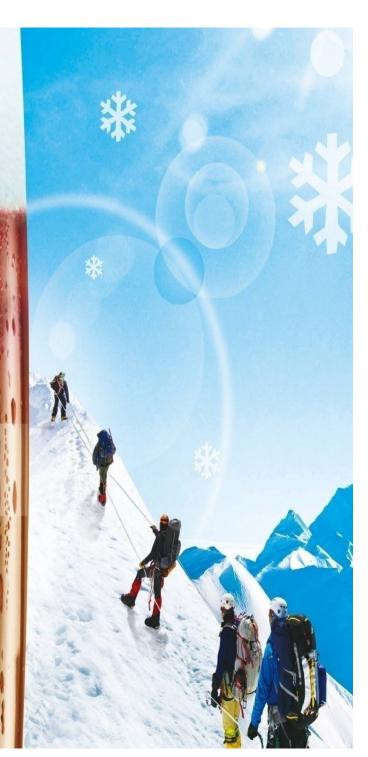


# **Proposed Rights Issue**



6 July 2016







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# Proposed Rights Issue Overview

China Resources

Issue type	Rights issue with excess rights application
Basis of the Rights Issue	One Rights Share for every three existing shares
Subscription Price	HK\$11.73 per Rights Share (25% discount to TERP and 30.76% discount to closing price of Last Trading Day)
Number of Shares in issue	2,433,132,679 Shares
Number of Rights Shares <sup>1</sup>	811,044,226 new Shares
Enlarged issue share capital <sup>1</sup>	3,244,176,905 Shares
Gross proceeds <sup>1</sup>	Approximately HK\$9.5 billion
Lock Up	90-day lock up for the Company
Underwriter	<ul> <li>CRH (Beer) Limited, a controlling Shareholder of the Company</li> <li>Irrevocably undertaken to take up its provisional entitlement to the Rights Shares</li> <li>Fully underwrite the remaining shares – demonstrates its confidence in and commitment to our future and growth prospect</li> </ul>

Note: 1 Assuming no further issue of new Shares or repurchase of Shares on or before the Record Date





## Eetter Life Together Timeline for the Rights Issue

Announcement of the proposed Rights issue	Wednesday, 6 July 2016
Last date of dealings cum-rights trading	Wednesday, 13 July 2016
Commencement of dealings in shares on an ex-rights basis	Thursday, 14 July 2016
Record Date for determining entitlements under the Rights Issue	Friday, 22 July 2016
Prospectus, PAL and EAF to be made available <sup>1</sup>	Tuesday, 26 July 2016
Dealings in nil-paid Rights	Thursday, 28 July 2016 – Thursday, 4 August 2016
Latest time for acceptance of and payment for the Rights Shares and application and payment for excess Rights Shares	4:00pm on Tuesday, 9 August 2016
Rights Issue expected to become unconditional on or before	4:00pm on Friday, 12 August 2016
Publication of announcement of results of the Rights Issue and excess applications	Wednesday, 17 August 2016
Commencement of dealings in fully-paid Rights Shares	9:00am on Friday, 19 August 2016

Note: 1 \* PAL(s) = the provisional allotment letter(s) issued to the Qualifying Shareholders in respect of their assured entitlements under the Rights Issue; \*EAF(s) = the excess application form(s) issued to the Qualifying Shareholders in respect of applications for excess Rights Shares





# Reasons for Rights Issue and Use of Proceeds

China Resources

Reasons for the Rights Issue	<ul> <li>To strengthen the Company's capital base</li> <li>To provide more flexibility to enable the Company to capture any development and expansion opportunities which may arise in its beer business in the future</li> <li>To allow all existing Shareholders with equal access to participate in such potential future growth of the Company</li> </ul>
Use of Proceeds	<ul> <li>The Company intends to use the net proceeds of the Rights Issue for</li> <li>Partial settlement of the consideration of the CRSB Acquisition as disclosed in the circular of the Company dated 22 April 2016</li> <li>Provide working capital and other general corporate purposes</li> <li>To the extent that the CRSB Acquisition is not completed or is expected to be delayed for a considerable period of time, the Company will seek to set aside such portion of the net proceeds for the CRSB Acquisition, or apply the net proceeds on potential investments and acquisitions as and when any suitable opportunity is identified or on other general corporate purposes</li> </ul>







