

# Investor Presentation

April 2015



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

# CRH Proposes Group Restructuring of its Consumer and Retail Businesses CRE to Transform into a Beer Focused Company

## Proposal received from CRH

- CRE has received from CRH a binding proposal to acquire all non-beer businesses for **HK\$28.0bn** (the "Possible Disposal")
  - Non-beer businesses include Retail, Food and Beverage segments
- Under the proposal, a special dividend of **HK\$11.50 per share** is to be distributed to shareholders from the proceeds upon completion of the Possible Disposal subject to a capital reduction ("Special Dividend")
- CRE will become a beer focused company with a 51% shareholding in CR Snow, the #1 brewer in China by volume
- Upon completion of the Possible Disposal and payment of the Special Dividend, it is proposed that CRH will make a voluntary cash partial offer for up to 10% of the issued share capital of CRE at an offer price of HK\$12.70 per share (the "Partial Offer")
- Total cash received by shareholders from the Special Dividend and Partial Offer (to the extent tendered and accepted) amounts to HK\$24.20 per share, representing approximately a 59.2% premium to the last closing price of HK\$15.20
- The Possible Disposal is a very substantial disposal and connected transaction of CRE. The Circular will be dispatched and an EGM will follow for independent shareholders to approve the Possible Disposal

**Overview of Proposal**

**Benefits to Shareholders**

**The New CRE**

# Key Terms of the Proposal from CRH

## The Possible Disposal

- ❑ CRH submitted a Binding Proposal to the Company to acquire the Non-Beer Businesses of the Company for a consideration of **HK\$28.0bn** (the “**Possible Disposal**”)
- ❑ Completion of the Possible Disposal is subject to approval from the Company's independent shareholders

## The Special Dividend

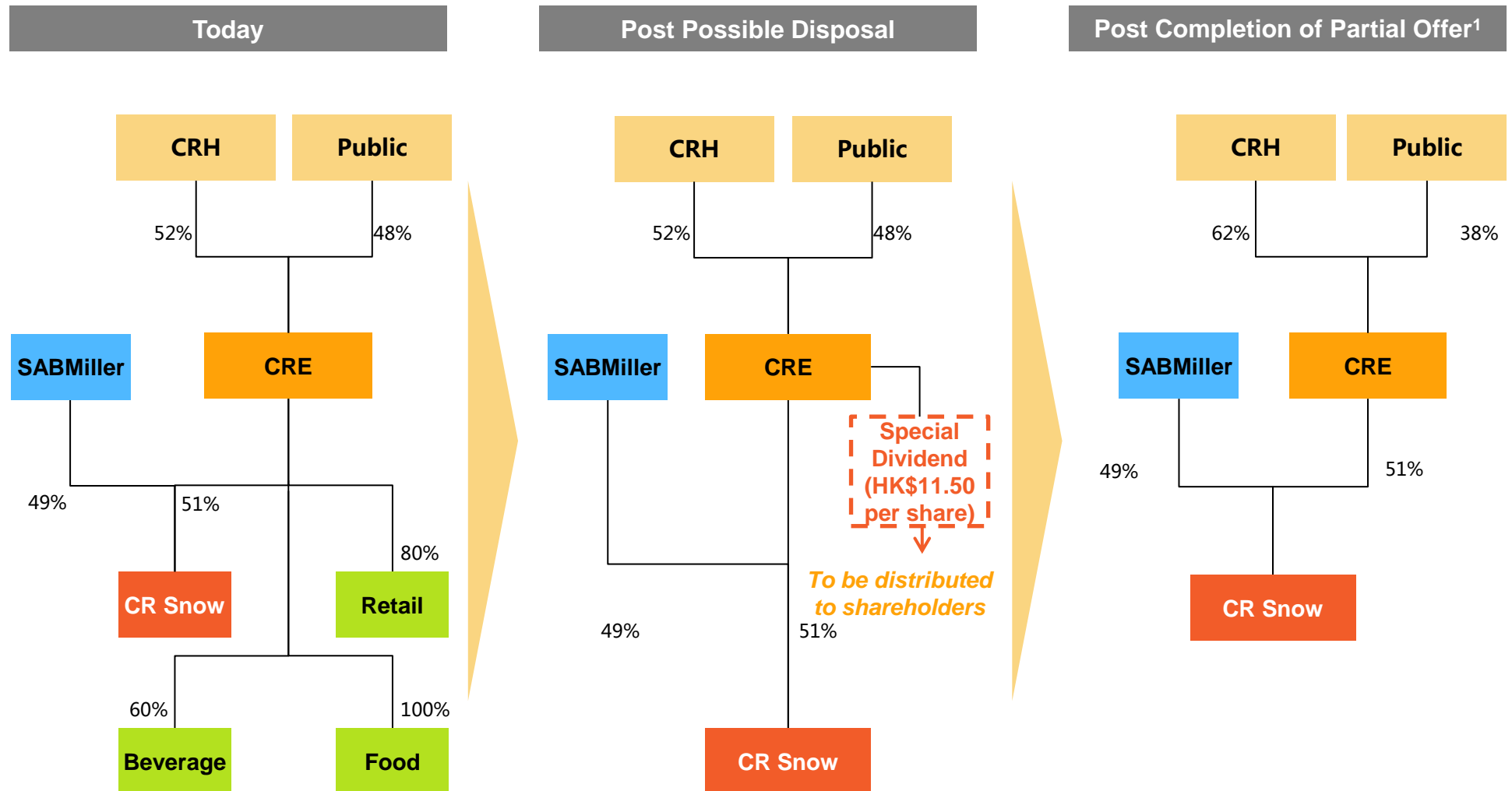
- ❑ Following Completion of the Possible Disposal, it is proposed that the Company would pay a **Special Dividend of HK\$11.50 per share (approximately HK\$27.8bn)**, returning most of the cash proceeds from the consideration of the Possible Disposal to all shareholders
- ❑ The proposed Special Dividend is conditional on a capital reduction that requires approval from shareholders

