



華潤啤酒(控股)有限公司

China Resources Beer (Holdings) Company Limited

2015 Financial and operational review

Investor presentation

18 March 2016



H2 2015	H2 2014	<i>change</i>	FY 2015	FY 2014	<i>change</i>
HK\$m	HK\$m		HK\$m	HK\$m	

雪花

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	FY 2015	FY 2014	change
	HK\$m	HK\$m	
EPS (HK¢) – Basic	(165)	(7)	-2257%
EPS (HK¢) – Basic (continuing operations)	34	30	+13%
Net cash/(debt)	(3,210)	(8,063)	+60%
Net assets	23,060	69,623	-67%
Gearing ratio	13.9%	11.6%	+20%
ROE* (continuing operations)	6.9%	5.3%	+30%
CAPEX** (continuing operations)	3,103	2,960	+5%

** Special Dividend of \$12.30 per share arising from disposal of non-beer businesses was distributed in October 2015.

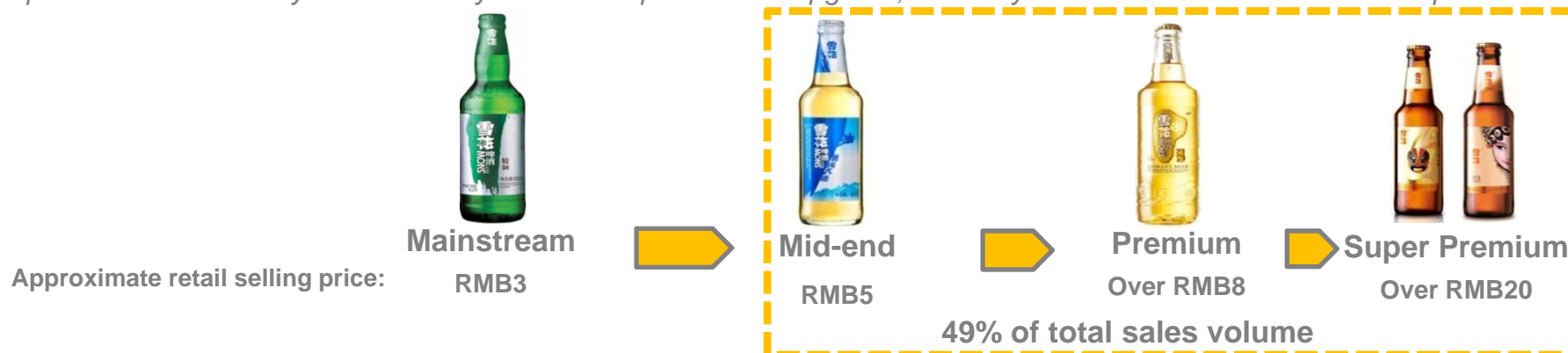


Beer (No.1 brand by volume in the world since 2008) 雪花

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

	H2 2015 HK\$m	H2 2014 HK\$m	Change	FY 2015 HK\$m	FY 2014 HK\$m	change
Sales volume (million kl)	5.43	5.54	-2%	11.68	11.84	-1%
ASP (in RMB/kl)	2,268	2,292	-1%	2,381	2,308	+3%
Turnover	15,212	16,007	-5%	34,821	34,482	+1%
EBITDA	1,793	2,063	-13%	4,409	4,353	+1%
Earnings (#)	562	674	-17%	1,629	1,492	+9%
EBITDA margin (%)	11.8	12.9	-9%	12.7	12.6	+1%
Net margin (%) (#)	3.7	4.2	-12%	4.7	4.3	+9%

Overall sales volume was mainly affected by economic slowdown and unfavourable weather conditions. Profitability improvement was mainly contributed by continuous product mix upgrade, economy of scale and better control on expenses.



