

- Growth through: Quality premium products



	H1 2015 HK\$m	H1 2014 HK\$m	change
Turnover	8,480	8,035	+6%
Underlying EBITDA#	207	167	+24%
Underlying net profit#	(15)	(72)	+79%
Underlying EBITDA margin (%)	2.4	2.1	+14%
Underlying net margin (%)	(0.2)	(0.9)	+78%

The division was still in a transition period with further investment required.



excluded the valuation surplus on investment properties

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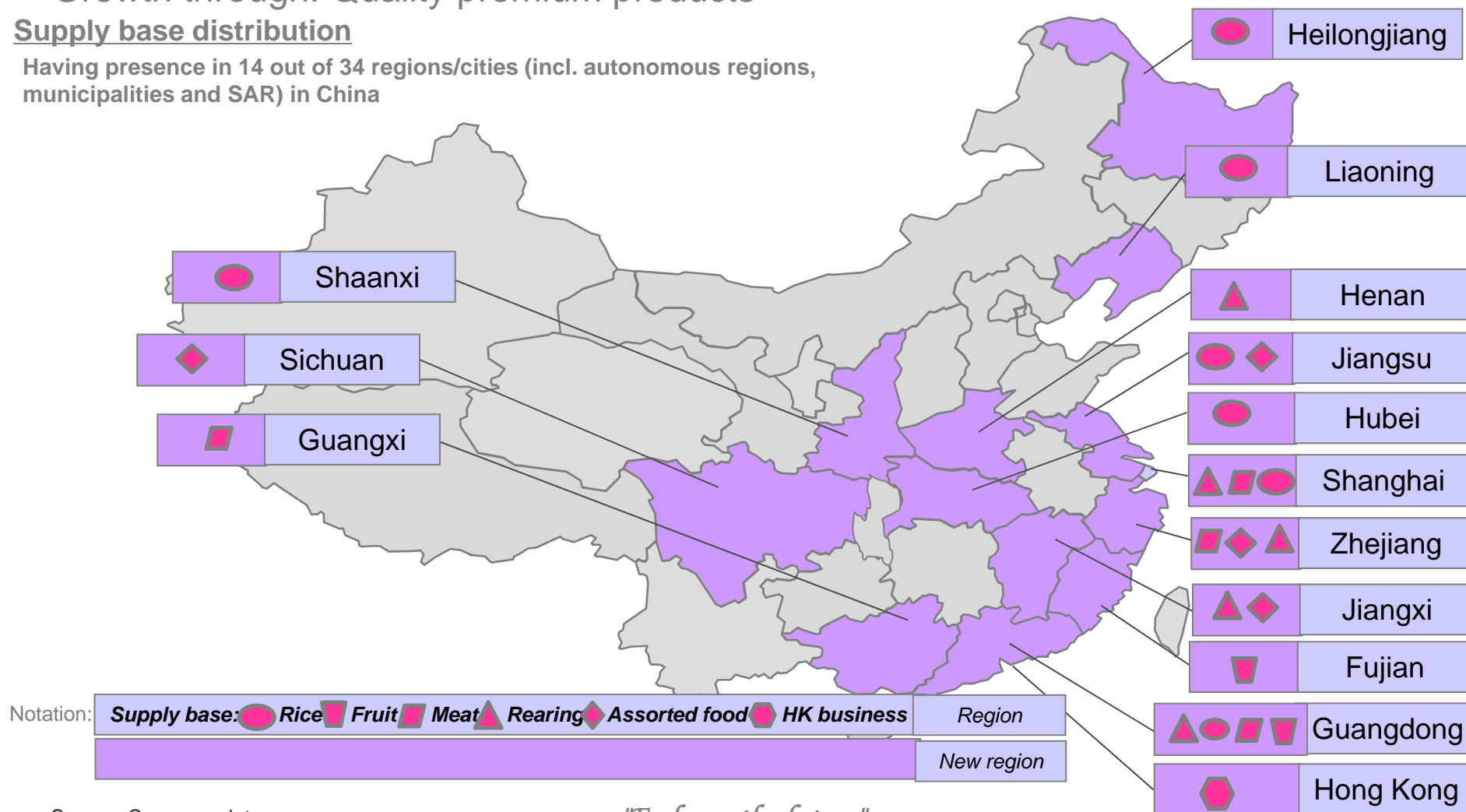


