



華潤啤酒(控股)有限公司  
China Resources Beer (Holdings) Company Limited



2016

Financial  
and  
Operational  
Review



Investor Presentation  
March 2017





# Part I

## Performance Review



H2 2016	H2 2015	change	FY 2016	FY 2015	change
RMB m **	RMB m **		RMB m **	RMB m **	

<b>Turnover</b>	<b>13,481</b>	<b>12,460</b>	<b>+8%</b>	<b>28,694</b>	<b>27,959</b>	<b>+3%</b>
<b>EBIT</b>	<b>100</b>	<b>608</b>	<b>-84%</b>	<b>1,757</b>	<b>1,790</b>	<b>-2%</b>
<b>Profit after tax</b>	<b>199</b>	<b>493</b>	<b>-60%</b>	<b>1,419</b>	<b>1,329</b>	<b>+7%</b>
Profit attributable to shareholders (PAS) ***	24	250	-90%	629	667	-6%
EPS (RMB)				0.22	0.25	-12%
DPS (RMB) - Final				0.08	-	N/A
Dividend payout ratio (Proposed dividend/PAS)				41%	-	N/A
ROE (PAS/Net assets)				3.6%	3.5%	+3%
Additions to non-current assets				1,745	2,491	-30%
Net assets				17,667	19,320	-9%
Net debt				(3,677)	(2,690)	-37%
<b>Gearing ratio</b>				<b>(20.8%)</b>	<b>(13.9%)</b>	<b>-50%</b>

\*\*\* Acquisition of 49% stake of beer business has been completed on 11 October 2016 and the beer subsidiary became a wholly-owned subsidiary. It is expected that the acquisition of 49% stake will be fully reflected in 2017.

## “Various experiences across SNOW”





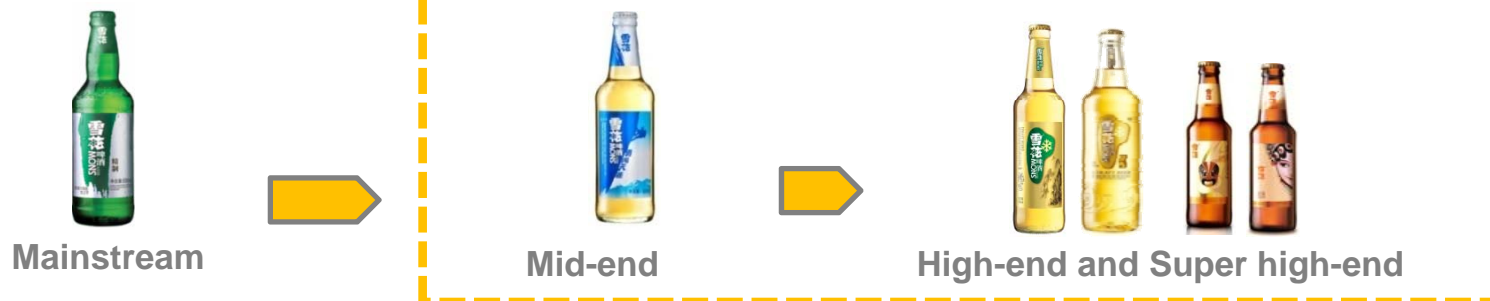
# Beer (No.1 brand by volume in the world since 2008) 雪花

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

	H2 2016 RMB m	H2 2015 RMB m	change	FY 2016 RMB m	FY 2015 RMB m	change
Sales volume (million kl)	5.587	5.434	+3%	11.715	11.683	-
ASP (in RMB/kl)	2,413	2,293	+5%	2,449	2,393	+2%
Turnover	13,481	12,460	+8%	28,694	27,959	+3%
Gross profit	4,553	3,493	+30%	9,673	8,687	+11%
EBIT	163	620	-74%	1,852	1,811	+2%
GP margin (%)	33.8	28.0	+5.8% point	33.7	31.1	+2.6% point
EBIT margin (%)	1.2	5.0	-3.8% point	6.5	6.5	-

The overall profitability of H216 and FY16 were mainly affected by additional impairment loss on assets amounted to RMB323m and RMB321m, respectively.

Excluding the additional impairment, the EBIT of FY16 would have improved by 20% to RMB2,173m, EBIT margin would have improved by 1.1% point to 7.6%.