## The Partial Offer

- ❑ Conditional upon the completion of the Possible Disposal and the payment of the Special Dividend, it is proposed that a wholly owned subsidiary of CRH will make a Partial Offer for up to 242,136,536 shares of the Company ( approximately **10.0%** of the issued share capital or approximately 20.73% of free float share) at **HK\$12.70 per share**
  - If acceptance of the Partial Offer is 242,136,536 shares or below, all shares validly accepted will be taken up by the Offeror
  - If acceptance of the Partial Offer is more than 242,136,536 shares, the number of shares to be taken up by the Offeror from each Qualifying Shareholder will be determined on a pro rata basis with a minimum of approximately 20.73% of shares tendered be taken up

# Proposed Transaction Structure

## All Non-Beer businesses sold to CRH



**Notes:**

1. Assuming full acceptance of the Partial Offer
2. All shareholding percentage rounded up to whole numbers

Overview of Proposal

**Benefits to Shareholders**

The New CRE

# Key Benefits of the Proposal to Shareholders

- ✓ **Proposal delivers immediate cash realization**
  - Shareholders can realise cash proceeds of **HK\$24.20** in cash for each share that is tendered and accepted into the Partial Offer, which represents approximately a **59.2%** premium to the last closing share price
  - For shares not tendered into or fully accepted under the Partial Offer, its holders receive **HK\$11.50** per share representing c.**75.66%** of the last closing 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

# What will Shareholders Receive?

Shareholders will receive a Special Cash Dividend of HK\$11.50 per share and either retain their shares in CRE or tender them into the Partial Offer to receive HK\$12.70 per share in cash if accepted

1

**Special Cash Dividend**

**HK\$11.50 per share**



2



**Ongoing ownership in Beer**

<b>Market Position / Volume Share <sup>(1)</sup></b>	#1 in China / 24% <sup>(4)</sup>
<b>Volumes<sup>(2)(3)</sup></b>	118m hectolitres
<b>Sales<sup>(2)(3)</sup></b>	HK\$34.5bn
<b>EBITDA<sup>(2)(3)</sup></b>	HK\$4.4bn
<b>Foreign Partner since 1994</b>	SABMiller (49%)
<b>Number of Breweries<sup>(2)(3)</sup></b>	98 in 25 provinces