Appendix III – Food operation

- Growth through: Quality premium products

Supply base distribution

Having presence in 14 out of 34 regions/cities (incl. autonomous regions, municipalities and SAR) in China



Source: Company data

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Appendix III – Beverage operation

- Growth through: strong partnership with Kirin



	H1 2015 HK\$m	H1 2014 HK\$m	change
Sales volume (million KL)	3.98	3.22	+24%
Turnover	6,307	5,057	+25%
EBITDA	548	212	+158%
Earnings (#)	324	111	+192%
EBITDA margin (%)	8.7	4.2	+107%
Net margin (%) (#)	5.1	2.2	+132%

Additional ongoing investment is needed to maintain its leading position in purified water products and develop market leading brands in other categories.



(#) Profit attributable to CRE was 60% share of the above earnings since August 2011.

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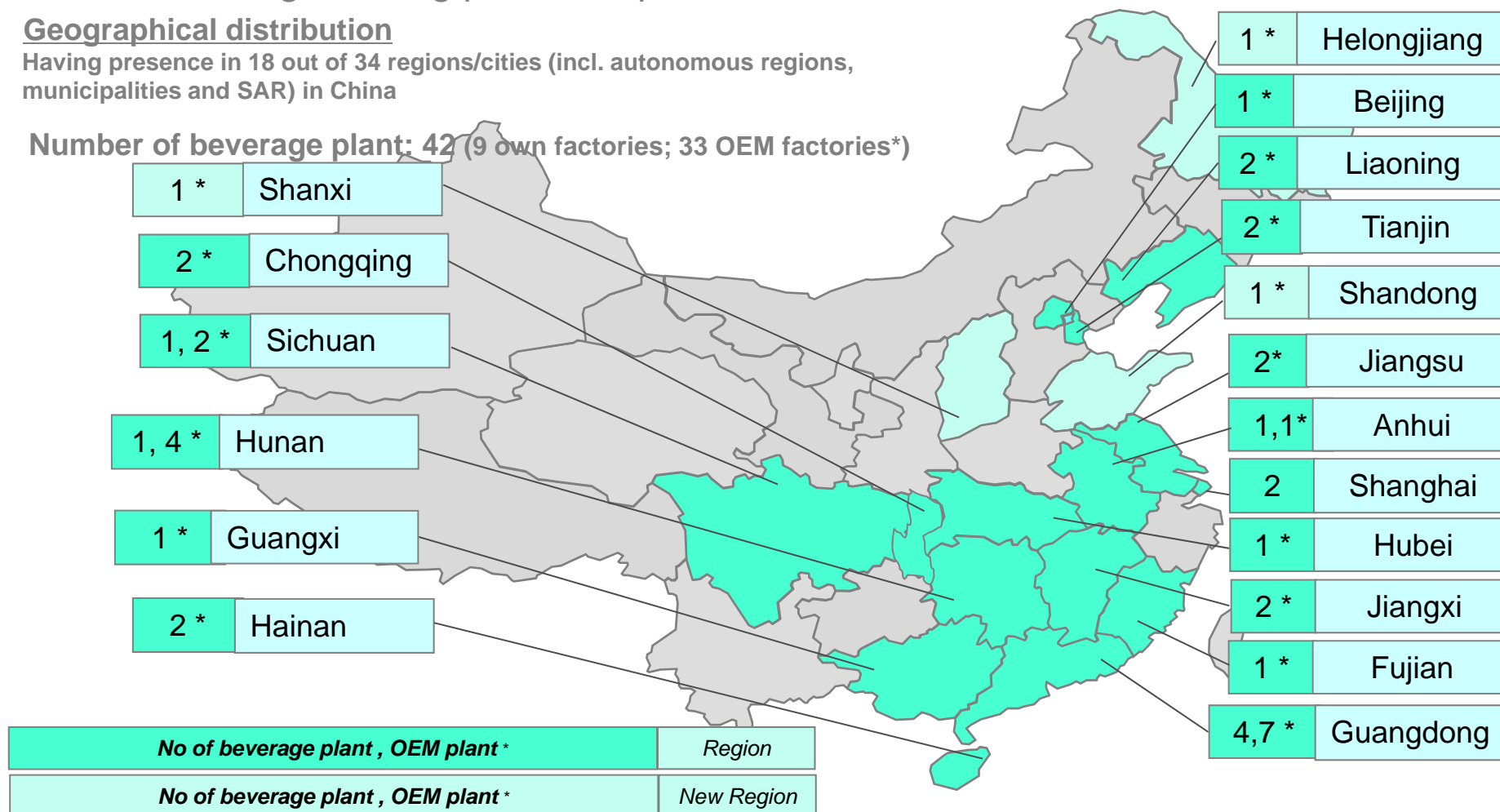
Appendix III – Beverage operation