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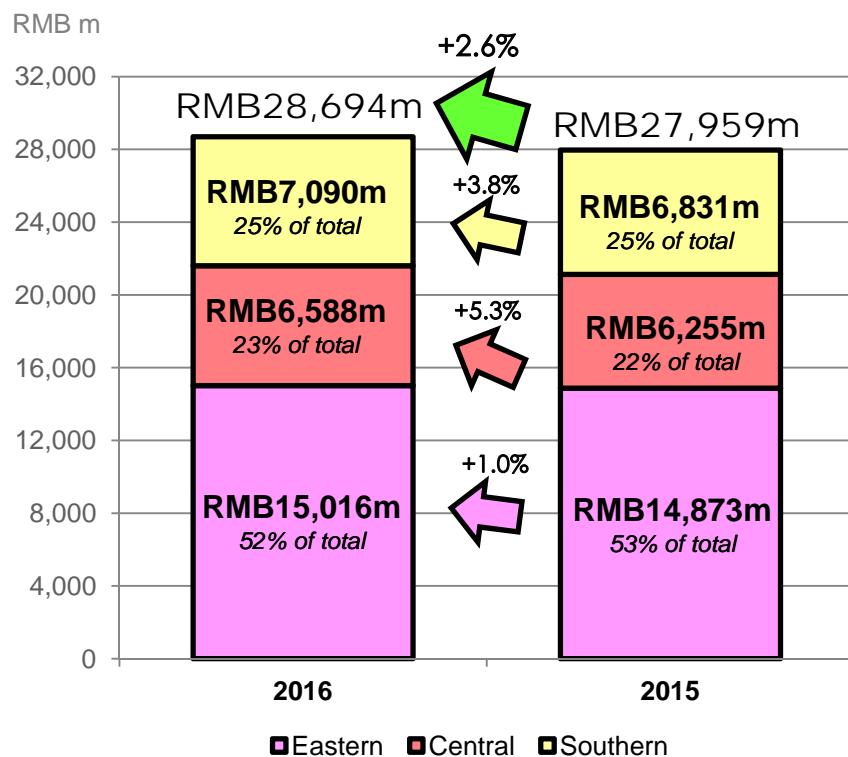