3

**Option to sell at least 20.73% of shares into Partial Offer at**

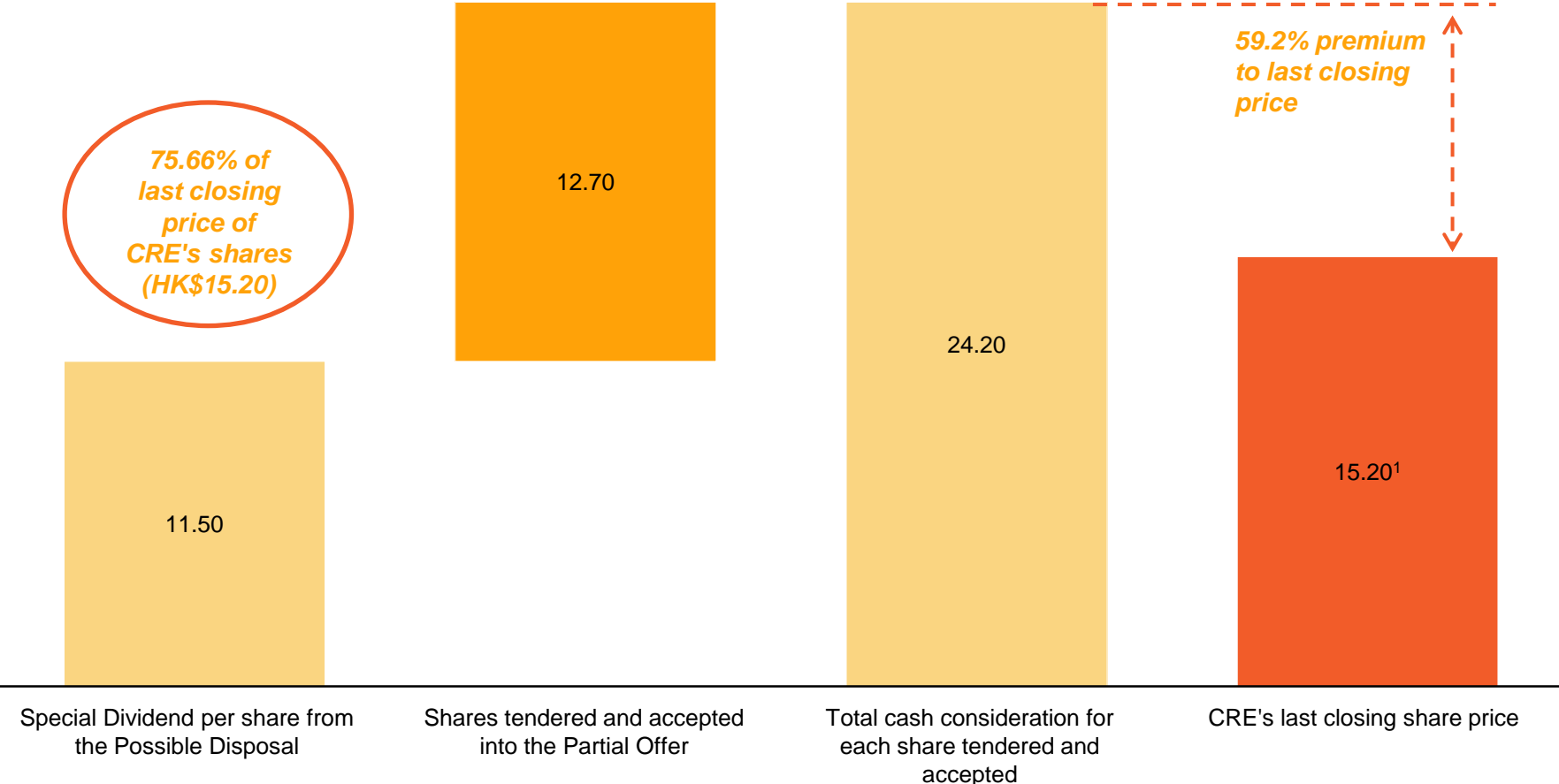
**HK\$12.70 per share**

#### 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. Company filing



# Proposal Represents a 59.2% Premium for Each Share Accepted in the Partial Offer



**Notes**

1. Last closing price before share trading suspension 8<sup>th</sup> April 2015

**Overview of Proposal**

**Benefits to Shareholders**

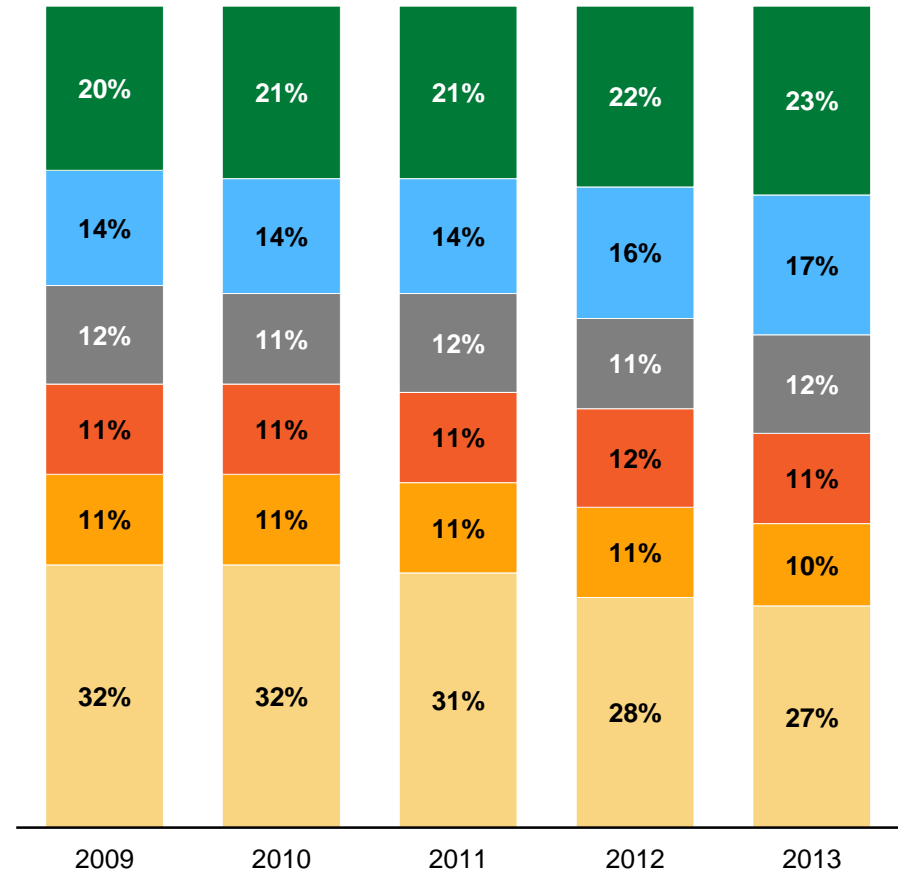
**The New CRE**

# China's Leading Brewer Supported by a 21 Year Partnership with SABMiller

CR Snow is the #1 brewer in China with increasing market share



- Successful 21 year partnership with SABMiller
- SABMiller is the second largest brewer globally with track record of growth in emerging markets
- SABMiller has provided global best practices, technology and operational know-how along with access to its global brand portfolio



- Small regional players
- Key regional players
- Yanjing
- AB InBev
- Tsingtao
- CR Snow

