



華潤啤酒(控股)有限公司

China Resources Beer (Holdings) Company Limited

# Proposed Rights Issue

*Corporate presentation*

6 July 2016









# Proposed Rights Issue Overview

<b>Issue type</b>	Rights issue with excess rights application
<b>Basis of the Rights Issue</b>	One Rights Share for every three existing shares
<b>Subscription Price</b>	HK\$11.73 per Rights Share (25% discount to TERP and 30.76% discount to closing price of Last Trading Day)
<b>Number of Shares in issue</b>	2,433,132,679 Shares
<b>Number of Rights Shares<sup>1</sup></b>	811,044,226 new Shares
<b>Enlarged issue share capital<sup>1</sup></b>	3,244,176,905 Shares
<b>Gross proceeds<sup>1</sup></b>	Approximately HK\$9.5 billion
<b>Lock Up</b>	90-day lock up for the Company
<b>Underwriter</b>	<ul style="list-style-type: none"><li>▪ CRH (Beer) Limited, a controlling Shareholder of the Company<ul style="list-style-type: none"><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></li></ul>

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





# Reasons for Rights Issue and Use of Proceeds

## Reasons for the Rights Issue

- To strengthen the Company's capital base
- 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
- To allow all existing Shareholders with equal access to participate in such potential future growth of the Company

## Use of Proceeds

- The Company intends to use the net proceeds of the Rights Issue for
  - Partial settlement of the consideration of the CRSB Acquisition as disclosed in the circular of the Company dated 22 April 2016
  - Provide working capital and other general corporate purposes
- 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





