



華潤啤酒(控股)有限公司

China Resources Beer (Holdings) Company Limited



FY 2017

Financial and Operational Review

Investor Presentation

21 March 2018





Part I

Performance Review



Results Summary

	H2 2017 RMB m	H2 2016 RMB m	change	FY 2017 RMB m	FY 2016 RMB m	change
Turnover	13,958	13,481	+4%	29,732	28,694	+4%
EBIT	164	100	+64%	1,851	1,757	+5%
EBIT excl. impairment loss recognised	881	556	+58%	2,590	2,221	+17%
Profit attributable to shareholders (PAS) *	5	24	-80%	1,175	629	+87%
EPS (RMB) **				0.36	0.22	+64%
DPS (RMB)				0.14	0.08	+75%
- Final				0.07	0.08	-13%
- Interim				0.07	-	N/A
Dividend payout ratio (Total dividend/PAS)				39%	41%	-5%
ROE ***				6.5%	4.5%	+44%
Additions to non-current assets				1,752	1,745	-
Net assets				18,485	17,667	+5%
Net debt				(1,030)	(3,677)	-72%
Gearing ratio				5.6%	20.8%	-73%

Notes:

* Acquisition of 49% stake in China Resources Snow Breweries Limited (the "Acquisition") has been completed on 11 October 2016 and the beer subsidiary became a wholly-owned subsidiary.

** EPS for 2017 reflected the benefit of the Acquisition on 11 October 2016 and the effect of rights issue in 2016.

*** ROE = PAS / Average of Equity attributable to shareholders of the Company



• Savour •



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

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

	H2 2017 RMB m	H2 2016 RMB m	change	FY 2017 RMB m	FY 2016 RMB m	change
Sales volume (million kl)	5.513	5.587	-1%	11.819	11.715	+1%
ASP (in RMB/kl)	2,532	2,413	+5%	2,516	2,449	+3%
Turnover	13,958	13,481	+4%	29,732	28,694	+4%
Gross profit	4,747	4,553	+4%	10,029	9,673	+4%
EBIT	164	100	+64%	1,851	1,757	+5%
EBIT excl. impairment loss recognised	881	556	+58%	2,590	2,221	+17%
GP margin	34.0%	33.8%	+0.2% point	33.7%	33.7%	-
EBIT margin	1.2%	0.7%	+0.5% point	6.2%	6.1%	+0.1% point
EBIT margin (excl. impairment loss recognised)	6.3%	4.1%	+2.2% point	8.7%	7.7%	+1.0% point

Increase in turnover helped to absorb the surge of certain material costs such that gross profit margin maintained at similar level.

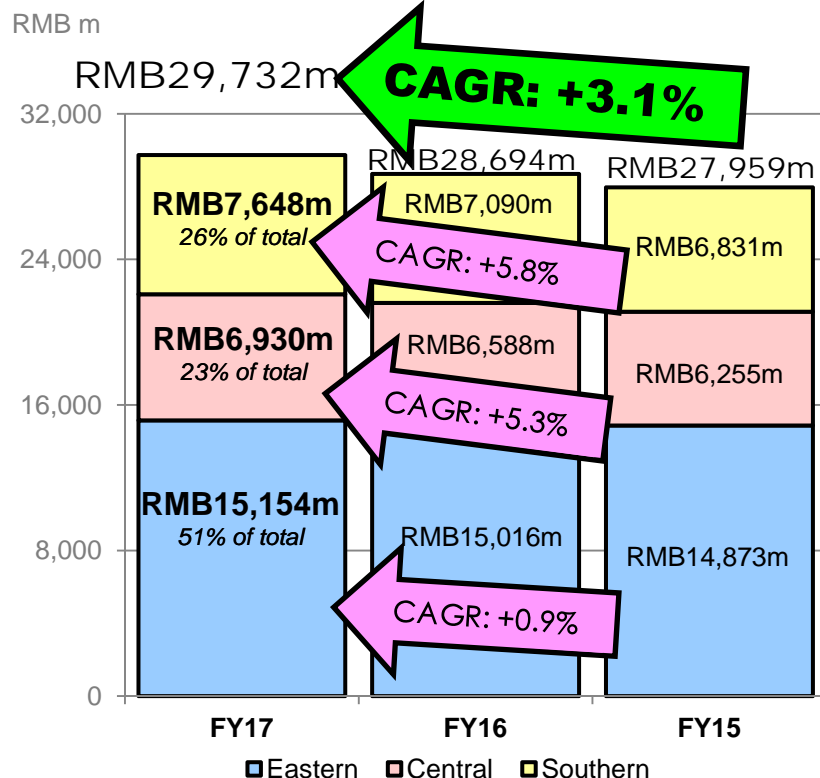




Beer (No.1 brand by volume in the world)