# Further penetrate 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



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### Strengthen our regional presence through organic growth and acquisitions

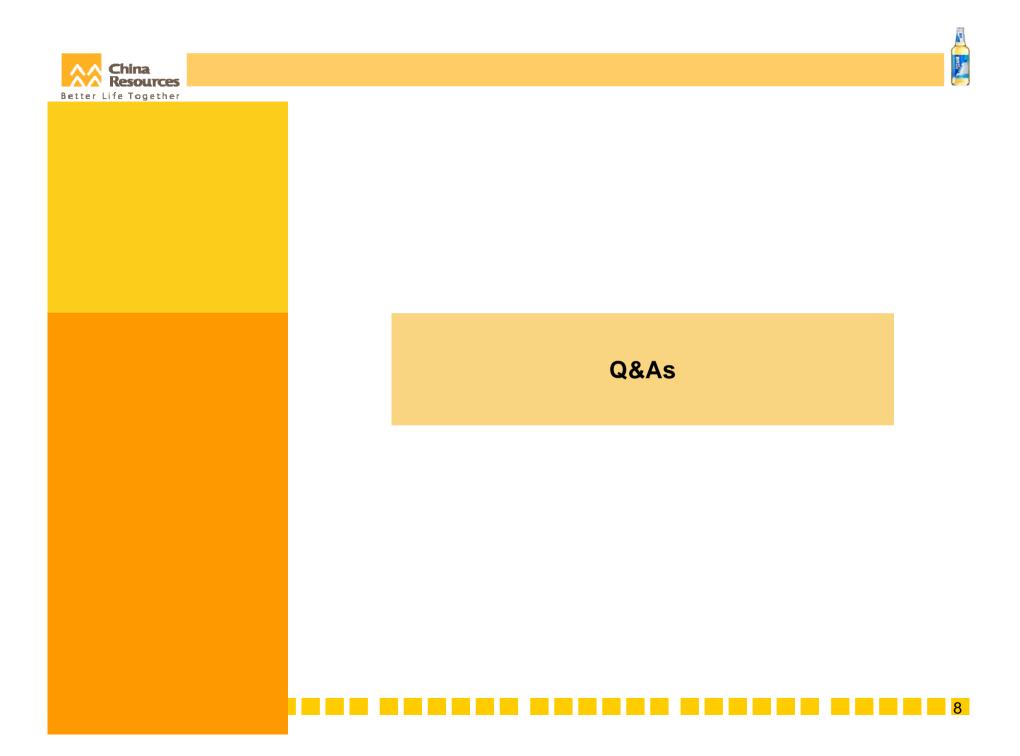
- Continue to grow market share on a regional basis both organically and through acquisitions
  - Ongoing evaluation of acquisition targets that can help strengthen regional presence