# Beer (No.1 brand by volume in the world since 2008)

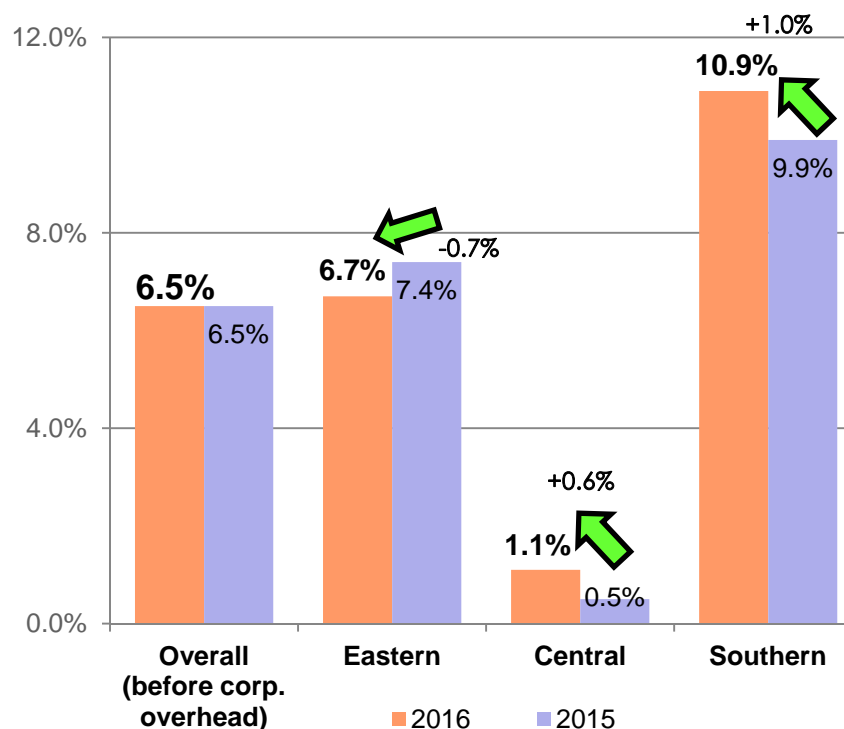


## Segment results

### Turnover contribution



### EBIT margin



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

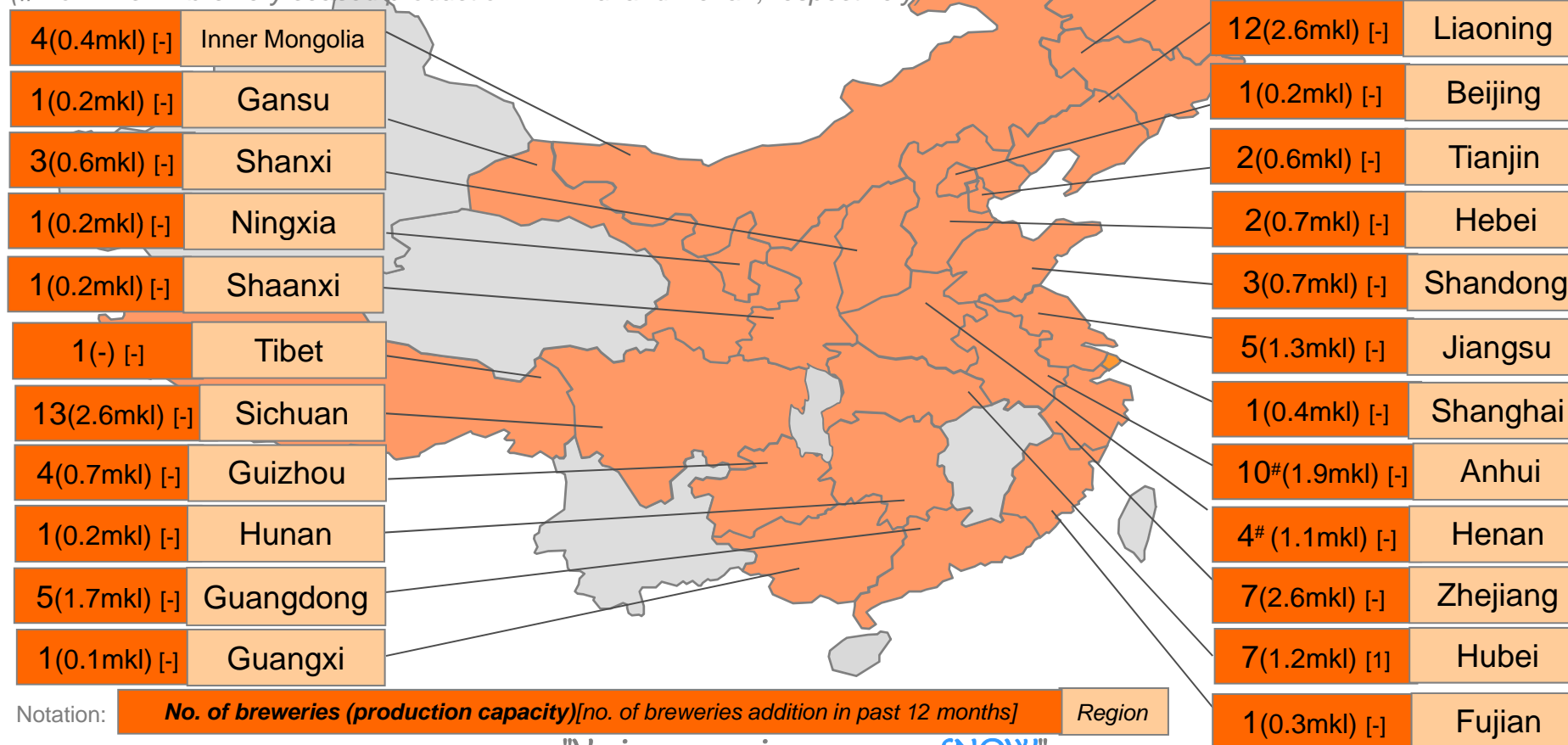


## ▪ Nationwide geographical footprints