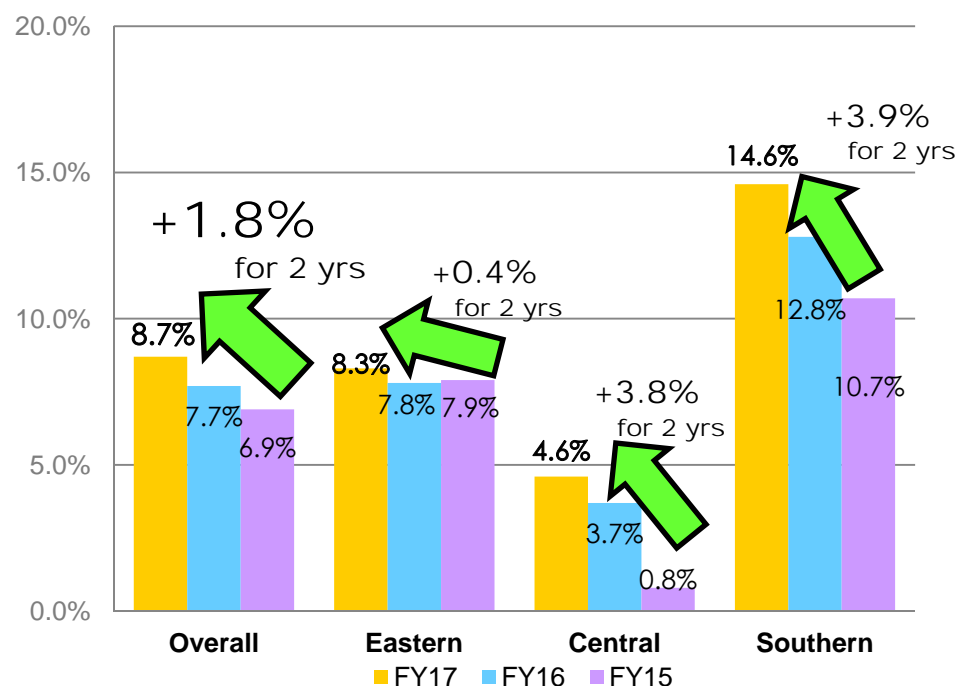
Segment results

Turnover contribution



EBIT margin

(excl. impairment loss recognised)