### Continue to optimize utilization of existing production plants

**Focus on expanding and upgrading current breweries and improve efficiencies** 







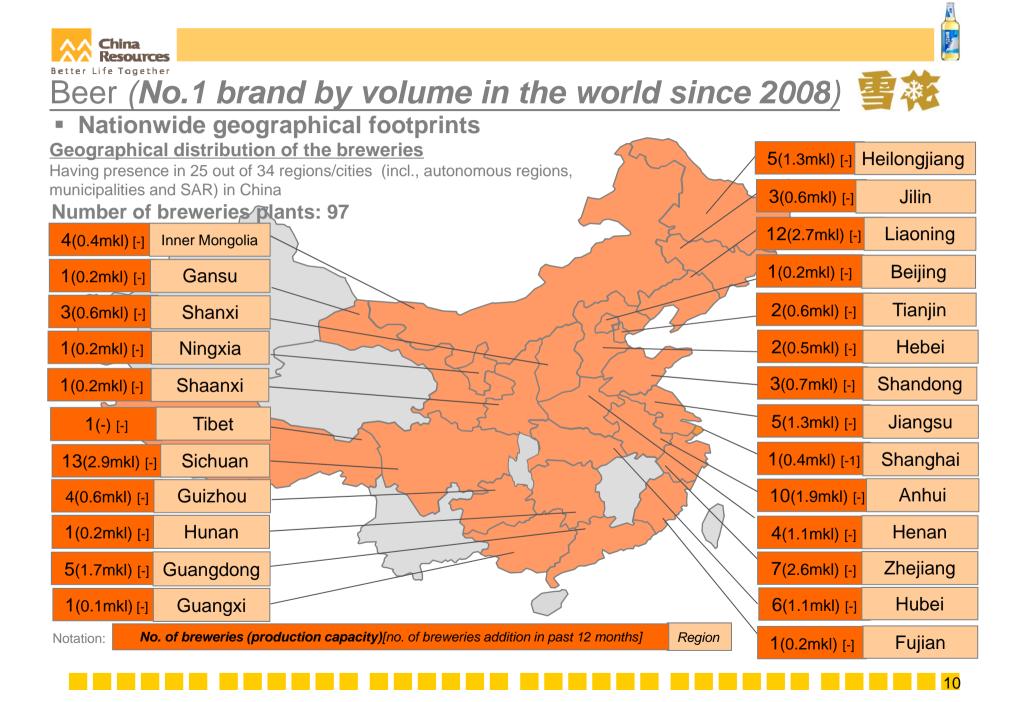




### Appendix

## **Background information of beer business**





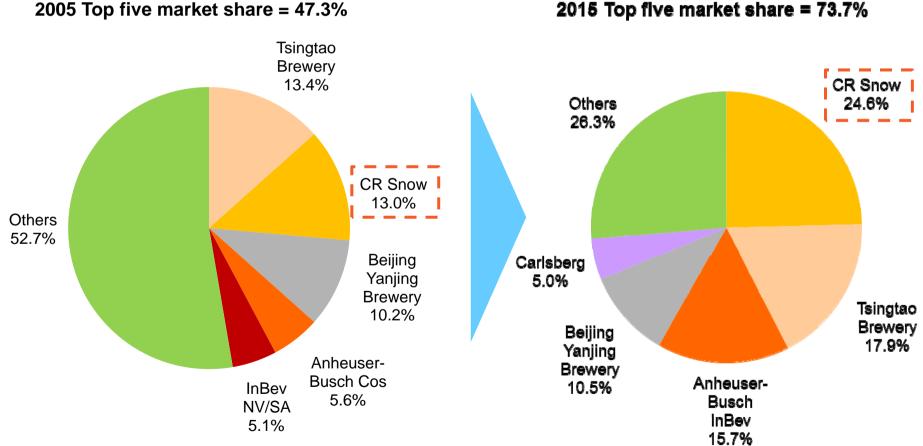
Beer (No.1 brand by volume in the world since 2008)

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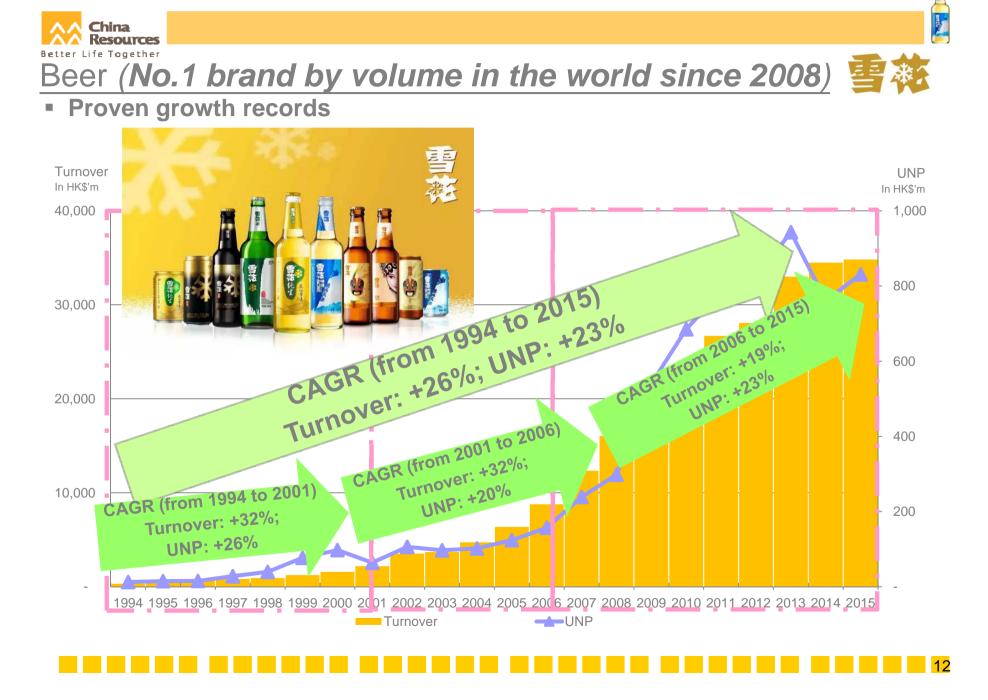
### Market share distribution