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

**Number of brewery plants: 98**

(# - of which 1 brewery ceased production in Anhui and Henan, respectively)



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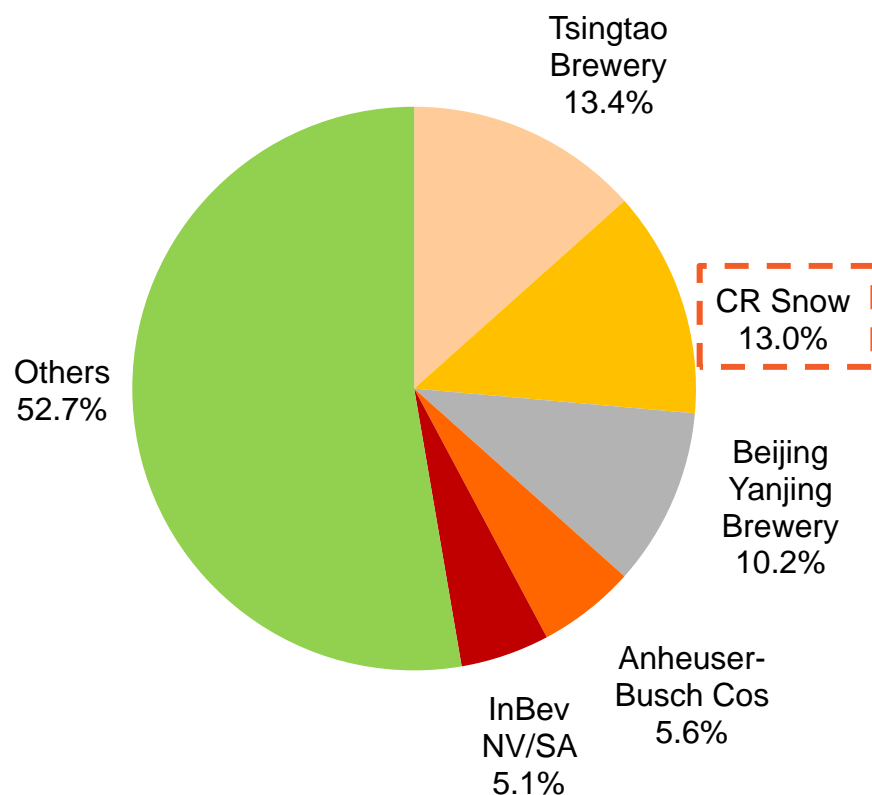
# Beer (No.1 brand by volume in the world since 2008)