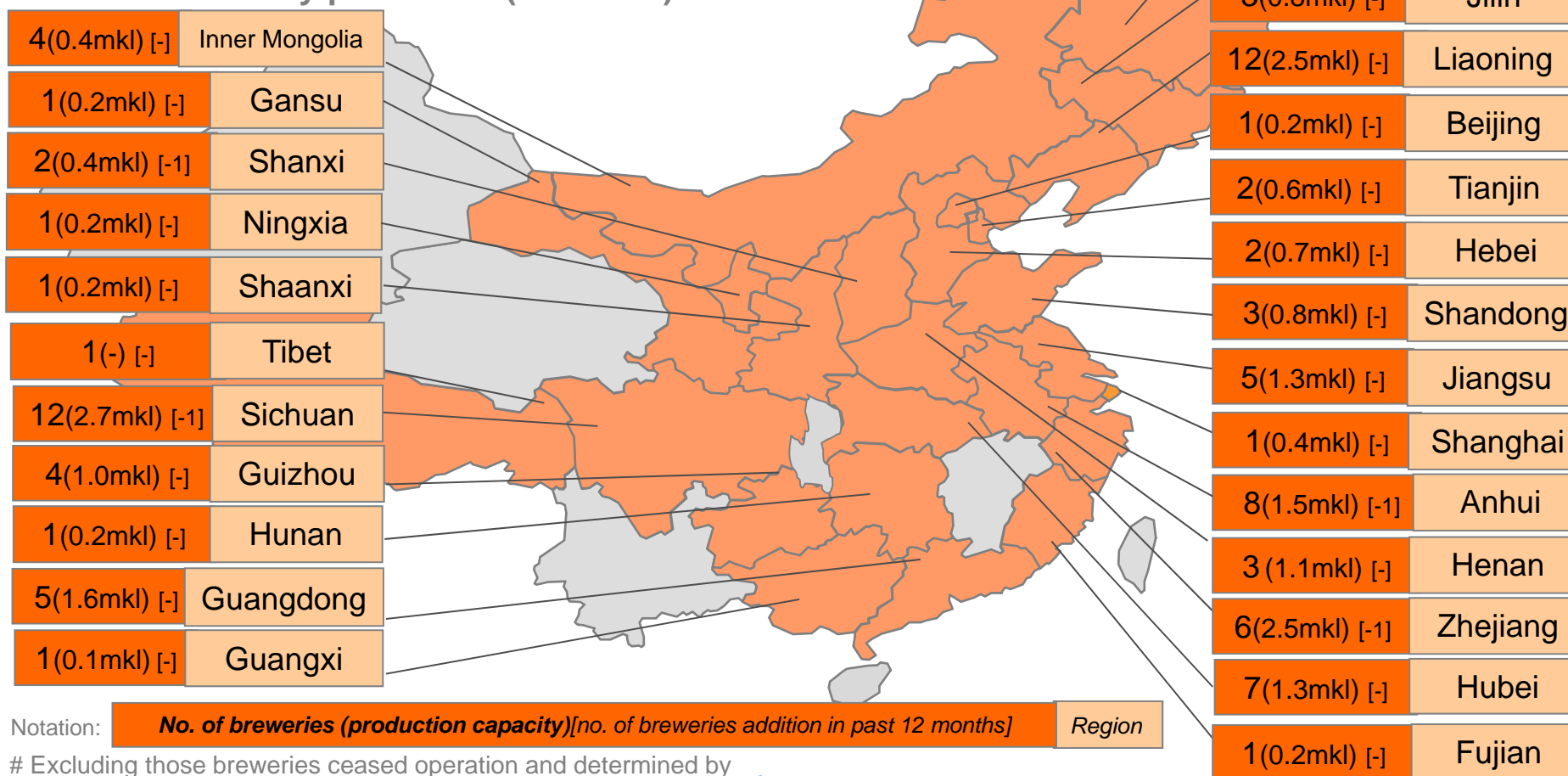


Beer (*No.1 brand by volume in the world*)

▪ Nationwide geographical footprints

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

Number of brewery plants: 91[#] (2016: 96[#])



Notation:

No. of breweries (production capacity)[no. of breweries addition in past 12 months]

Region

Excluding those breweries ceased operation and determined by management to be closed

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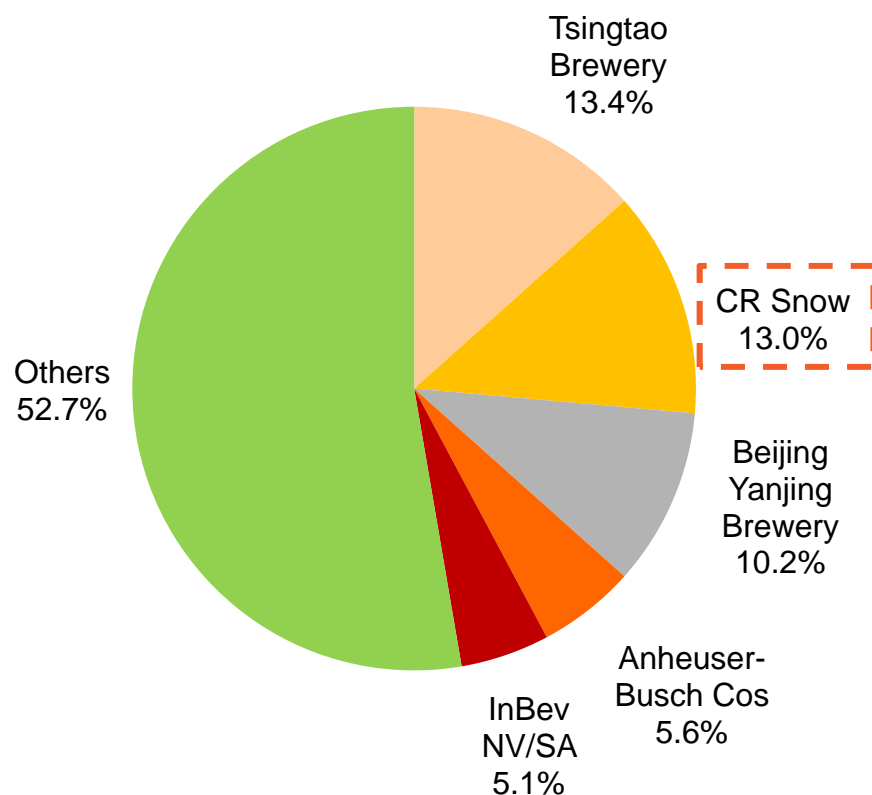


Beer (*No.1 brand by volume in the world*)