1994  
2 Breweries



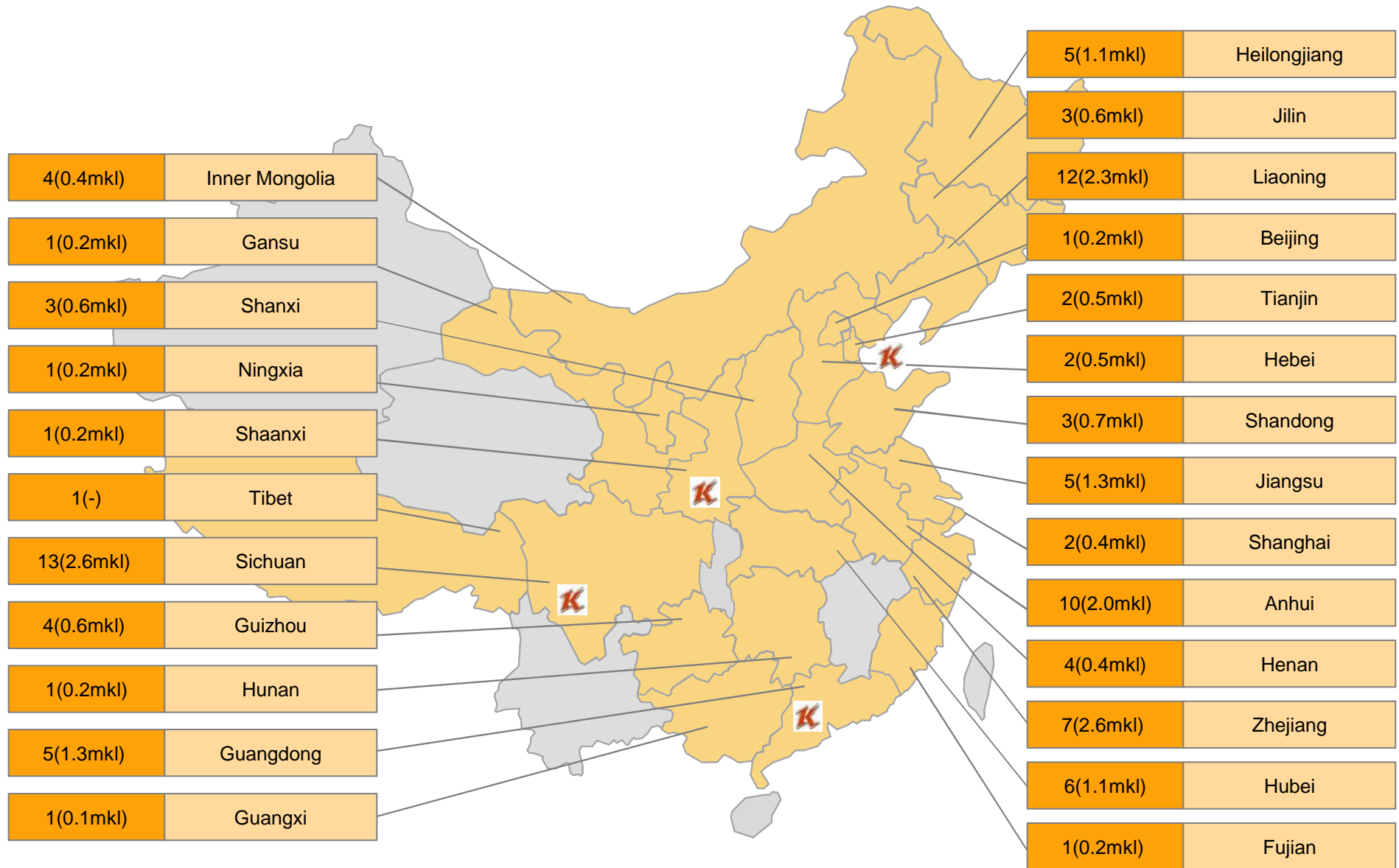
2014  
98 Breweries



Source: Company Filings, Company Information

# Nationwide Presence with 98 Breweries in 25 Provinces

Nationwide presence operating 98 breweries in 25 out 34 provinces in China, with total capacity of approximately 200,000,000 hectoliters



Notation:

No. of breweries (production capacity)

Province

 Incl. Kingway brewery plants

Source: Company Information

# Irreplaceable Heritage Brands that Resonate with the Local Consumer

CR Snow has a comprehensive portfolio of national and regional brands

Snow - China's #1 national brand and world's largest selling beer brand by volume since 2008