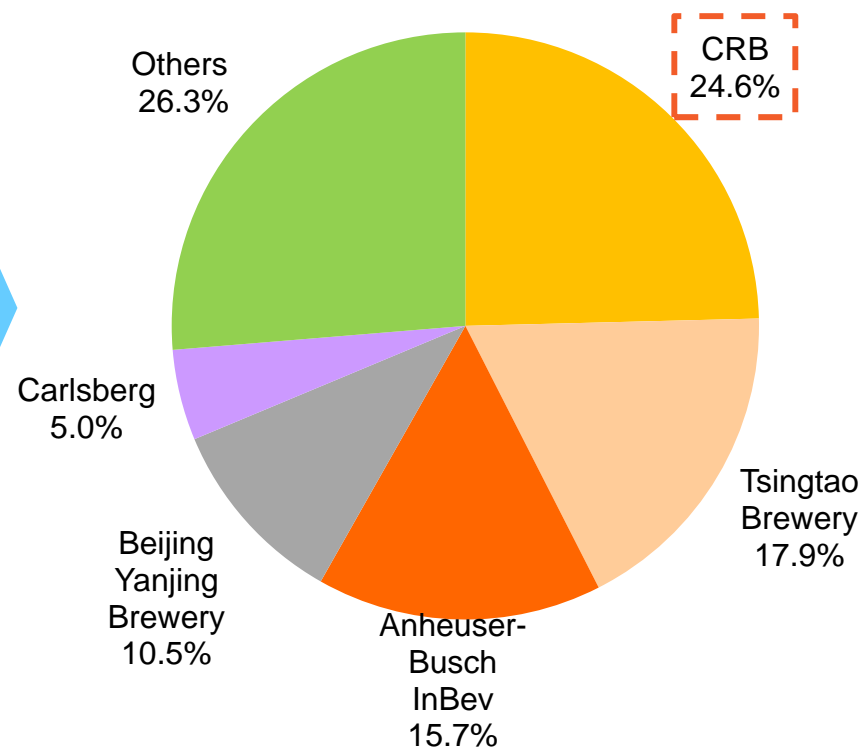
## Market share distribution

### China beer market competitive landscape by volume

2005 Top five market share = 47.3%



2015 Top five market share = 73.7%



Source: Euromonitor International, [www.cnbeverage.com](http://www.cnbeverage.com) and Company information

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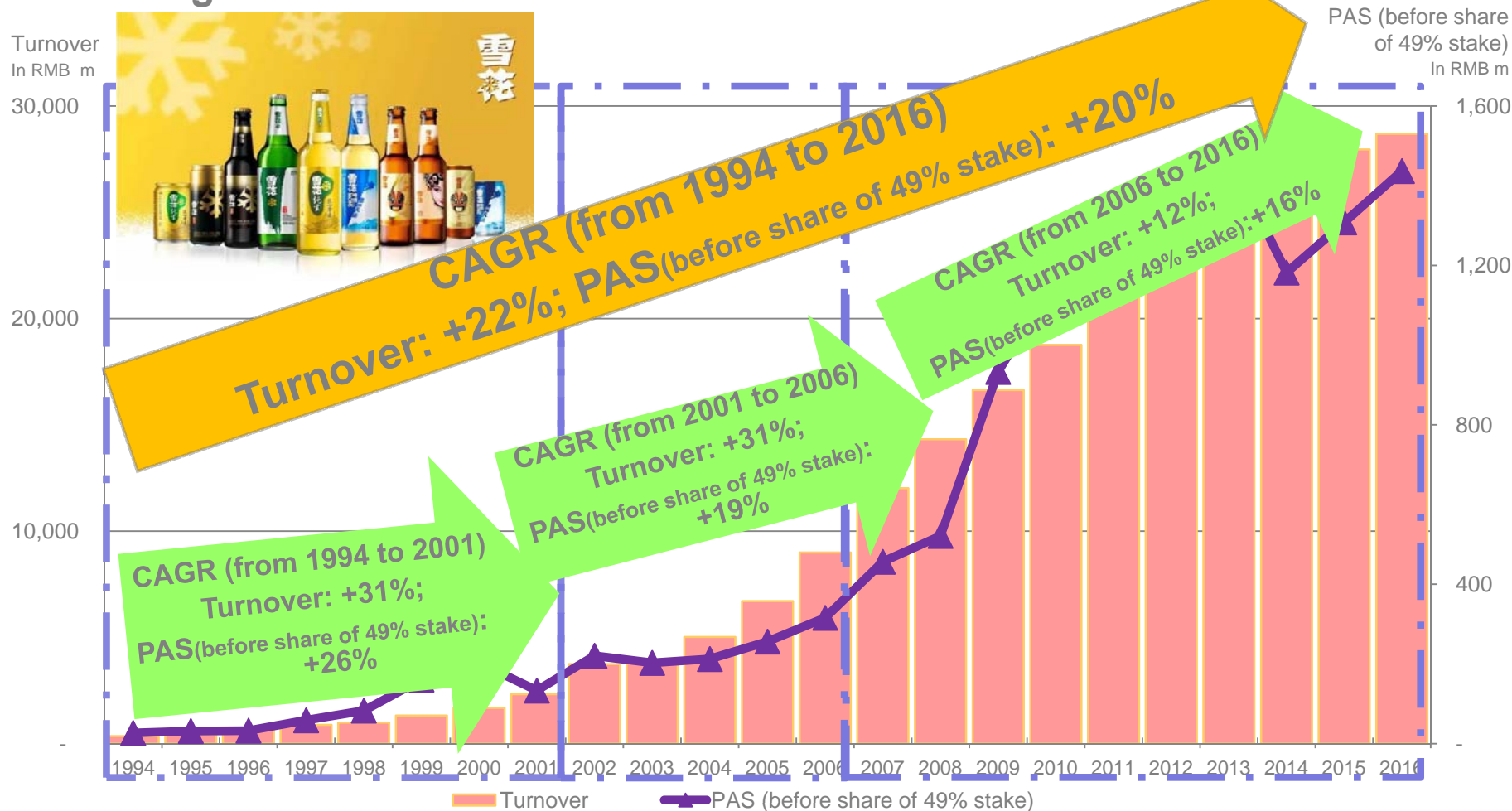