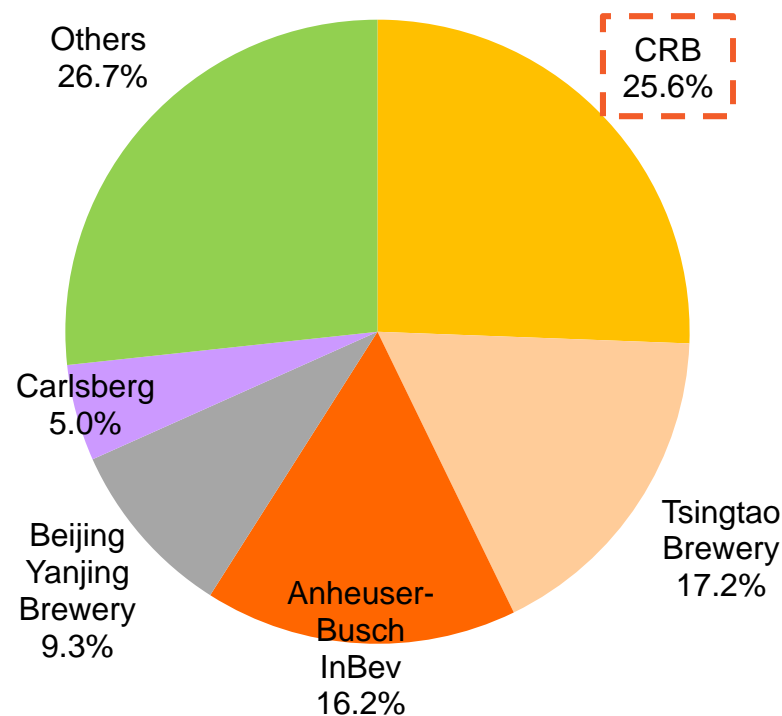
▪ Market share distribution

China beer market competitive landscape by volume

2005 Top five market share = 47.3%



2016 Top five market share = 73.3%

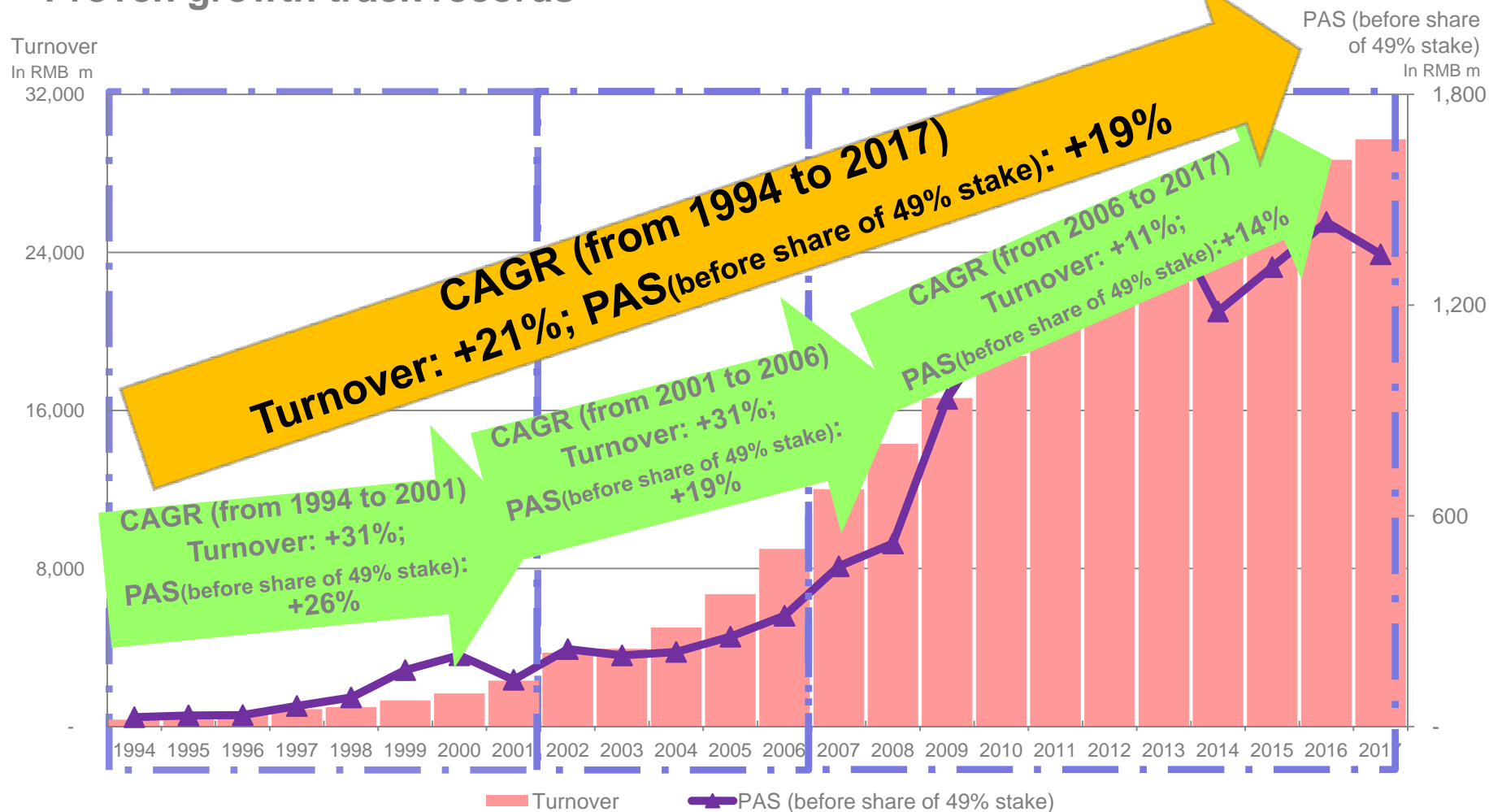


Source: Euromonitor International, www.ifooday.cn and Company information



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

Proven growth track records





Part II

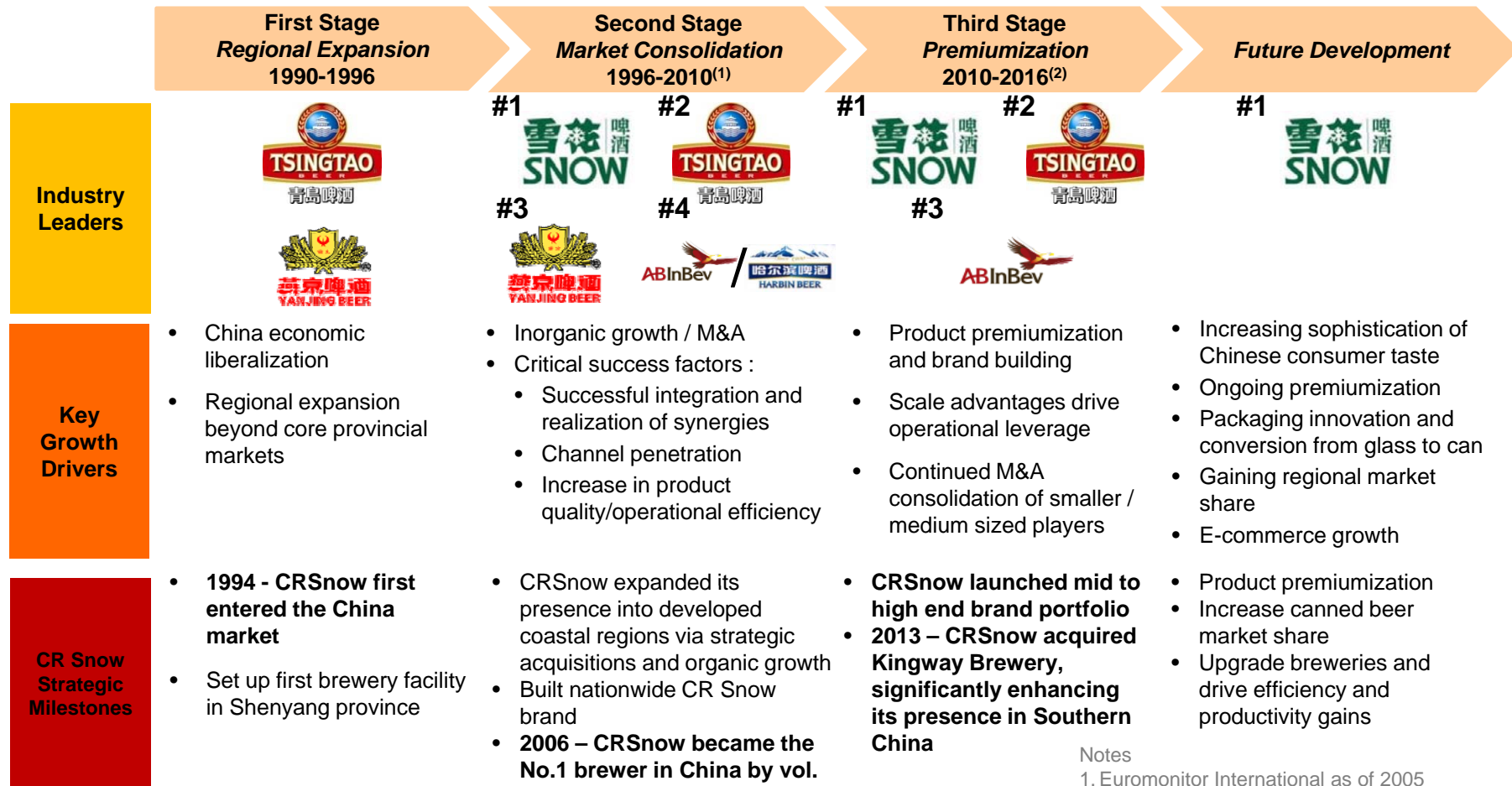
Others



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

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. Company information

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

▪ CRB: Pure beer business

The Undisputed Leader in World's Most Attractive Beer Market

- 1
 - China is the largest¹ and most attractive beer market globally
 - CRE is the #1 brewer in China for the past 11 years with 25.6% market share¹ vs. 17.2% for the next player in 2016