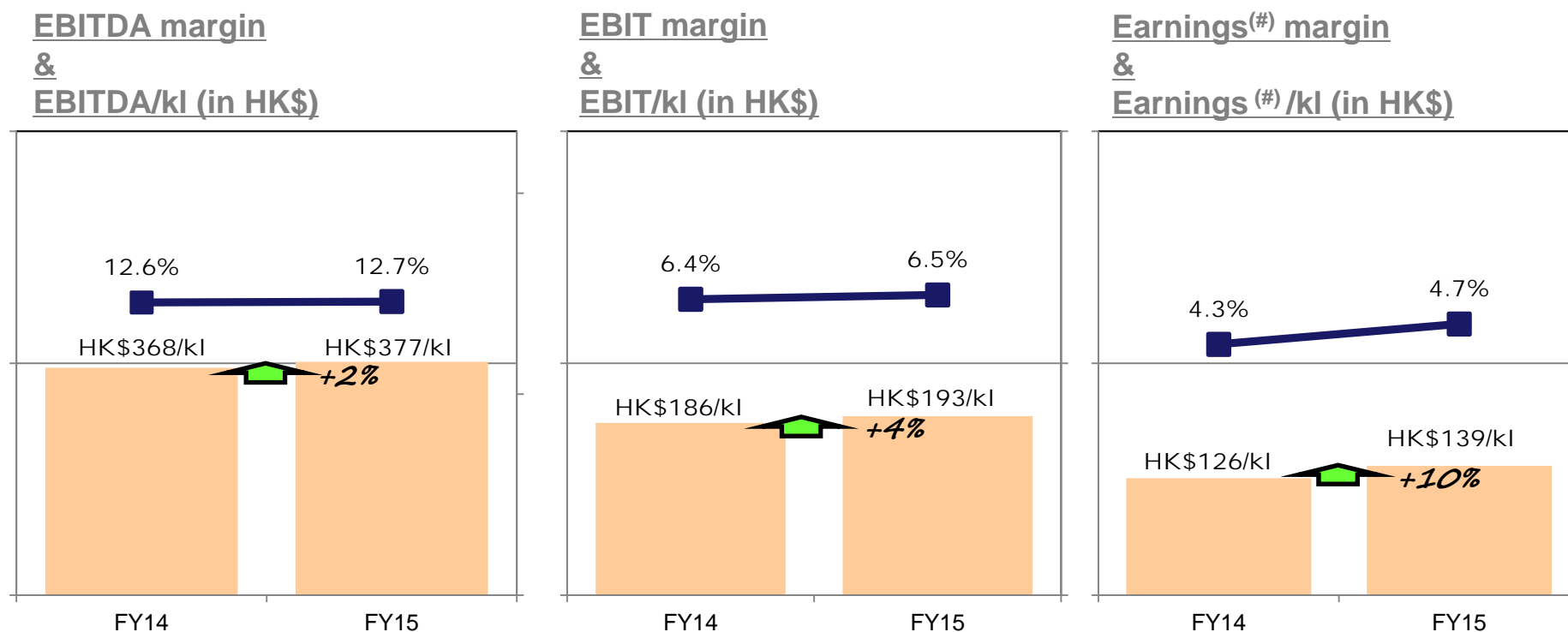
(#) Profit attributable to CRB was 51% share of the above earnings.

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

- Improvement on operating efficiency



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

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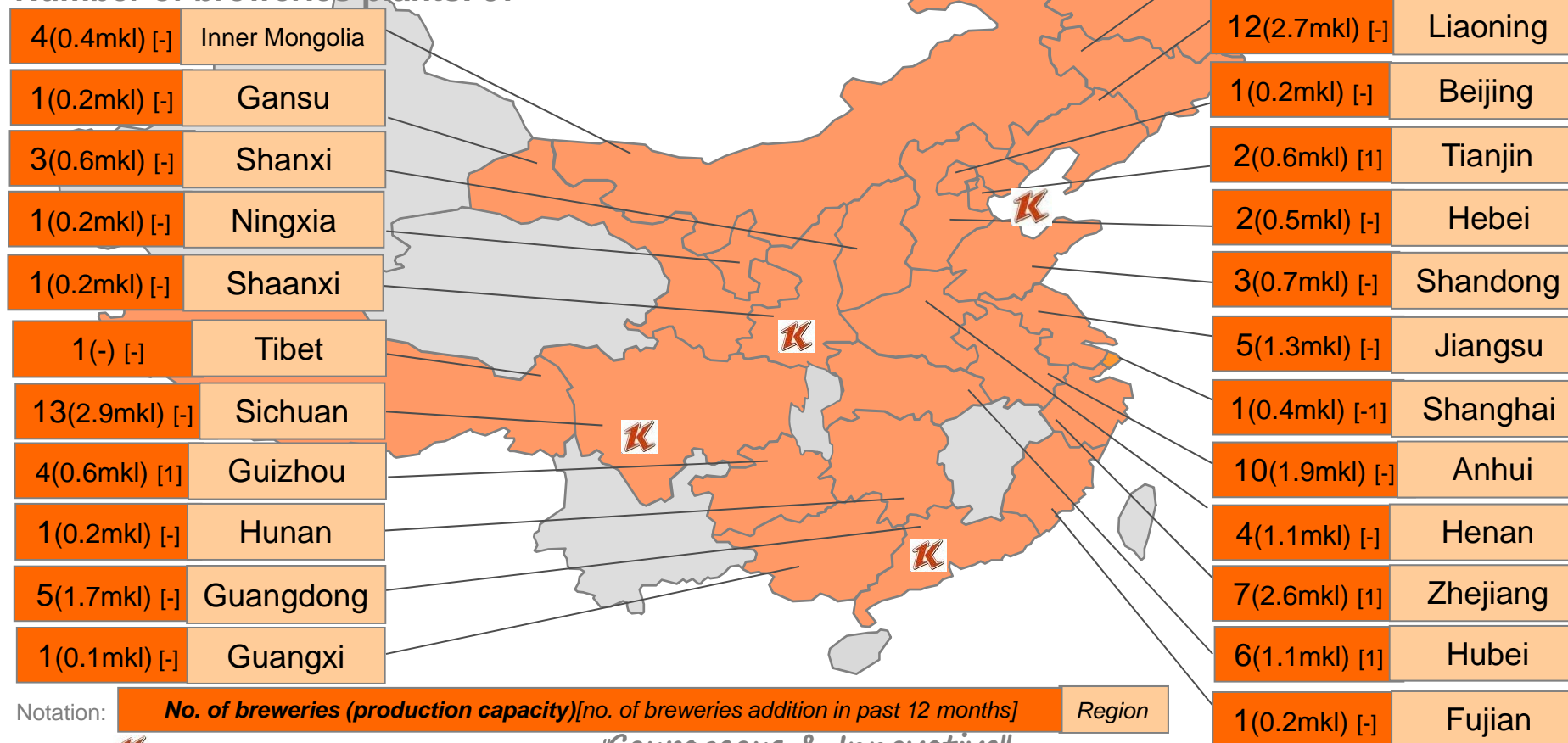