# Beer (No.1 brand by volume in the world since 2008)



## Proven growth track records



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## Part II

### Others

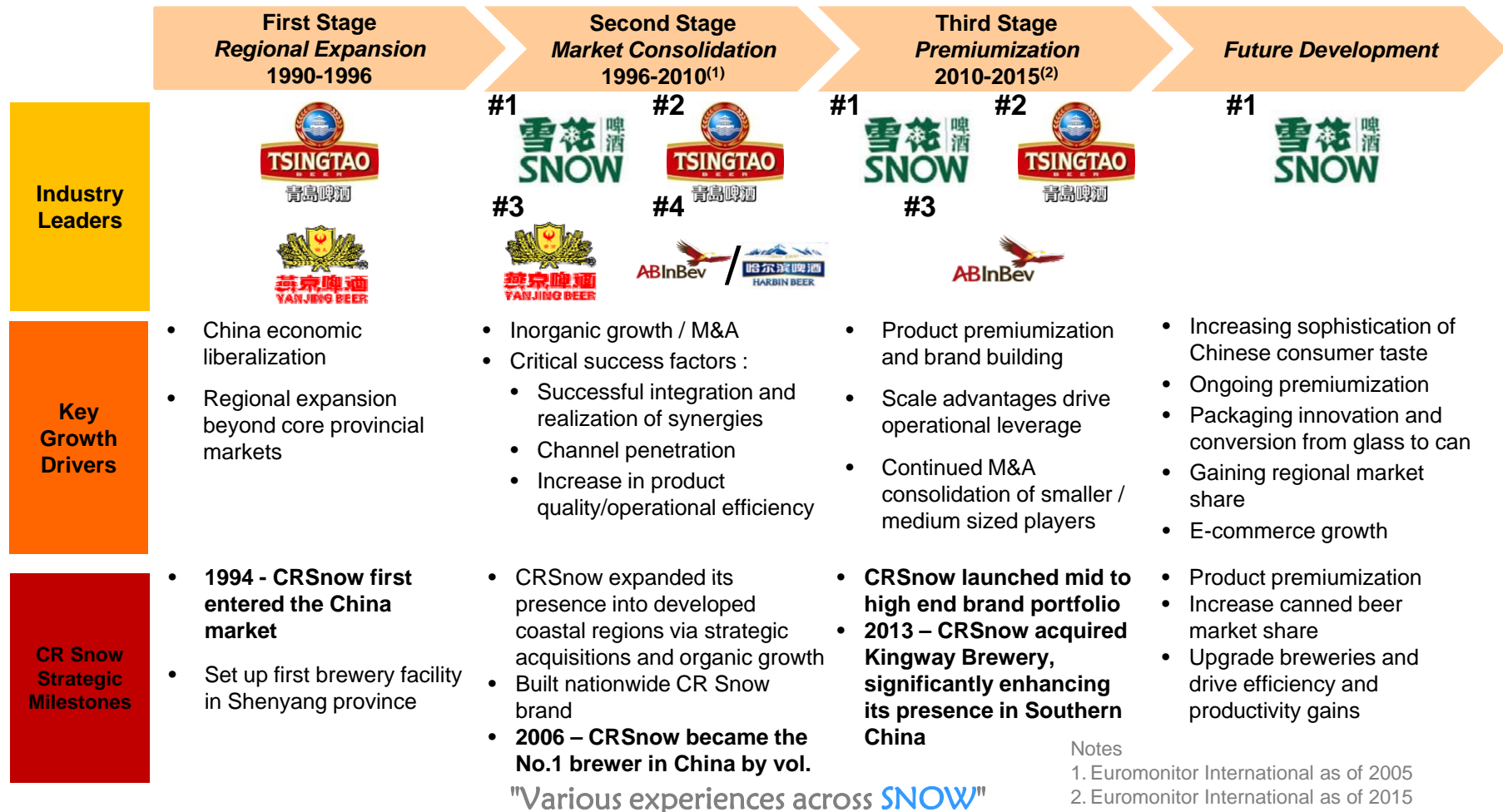




# Beer (No.1 brand by volume in the world since 2008) 雪花

## 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 2015

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



## ▪ CRB: Pure beer business

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

- 1
  - China is the largest<sup>1</sup> and most attractive beer market globally
  - CRE 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**

- 2
  - 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

### **Proven Track Record of Double-Digit Growth Through Premiumization and Innovation**

- 3
  - Successful track record of growth through increasing volumes and ASPs
  - Sales and PAS (before share of 49% stake) CAGR of 22% and 20%, respectively since inception in 1994
  - Increasing focus on premiumization of mid-end to high-end products

### **The Leading Platform for Industry Consolidation**

- 4
  - Leading market consolidator with successful acquisition and integration of domestic breweries in the past
  - Track record of M&A with 20+ acquisitions over previous years

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

- 5
  - Experienced management team members who works in CR Snow for many years
  - Sponsorship from one of the leading SOEs in China

### **Full ownership with faster response**

- 6
  - 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"> <li>□ <b>Specific sales force</b> 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>
Other on-trade channel and traditional retail channel	<ul style="list-style-type: none"> <li>□ Established a <b>flat distributor network</b> by dividing targeted markets into smaller areas which eliminates layers of distributors</li> <li>□ Allows for <b>higher profitability</b>, closer proximity to end customers and <b>better management</b> of distributors and retailers</li> </ul>
Modern retail channel	<ul style="list-style-type: none"> <li>□ <b>Sales team at headquarters</b> covers and negotiates with nationwide retailers directly</li> <li>□ <b>Regional sales teams</b> coordinate negotiations with regional retailers and provide comprehensive sales support and monitor performance</li> </ul>
E-commerce channel	<ul style="list-style-type: none"> <li>□ Sales on <b>e-commerce platforms</b> such as Yihaodian, JD.com</li> <li>□ Flagship stores on platforms such as T-mall, Haigou.com</li> <li>□ Establishing own e-commerce platform to directly interact with end customers and consumers</li> </ul>

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

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

Source: Company Filings, Company Information

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

### ▪ Future growth strategy

1

#### Expand “Snow” with ongoing premiumization

- 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 in regions
  - Ongoing evaluation of acquisition targets that can help strengthen regional presence

3

#### Continue to optimize utilization of existing production plants

- Continue to improve efficiencies of the breweries to best-in-class operating standards