Irreplaceable Heritage Brands That Resonate Nationwide with the Local Consumer

- 2
 - Snow (“雪花”) is the world's largest selling beer brand by volume
 - Portfolio of 30+ sub-brands and products catering across the entire consumer spectrum
 - Nationwide presence operating 91 breweries in 25 out 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 21% and 19%, 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 www.ifooday.cn

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

- 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 teams 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 T-mall □ Flagship stores on platforms such as Yihaodian, JD.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

Source: Company Filings, Company Information

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

▪ 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



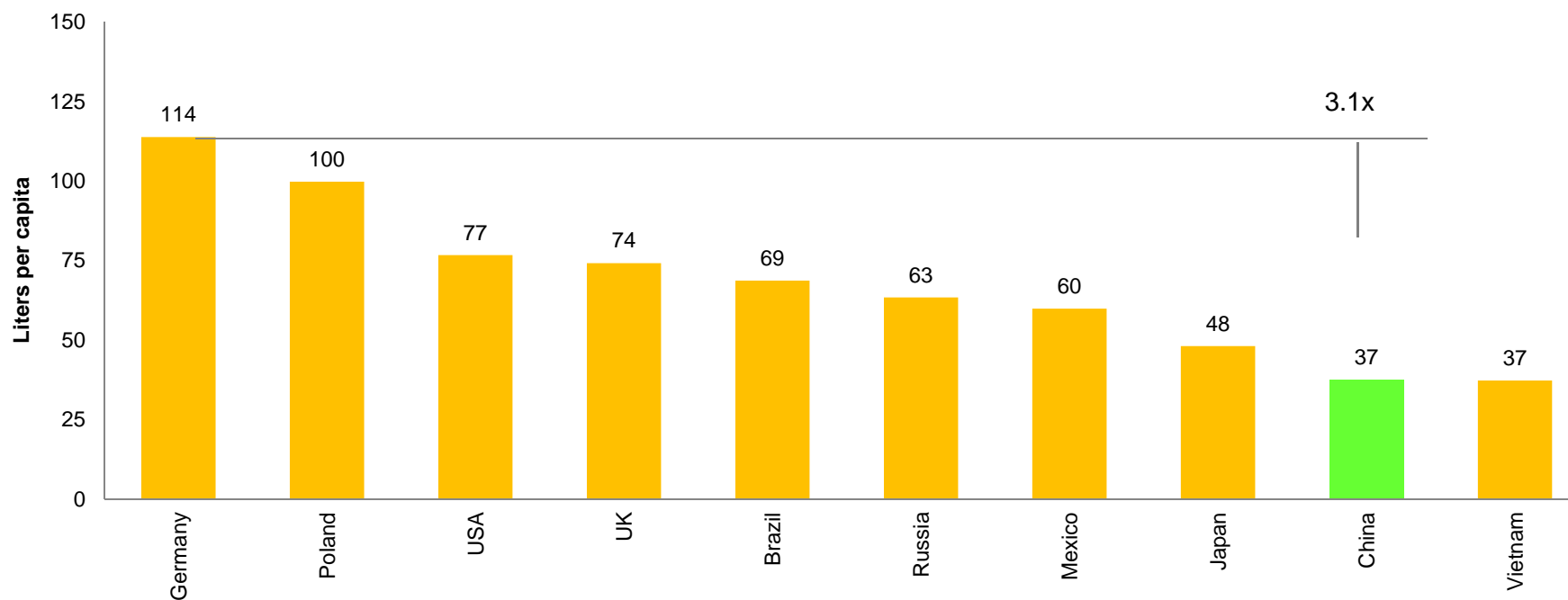
Part III

Appendix



Appendix I – Global beer consumption summary

2014 Top ten beer markets per capita volume consumption



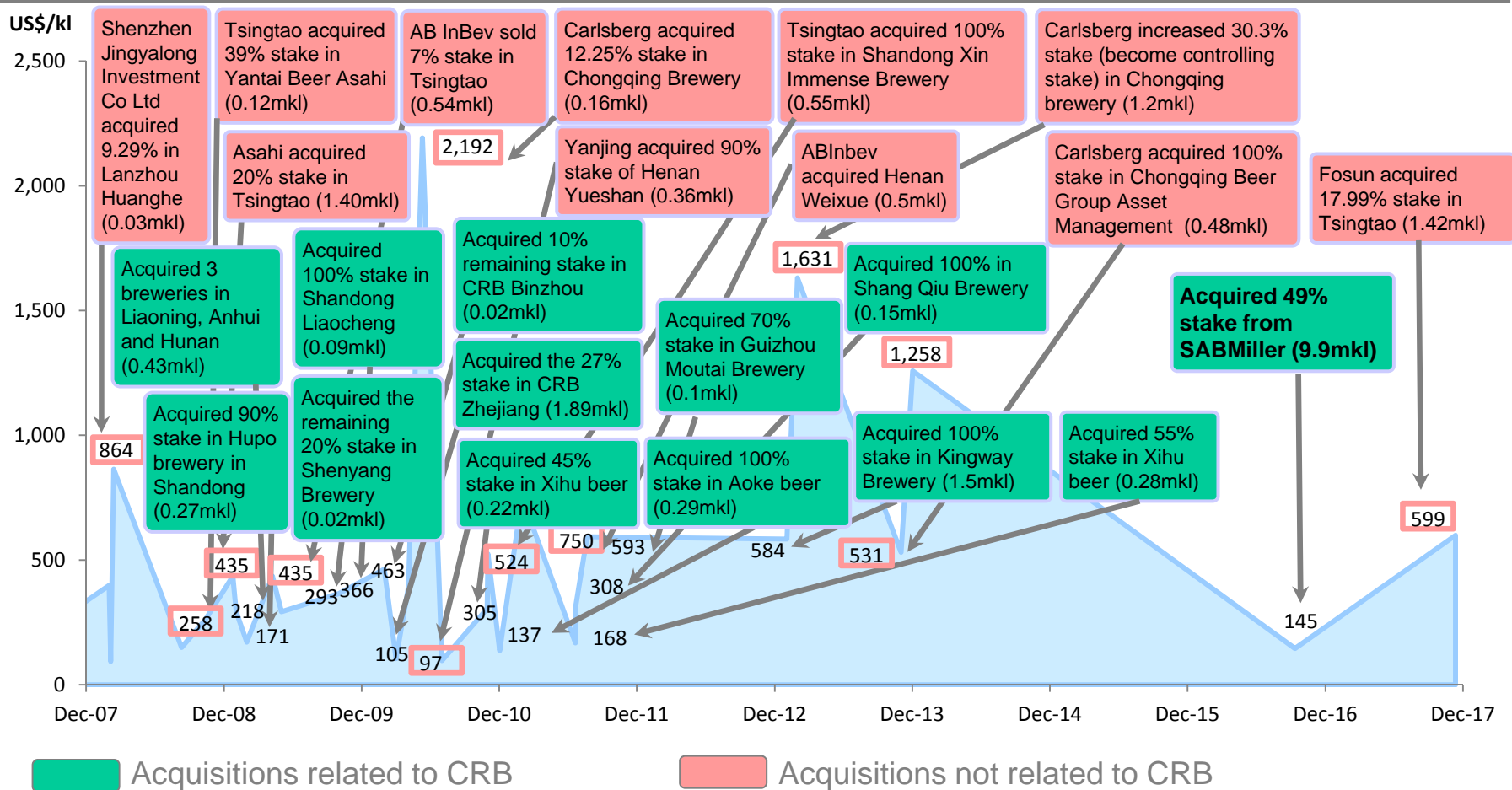
Source: Euromonitor International

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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

<i>Hong Kong Institute of Directors</i>	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"