▪ Nationwide geographical footprints

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: 97



Notation:



Incl. Kingway brewery plants

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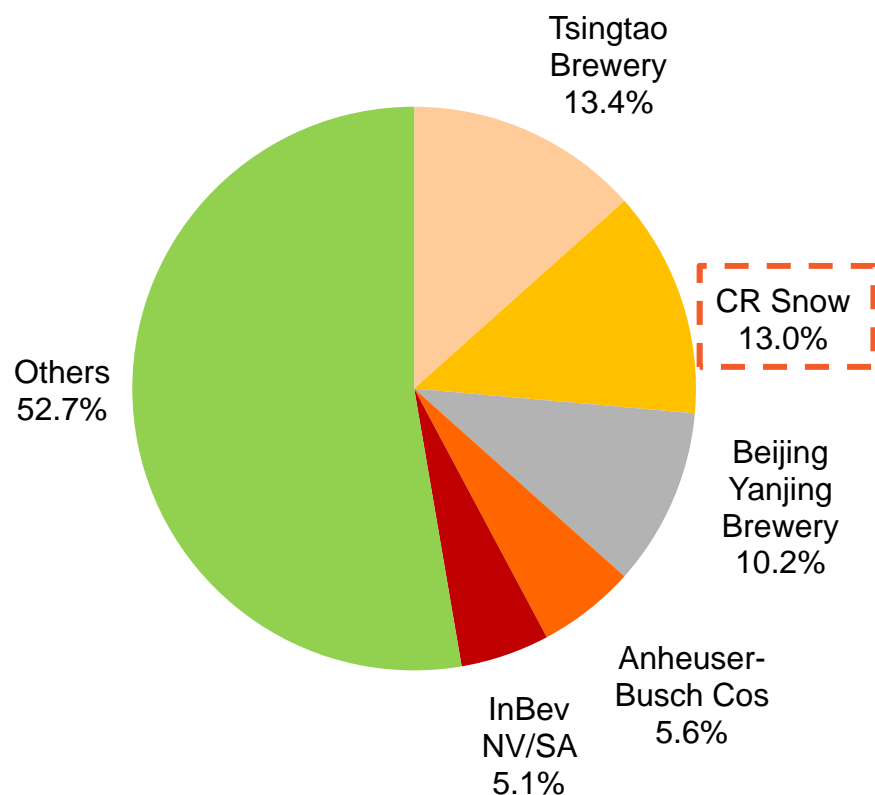
Beer (No.1 brand by volume in the world since 2008)