## Regional brands

North



Central / East



South



Southwest



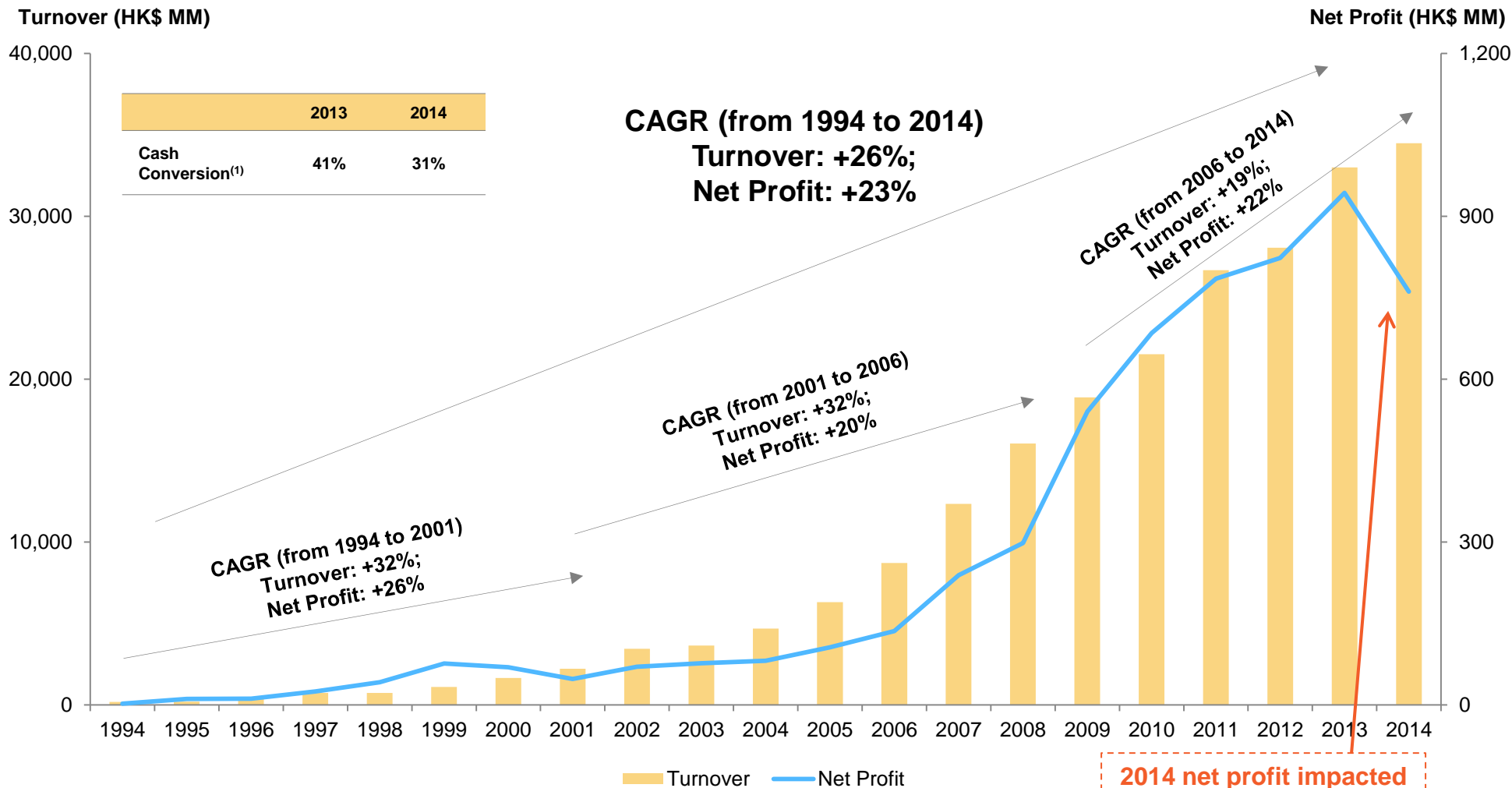
Northwest



# 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  
Turnover (HK\$ MM)



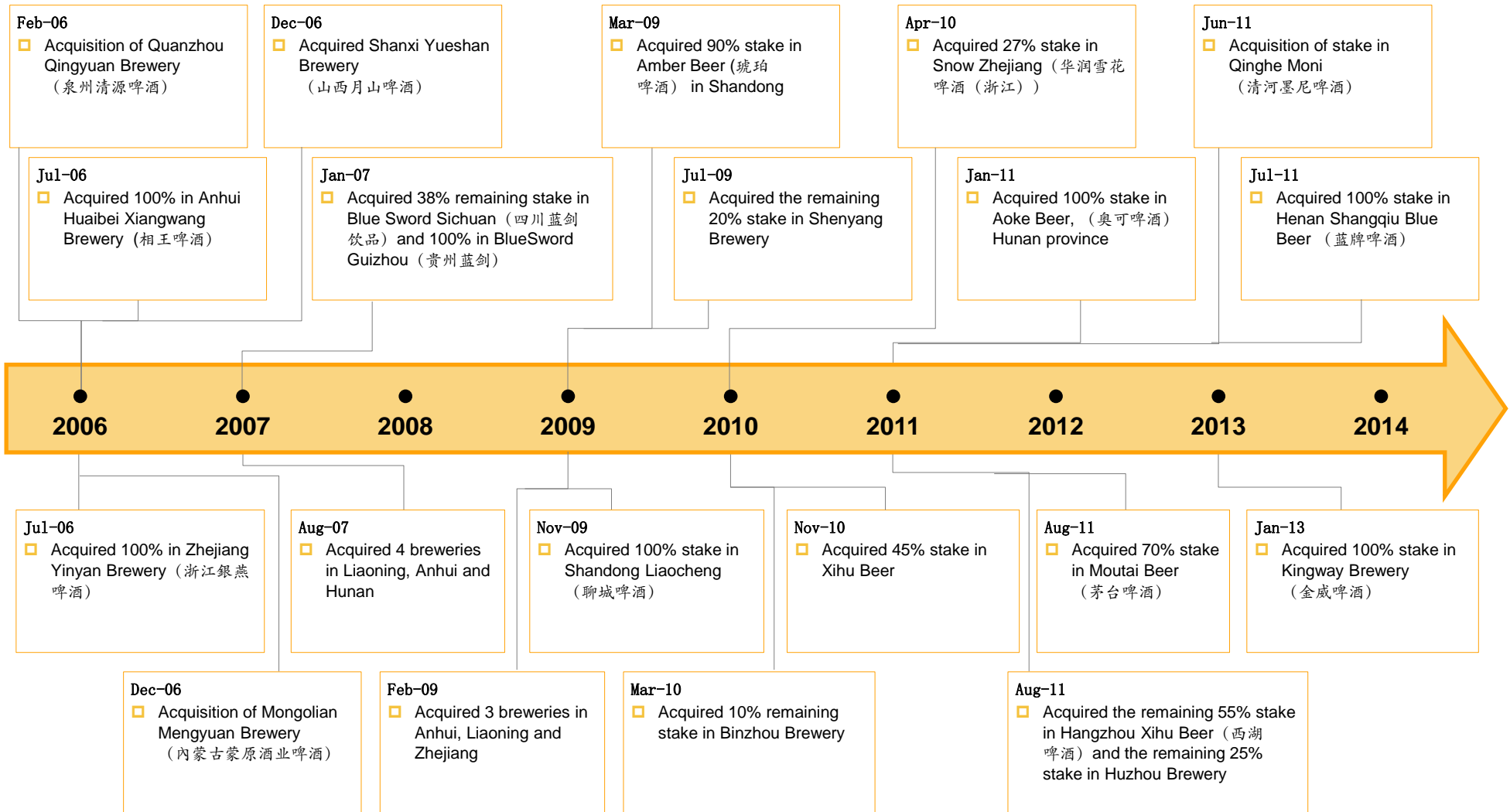
Source: Company Filings

**Note**

1. Defined as EBITDA less capex, divided by EBITDA

# The Leading Platform for Industry Consolidation

Track record of M&A with over 20 acquisitions since 2006, including HK\$6.7Bn acquisition of Kingway in 2013



Source: Company filings

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