<i>Institutional Investor</i>	2012/2013/ 2016/2017	Consumer staple <i>Best IR Companies</i> : Buy (2013) and Sell Side (2012/2013), <i>Best CEO</i> : Sell Side (2013/2016), ranked second in Sell Side (2012), ranked second in Buy side (2016) <i>Best CFO</i> : Buy and Sell Side (2016), <i>Best Investor Relations Professional</i> : Buy and Sell Side (2012/2013), ranked second (2016), ranked third (2017), Sell side ranked first (2017), second (2013), <i>Best Investor Relations Program</i> : Buy side and Sell side (2016), <i>Best Analyst Days</i> : (2016) and <i>Best Website</i> : (2016), One of Asia's Most Honored Companies (2016/2017) in The All-Asia Executive Team Survey
<i>Corporate Governance Asia</i>	2010/2013- 2017	<i>Asia's best CEO (Investor Relations), Asia's best CFO (Investor Relations), Best Investor relations professional, Best Investor Relations Company (2013-2017), Asia's Best Corporate Social Responsibility (2013 – 2016) and Best Environmental Responsibility (2010, 2013 - 2015)</i>
	2010-2016	<i>Asian Corporate Directors</i> : Mr. Chen Lang (2010-2013, 2015-2016), Mr. Hong Jie (2014)
	2006-2013	<i>Asia's Best Companies for Corporate Governance, The Best of Asia (China)</i>
	2013-2014	<i>Asian Company Secretary of the Year</i>