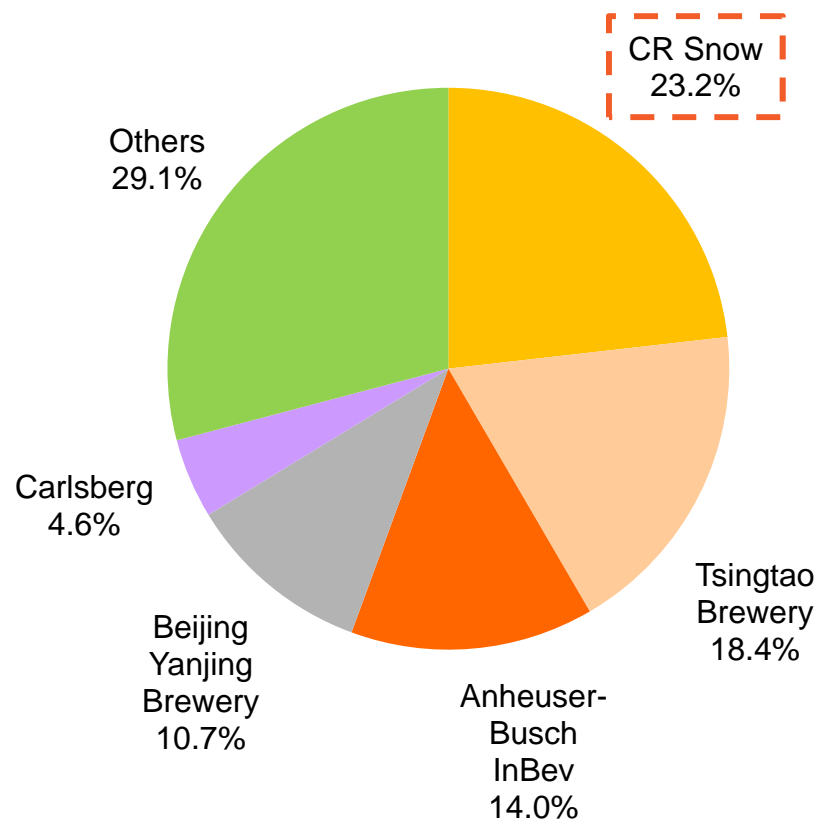
Market share distribution

China beer market competitive landscape by volume

2005 Top five market share = 47.3%



2014 Top five market share = 70.9%



Source: Euromonitor International

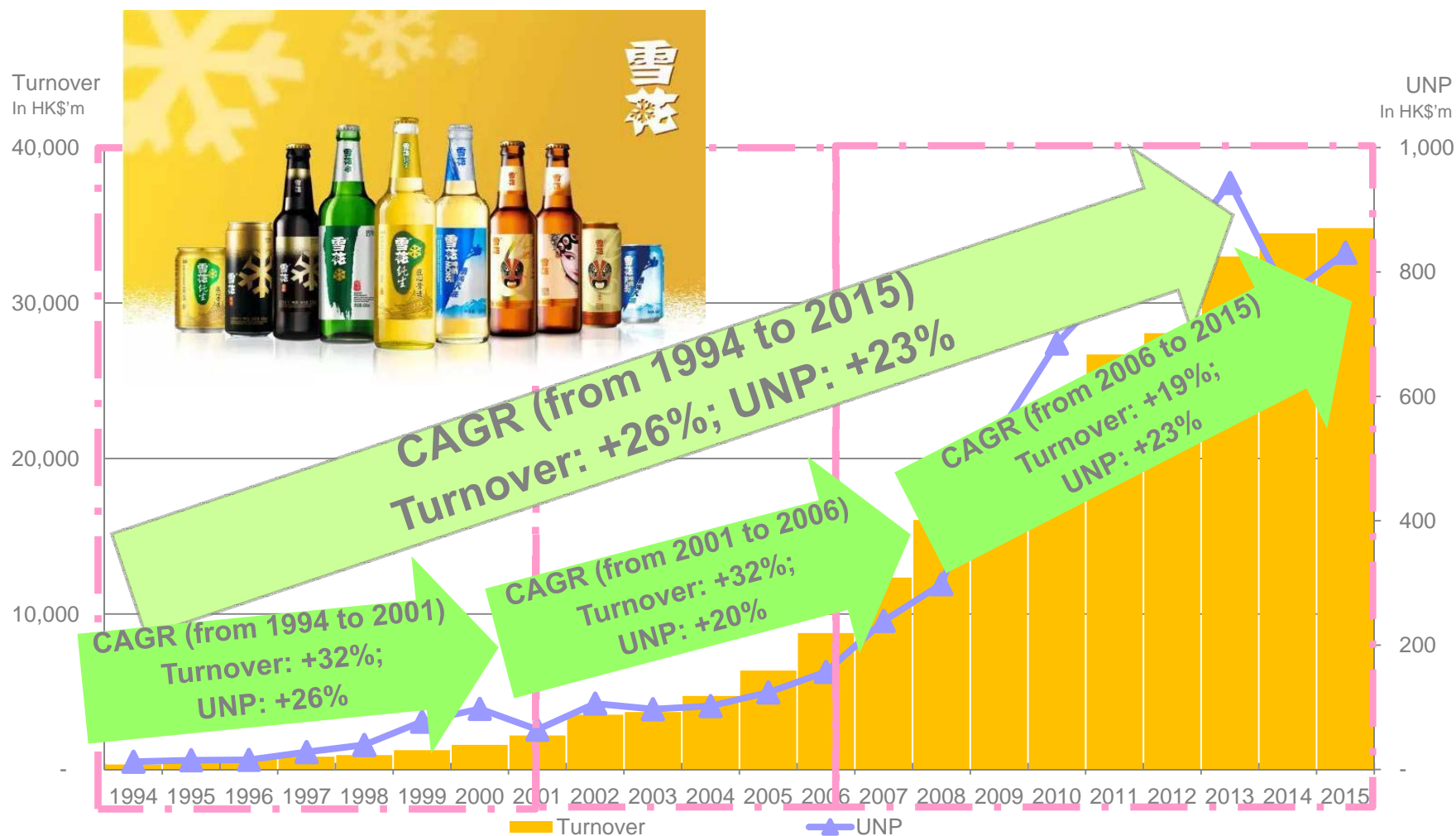
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Proven growth records