# Part III

## Appendix

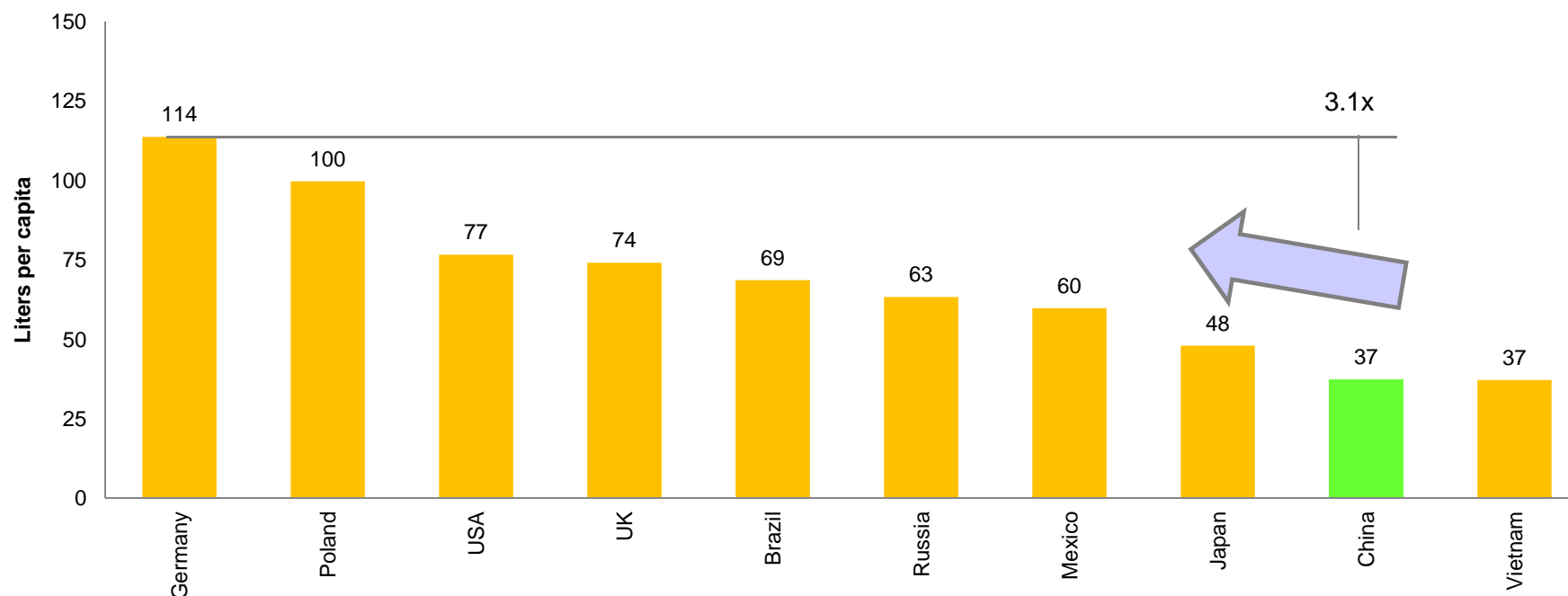




## Appendix I – Global beer consumption summary

### Long term potential on market volume growth

#### 2014 Top ten beer markets per capita volume consumption



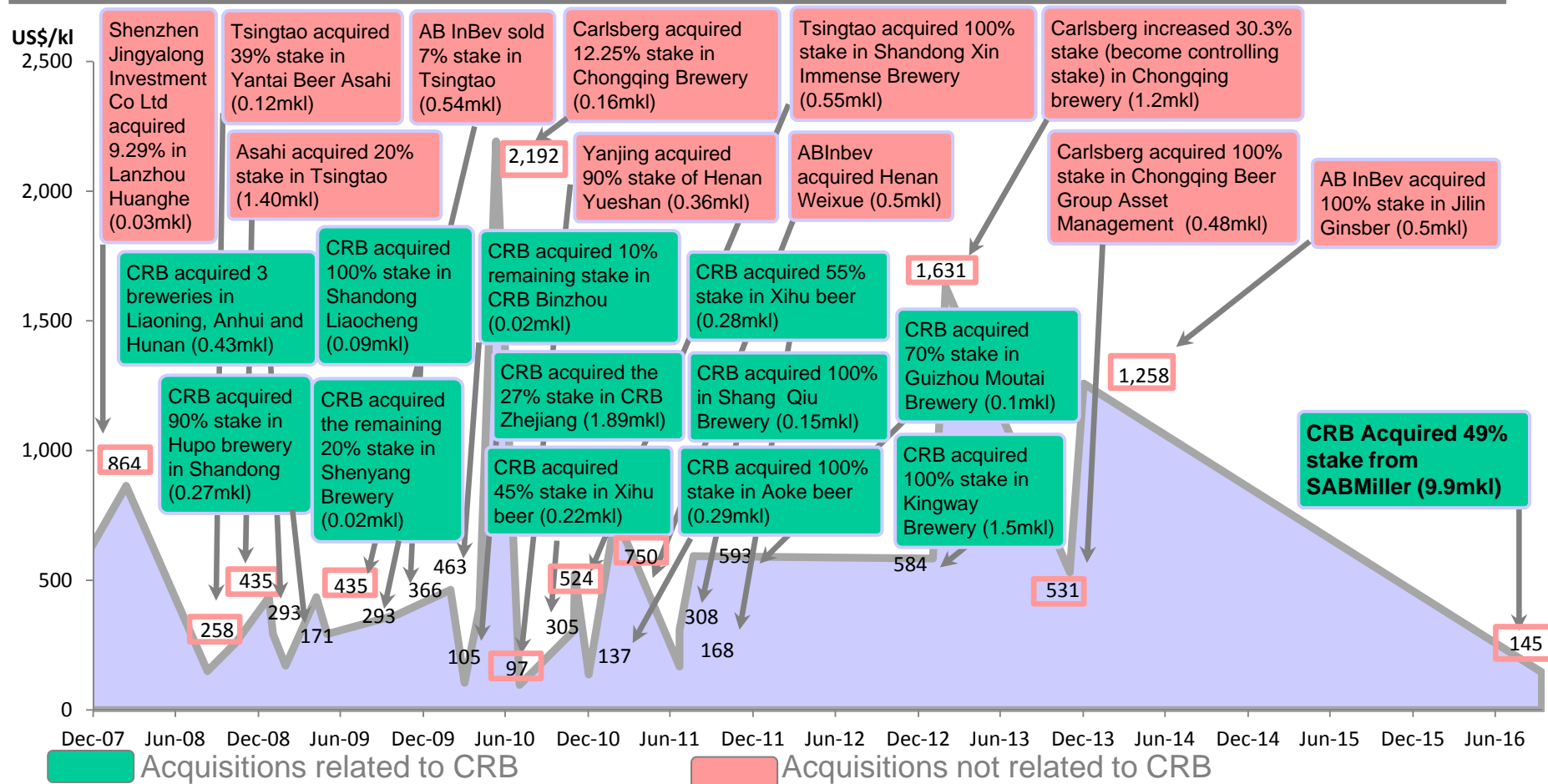
Source: Euromonitor International

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## Appendix II – Historical major M&As in beer business

### Lower acquisition cost on M&A



Source: Deutsche bank and Company data

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Hong Kong Institute of Directors	2006/2010/ 2012/2014/ 2016	Honored as one of the awardees in the <i>Board Category for "Listed Companies (SEHK-Hang Seng Index Constituents)"</i> in "Directors Of The Year Awards"
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Corporate Governance Asia	2010/2013-2016	Asia's best CEO (Investor Relations), Asia's best CFO (Investor Relations), Best Investor relations professional, Best Investor Relations Company, Asia's Best Corporate Social Responsibility (2013 – 2016) and Best Environmental Responsibility (2010, 2013 - 2015)
	2010-2016	Asian Corporate Directors: Mr. Chen Lang (2010-2013, 2015-2016), Mr. Hong Jie (2014)
	2006-2013	Asia's Best Companies for Corporate Governance, The Best of Asia (China)
	2013-2014	Asian Company Secretary of the Year. Mr. Frank Lai

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## Appendix III – Major awards (Cont'd)



### ■ Highlights of accolades received

<i>China Financial Market</i>	2017	<i>Most Valuable Brand Award in China Financial Market Listed Company Awards 2016</i>
<i>HKIRA</i>	2015/2016	<i>Best IR company – Mid-cap (2015/2016), Best IRO – Mid-cap (2015), Best IR presentation collaterals – Mid-cap (2016) in HKIRA Investor Relations Awards</i>
<i>The Asset</i>	2009/ 2010/ 2012-2016	<i>Platinum award: 2009/2010/2016 Gold award: 2012-2015 in The Asset Corporate Awards</i>
<i>Ta Kung Pao</i>	2011/2014/ 2016	<i>Best Investor Relations Company (2016); Best Corporate Governance for Listed Companies, Best Information Disclosure for Listed Companies (2014); Best Management Team Award (2011) in Golden Bauhinia Award</i>