China Resources

### China beer market competitive landscape by volume



Source: Euromonitor International, www.cnbeverage.com and Company information

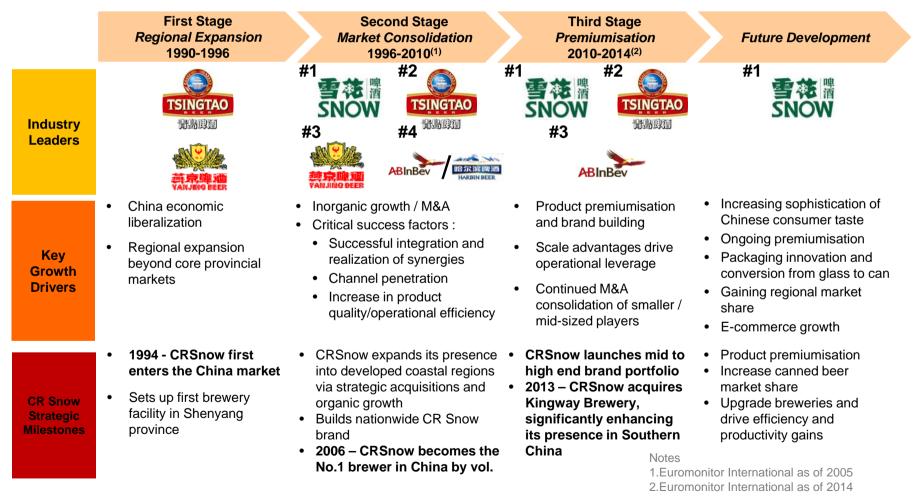


Beer (No.1 brand by volume in the world since 2008)

### Evolution of the China Beer Market Over the Past 3 Decades

China Resources

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







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



### The Undisputed Leader in World's Most Attractive Beer Market

- China is the largest<sup>1</sup> and most attractive beer market globally valued at US\$81bn in 2015
- CRB is the #1 brewer in China for the past 10 years with 25% market share<sup>1</sup> vs. 18% for the next player in 2015

#### 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 97 breweries in 25 out 34 provinces in China

### 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

### 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

### **Consistent and Proven Management Leadership**

- Experienced management team members who works in CR Snow for many years
- Sponsorship from one of the leading SOEs in China

### Proposed full ownership with faster response

- Shareholders will enjoy full economic benefit of future earnings growth
- Will enable faster responses to the dynamics of current beer market

#### Note

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1.By volume according to Euromonitor International







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**

### **Regional markets<sup>1</sup>**

_	end on- channel	<ul> <li>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</li> <li>Build and maintain a strong channel and customer relationship</li> </ul>	•	relationships with local
char	on-trade nel and onal retail	Established a flat distributor network by dividing targeted markets into smaller areas which eliminates layers of distributors		distributors to broaden coverage and penetration
channel	Allows for higher profitability, closer proximity to end customers and better management of distributors and retailers		Flat distribution	
Modern retail channel	Sales team at headquarters covers and negotiates with nationwide retailers directly		model through careful and finer division of	
	Regional sales team coordinate negotiations with regional retailers and provide comprehensive sales support and monitor		regional markets	
	performance		Utilize secondary	
E-commerce channel	Sales on e-commerce platforms such as Yihaodian, JD.com		distributors to supply to rural areas	
	Flagship stores on platforms such as T-mall, Haigou.com		10 10101 01005	
	Establishing own e-commerce platform to directly interact with end customers and consumers			

1. Regional markets comprise smaller towns and rural areas

Source: Company Information







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



- 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