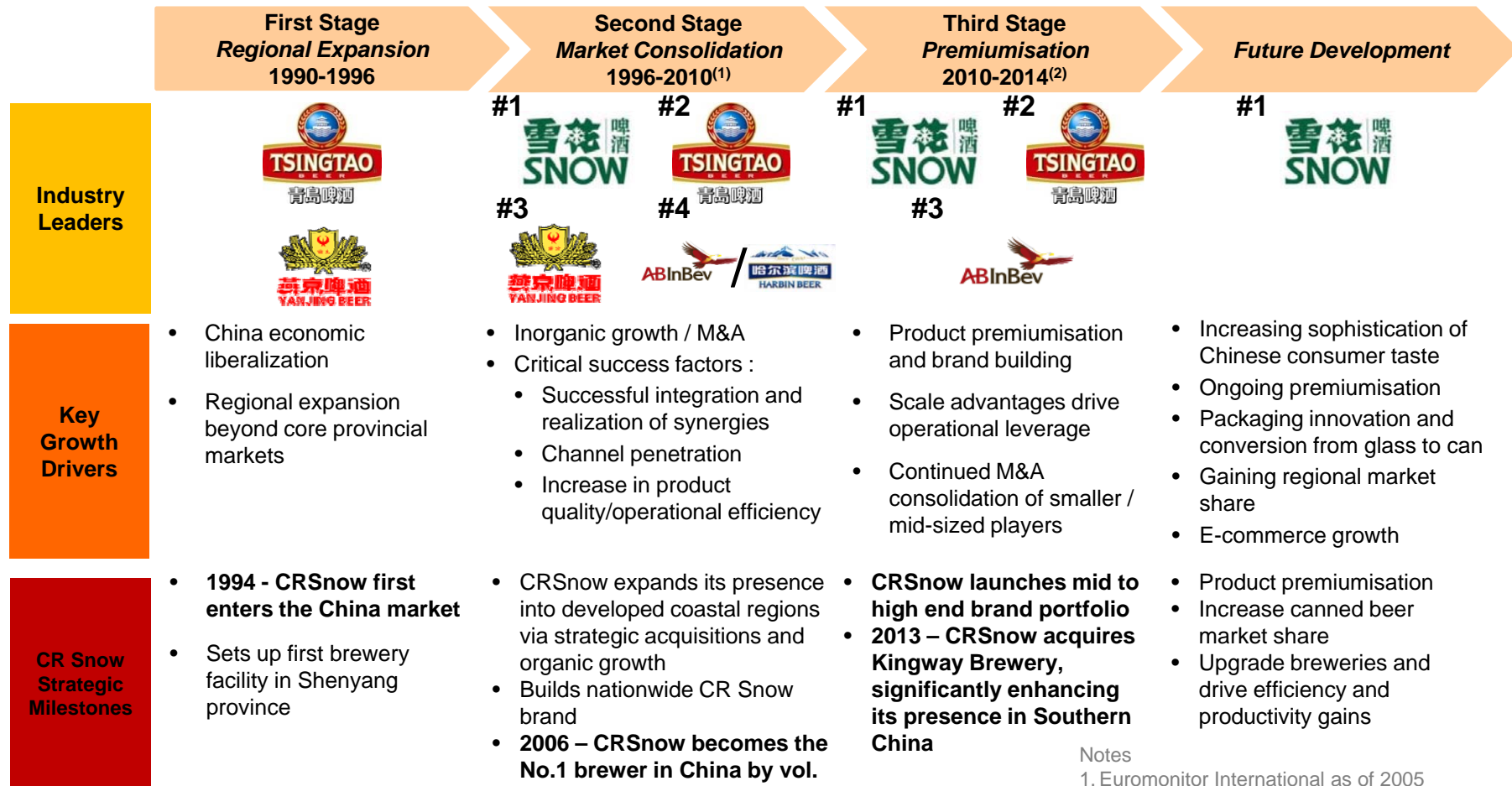
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Beer (No.1 brand by volume in the world since 2008) 雪花