Appendix III – Major awards (Cont'd)

■ Highlights of accolades received

IR Magazine	2012-2014	<i>Best in Sector – Consumer Goods & Services, Investor Relations by a Hong Kong Company (2012, 2013) and Investor Relations Officer (Hong Kong) (2012)</i>
	2013/2014	<i>Global Top Mid-Cap (2013) and ranked 19th in Global Top 50 Gold (2013), Global Top 50 Silver (2014)</i>
	2017	<i>Best overall investor relations, Best in sector – Consumer staples, Best in country – Hong Kong, Best IR by sector management team, Best investor relations officer (large cap)</i>
HKIRA	2015-2017	<i>Best IR company – Mid-cap (2015-2017), Best IRO – Mid-cap (2015), Best IR presentation collaterals – Mid-cap (2016/2017) in HKIRA Investor Relations Awards</i>
China Financial Market	2017	<i>Most Valuable Brand Award in China Financial Market Listed Company Awards 2016</i>
Fortune China 500	2011-2017	Ranked number 39/46/37/40/38/194/222
Oxfam	2017	<i>Oxfam Corporate Donor Award in Corporate Donor Programme 2016-2017</i>
HKIFAPC	2013-2017	<i>Award for Outstanding Listed Company of the Year</i>
Hong Kong Economic Journal and PR Asia	2017	<i>Listed Company Award of Excellence (Main Board – Large Market Capitalization) in Listed Company Award of Excellence</i>



Appendix III – Major awards (Cont'd)

■ Highlights of accolades received

<i>MerComm, Inc.</i>	2010-2017	<p>Total 56 awards received</p> <p><i>9 Gold Awards:</i> covering Traditional Format (“TF”), Interior design (“ID”), Printing & Production (“PP”), Cover Photo/Design (“CP/D”), Overall Presentation in Beer/Wine/Spirits, Food and Supermarket Category (2013-2017)</p> <p><i>13 Silver Awards:</i> covering Traditional Annual Report (“TAR”), Annual Report Overall Presentation (“AROP”), TF, CP/D, PP, Annual Report, ID in Beer/Wine/Spirits, Manufacturing & Distributing, Food and Retail Category (2010-2017)</p> <p><i>22 Bronze Awards:</i> covering CP/D, TF, PP, Other and General, Non-Traditional Annual Report (“NTAR”), AROP, TAR, ID, Cover Design in Manufacturing & Distributing, Tobacco, Food & Beverage, Food, Supermarket and Convenience Stores Category (2011-2017); and</p> <p><i>12 Honors Awards:</i> covering Infographics, ID, Printing, TF, AR, Annual Reports Covers (Special Treatment), NTAR, Annual Report (Unique Presentation) in Manufacturing & Distributing, Beer/Wine/Spirits, Beverage, Multi-Industry, Food, Supermarket, Consumer Goods Category: (2011, 2013-2017)</p>
<i>League of American Communications Professionals LLC</i>	2014-2017	<p><i>Gold:</i> Consumer Staples; Consumer –Food/Beverages/Tobacco category (2014/2015); Retailing – Multi-line Retail category (2014),</p> <p><i>Silver:</i> Consumer Consumables category (2016), Retailing – Multi-line Retail category (2015); Retailing – Food and Specialty category (2014/2015)</p> <p>Ranked 65th in Top 80 Winners Reports – Asia Pacific (2016); and</p> <p>Top 40 Chinese Reports (2016) in Vision Awards Annual Report Competition</p>



Appendix III – Major awards (Cont'd)

■ Highlights of accolades received

<i>The Mirror Monthly Magazine</i>	2012-2017	Received <i>Outstanding Corporate Social Responsibility Award</i>
<i>Yazhou Zhoukan</i>	2010, 2012-2016 2011	" <i>Outstanding Performance Award</i> " (2010,2012) , " <i>The Largest Conglomerates Company Award</i> " (2013-2015) , " <i>The Largest Food and Beverage Company Award</i> " (2016) in <i>Global Chinese Business 1000</i> " <i>The Largest Capitalization Company Award</i> " in Mainland Enterprises Listed in Hong Kong Ranking
<i>The Asset</i>	2009/ 2010/ 2012-2016	<i>Platinum award</i> : 2009/2010/2016 <i>Gold award</i> : 2012-2015 in The Asset Corporate Awards
<i>Asiamoney</i>	2010/2012 2011	<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> <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>

- Highlights of accolades received

Please refer to our company website, www.crbeer.com.hk, for further details of others awards received.

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