- Growth through: strong partnership with Kirin

Geographical distribution

Having presence in 18 out of 34 regions/cities (incl. autonomous regions, municipalities and SAR) in China

Number of beverage plant: 42 (9 own factories; 33 OEM factories*)



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Since 2002	Produced quarterly financial and operational review on a voluntary basis. First conglomerate company among the constituent stocks in the Hang Seng Index to initiate such a move
2005-2014	Named one of outstanding enterprises among HK blue-chip companies by <i>Economic Digest</i>
2006-2011	Selected as one of the recipients of the "Recognition Awards - Asia's Best Companies for Corporate Governance" by <i>Corporate Governance Asia</i>
2006/2010/ 2012/2014	Honored as one of the awardees in the Board Category for "Listed Companies (SEHK-Hang Seng Index Constituents)" in "Directors Of The Year Awards" by <i>Hong Kong Institute of Directors</i>
2009-2014	Ranked Top Retailer Awards (China) (Gold award in 2013, 2014), Best of the Best Retailers Award (Asia Pacific) (2014) in Retail Asia-Pacific Top 500 Awards by <i>Retail Asia Publishing</i>
2009/ 2010/2012/ 2013/2014	Received "The Platinum (2009/2010)/Gold (2012-2014) Award for All-Round Excellence in Financial Performance, Management, Corporate Governance, Social Responsibility, Environmental Responsibility and Investor Relations" by <i>The Asset</i>
2010-2012, 2014	Mr. Chen Lang (2010-2012), Mr. Hong Jie (2014) was selected as one of winners in China of Asian Corporate Director Recognition Awards by <i>Corporate Governance Asia</i>
2010- 2014	Received "CAPITAL Outstanding China Enterprise Award-Consumer Goods" in The CAPITAL Outstanding China Enterprise Awards from <i>CAPITAL</i>
2011-2015	Ranked number 981/861/800/1067/1200 in Global 2000 from <i>Forbes</i>

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- Highlights of accolades received

- "Embrace the future"*

- Highlights of accolades received

"Embrace the future"

- Highlights of accolades received

- "Embrace the future"*

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The receipt of cash pursuant to the revised partial offer by a US holder of shares may be a taxable transaction for US federal income tax purposes and under applicable state and local, as well as foreign and other tax laws. Each holder of shares is urged to consult his/her/its independent professional advisor immediately regarding the tax consequences of acceptance of the revised partial offer.

It may be difficult for US holders of shares to enforce their rights and any claim arising out of the US federal securities laws, since CRH, CRH Enterprise and CRE are located in a country outside the United States, and some or all of their officers and directors may be residents of a country other than the United States. US holders of Shares may not be able to sue a non-US company or its officers or directors in a non-US court for violations of the US securities laws. Further, it may be difficult to compel a non-US company and its affiliates to subject themselves to a US court's judgement.

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