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)



▪ CRB: 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
- 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 97 breweries in 25 out 34 provinces in China

3 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

4 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

5 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

6 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

1. By volume according to Euromonitor International

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

- 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

Regional markets¹

<ul style="list-style-type: none"> □ Maintain long standing relationships with local distributors to broaden coverage and penetration
<ul style="list-style-type: none"> □ Flat distribution model through careful and finer division of regional markets
<ul style="list-style-type: none"> □ Utilize secondary distributors to supply to rural areas

Regional markets in smaller towns and rural areas



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

- 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

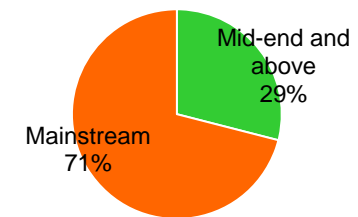
South

Southwest

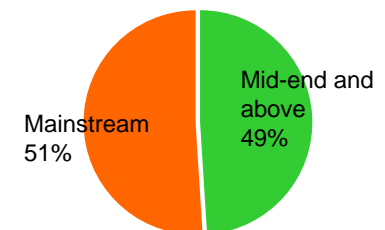
Northwest



2012 Sales volume breakdown



2015 Sales volume breakdown



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

Source: Company Filings, Company Information

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

▪ Future growth strategy

1

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

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

Continue to optimize utilization of existing production plants

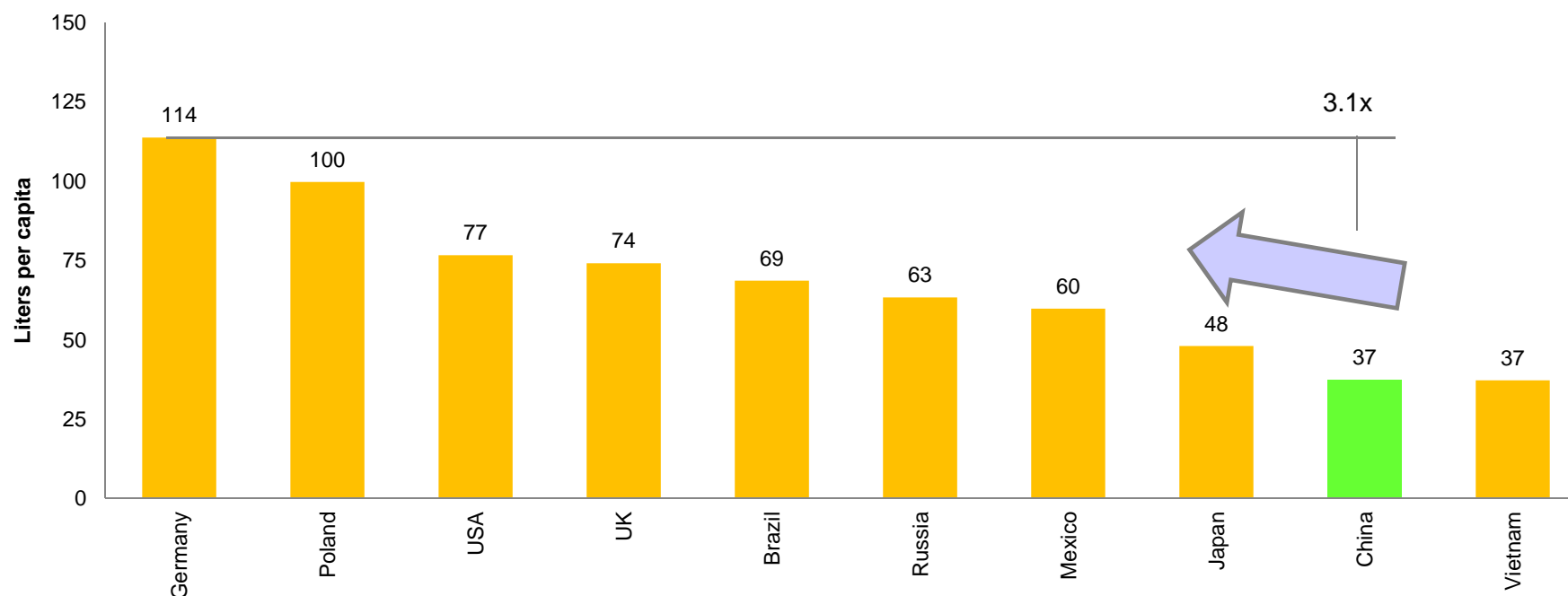
- Continue to integrate Kingway into the platform with expectations to complete within the next three to four years
 - Upgrade Kingway's breweries to CR Snow's best-in-class operating standards
 - Integrate Kingway's distribution and channel strategy into platform