<i>Forbes</i>	2011-2016	<i>Ranked number 981/861/800/1067/1200/1628 in Global 2000</i>
<i>Fortune China 500</i>	2011-2016	<i>Ranked number 39/46/37/40/38/194</i>
<i>Economic Digest</i>	2005-2016	<i>Named one of Hong Kong Outstanding Enterprises</i>
<i>HKIFAPC</i>	2013-2016	<i>Award for Outstanding Listed Company of the Year</i>
<i>Yazhou Zhoukan</i>	2010-2015	<i>"Global Chinese Business 1000 – Outstanding Performance Award"</i>
	2011	<i>"The Largest Capitalization Company Award" in Mainland Enterprises Listed in Hong Kong Ranking</i>

"Various experiences across SNOW"

- Highlights of accolades received

## "Various experiences across SNOW"

- Highlights of accolades received

<i>CAPITAL and CAPITAL Weekly</i>	2011-2015	Awarded as one of the companies receiving the commendation in Corporate Social Responsibility Award
<i>The Mirror Monthly Magazine</i>	2012-2015	Received <i>Outstanding Corporate Social Responsibility Award</i>
<i>Asiamoney</i>	2010/2012	<i>Overall Best companies in Asia for Corporate Governance, Best awards in Asia region (ex-Japan) for disclosure and transparency, responsibilities of management and the board of directors, shareholders' rights and equitable treatment , Best for Investor Relations (2012)</i> <i>Best awards in Hong Kong region for overall corporate governance, disclosure and transparency, responsibilities of management and the board of directors, shareholders' rights and equitable treatment, investor relations and investor relations officer (2010)</i>
	2011	<i>Best awards: Investor relations, Investor relations officer</i> <i>Ranked second: 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</i>
<i>Deloitte</i>	2012-2014	Ranked 71 <sup>th</sup> (2014), 78 <sup>th</sup> (2013) and 93 <sup>th</sup> (2012) in <i>Top 250 Global Retailers</i> , 18 <sup>th</sup> (2014) from <i>50 fastest-growing retailer</i>

"Various experiences across **SNOW**"



- Highlights of accolades received

Please refer to our company website, [www.crbeer.com.hk](http://www.crbeer.com.hk), for further details of awards received prior to 2009.

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