Appendix I – Global beer consumption summary

Long term potential on market volume growth (32% of Germany only)

2014 Top ten beer markets per capita volume consumption



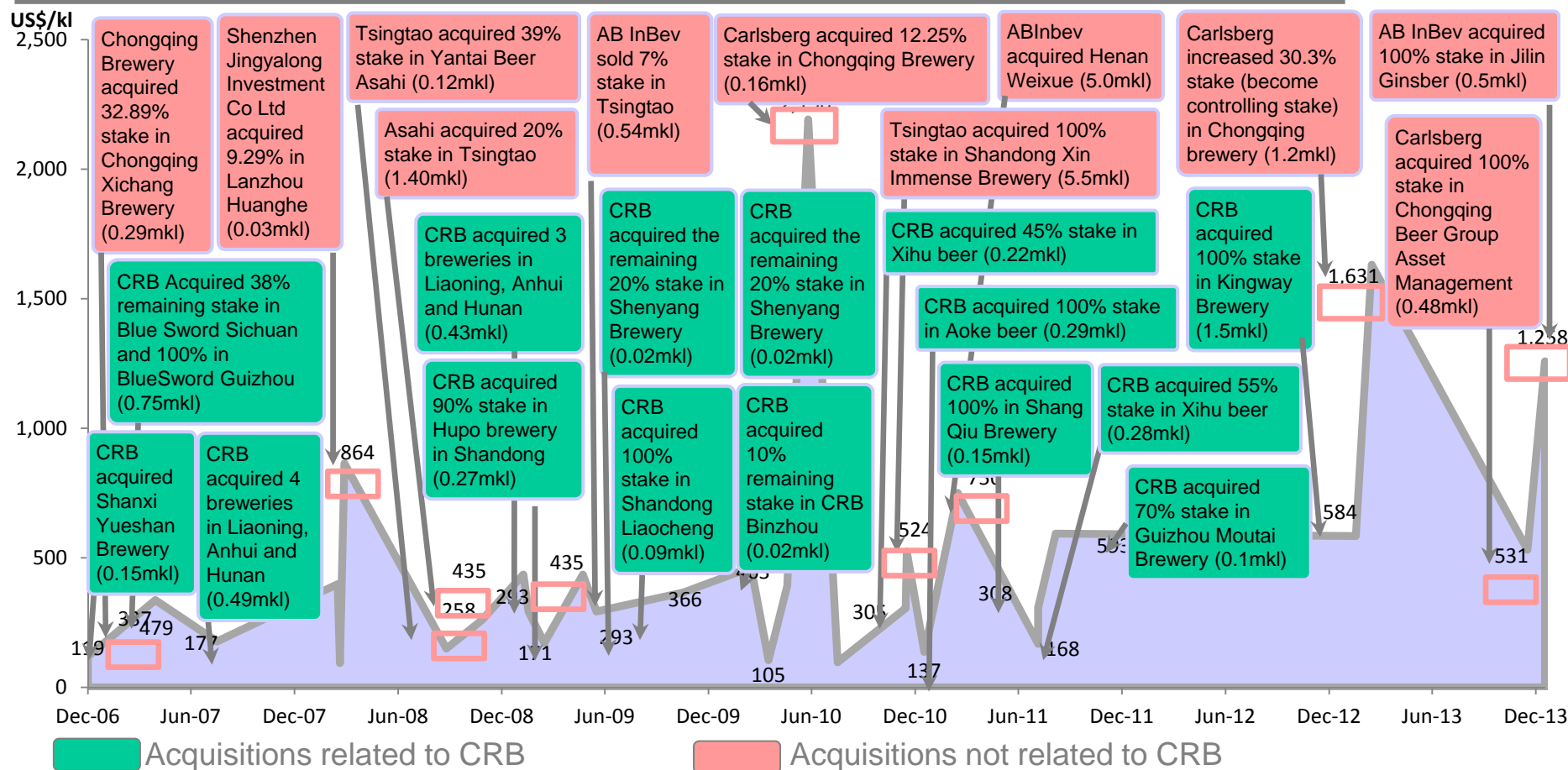
Source: Euromonitor International

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Appendix II – Historical major M&As in beer business

Strong bargaining power and lower acquisition cost on M&A



No major M&As from Dec 2013 till Feb 2016.

Source: Deutsche bank and Company data

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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
2005-2015	Named one of Hong Kong Outstanding Enterprises 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>
2009-2015	Ranked Top Retailer Awards (China) (Gold award in 2013-2015), Best of the Best Retailers Award (Asia Pacific) (2014, 2015) in Retail Asia-Pacific Top 500 Awards by <i>Retail Asia</i>
2009/ 2010/ 2012-2015	Received "The Platinum (2009/2010)/Gold (2012-2015) 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>
2012	Ranked number 428 in Green Rankings – Global 500 List by <i>Newsweek</i>

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- Highlights of accolades received

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Appendix III – CRE awards (Cont'd)

■ Highlights of accolades received

2011-2015	Awarded as one of the companies receiving the commendation in Corporate Social Responsibility Award by <i>CAPITAL and CAPITAL Weekly</i>
2011	Received 2 best awards for investor relations and investor relations officer and 4 awards of ranked second in Best for overall for corporate governance, disclosure and transparency, responsibilities of management and the board of directors and shareholders' rights and equitable treatment in Hong Kong region by <i>Asiamoney</i>
2010-2014	Selected as one of the companies with "Global Chinese Business 1000 – Outstanding Performance Award" by <i>Yazhou Zhoukan</i>
2012/2013	Received Best IR Companies (Both Buy (2013) and Sell Side (2012/2013) – Consumer), Best CEO – Hong Jie (Sell Side – Consumer) in 2013, ranked second for Best CEO – Chen Lang (Sell Side – Consumer) in 2012, Best CFO – Frank Lai (Sell Side – Consumer), Best Investor Relations Professional – Mr. Vincent Tse (Both Buy and Sell Side – Consumer), ranked second for Best Investor Relations Professional – Mr. Kevin Leung (Sell Side – Consumer) in 2013 in The All-Asia Executive Team Survey by <i>Institutional Investor</i>
2012-2015	Awarded as Class of 2012/2013 - The Best of Asia (China), Asian Corporate Director (China) – Mr. Chen Lang in 2013, 2015, Asia's icon on Corporate Governance in Corporate Governance Asia Recognition Awards by <i>Corporate Governance Asia</i>
2012-2014	Awarded as Best in Sector – Consumer Goods & Services, Investor Relations by a Hong Kong Company (2012, 2013) and Investor Relations Officer (Hong Kong) (2012) by <i>IR Magazine</i>
2013/2014	Ranked 71 th (2014) and 93 th (2014) in Top 250 Global Retailers, 18 th (2014) from 50 fastest-growing retailer from <i>Deloitte</i> <i>"Courageous & Innovative"</i>

- Highlights of accolades received

- | | |
|-----------|---|
| 2012-2014 | Received Outstanding Corporate Social Responsibility Award by <i>The Mirror Monthly Magazine</i> |
| 2013/2014 | Frank Lai was selected as Asian Company Secretary of the Year by <i>Corporate Governance Asia</i> |
| 2013/2014 | Received award as the Winner of Global Top Mid-Cap (2013) and ranked 19 th in Global Top 50 Gold (2013), Global Top 50 Silver (2014) in <i>IR Magazine</i> |
| 2013-2015 | Received award for Outstanding Listed Company of the Year by <i>the Hong Kong Institute of Financial Analysts and Professional Commentators Limited</i> |
| 2014 | Ranked 3 th in Top 5 Best Employers (Retail – Department Stores Industry) from <i>ChinaHR.com</i> |
| 2014/2015 | Received Gold award in Consumer –Food/Beverages/Tobacco category (2014/2015); Retailing – Multi-line Retail category (Gold in 2014, Silver in 2015); and Silver award from Retailing – Food and Specialty category (2014/2015) in Vision Awards Annual Report Competition from <i>League of American Communications Professionals LLC</i> |
| 2014/2015 | Received Silver award in Annual reports overall presentation – Food and Consumer Packaged Goods (2014), Department store (2015); Bronze award in Annual Reports overall presentation – Retail (Other and General) (2014), Consumer Goods (2015) and Honors award in Annual Report Covers (Special Treatment) from <i>MerComm, Inc.</i> |
| 2014 | Received The Most Promising Employer in China Best Employer Award from <i>Zhaopin.com</i> |
| 2014 | Ranked 5 th in the Top 10 Happiest Companies from <i>China Business Journal</i> |
| 2015 | Received Best IR company – Mid Cap and Best IRO – Mid Cap from HKIRA 1 st Investor Relations Awards by <i>HKIRA</i> |

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