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

3

## Continue to optimize utilization of existing production plants

- Focus on expanding and upgrading current breweries and improve efficiencies



## Q&As





## Appendix

### Background information of beer business



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

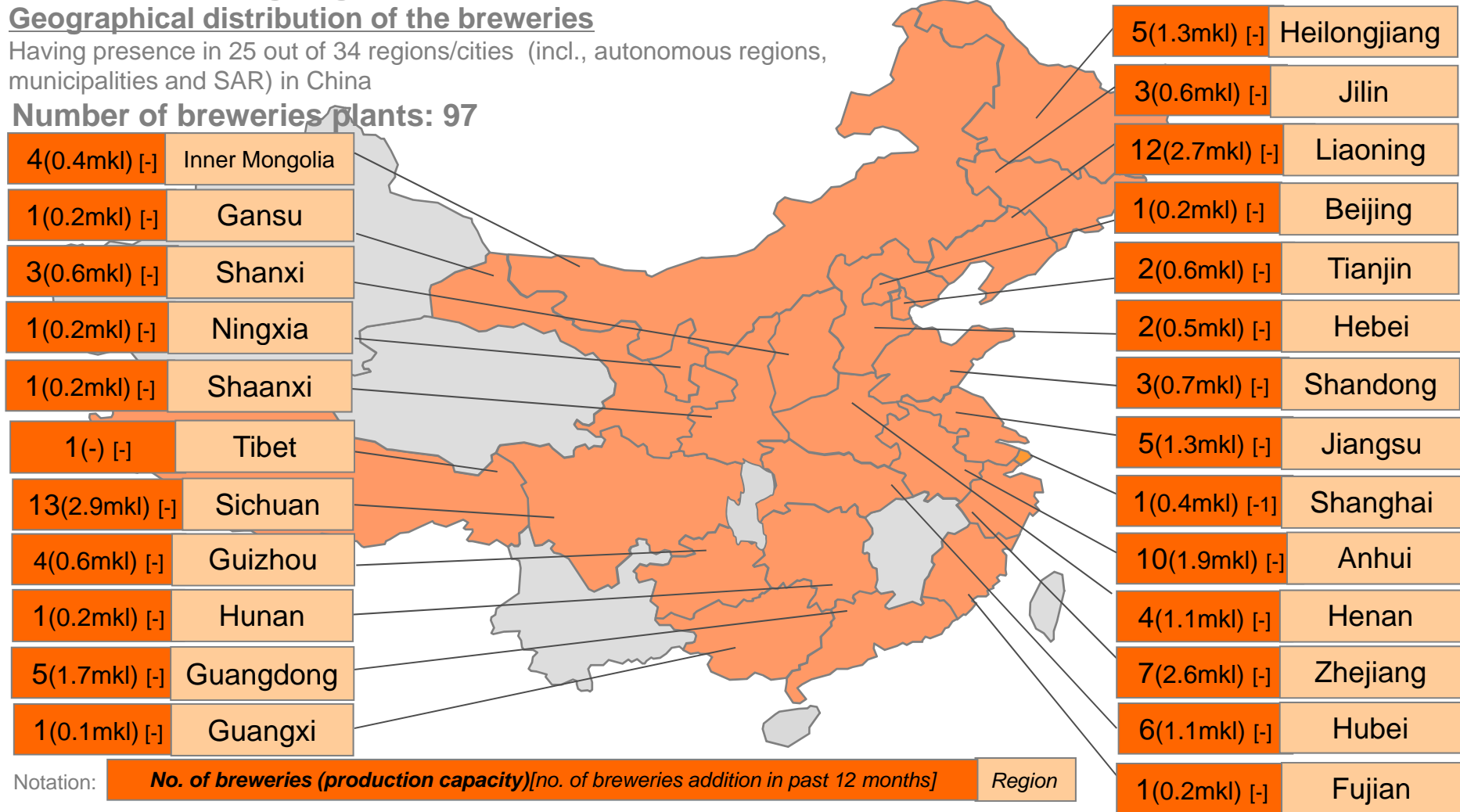


## ▪ Nationwide geographical footprints

### 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:

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

Region



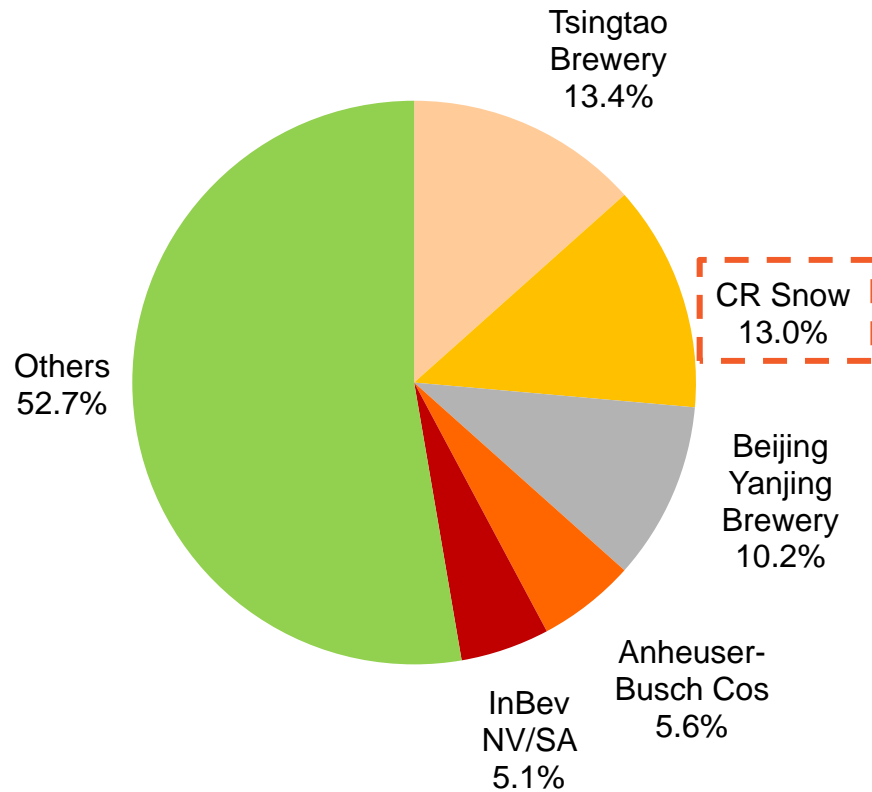
# Beer (No.1 brand by volume in the world since 2008)



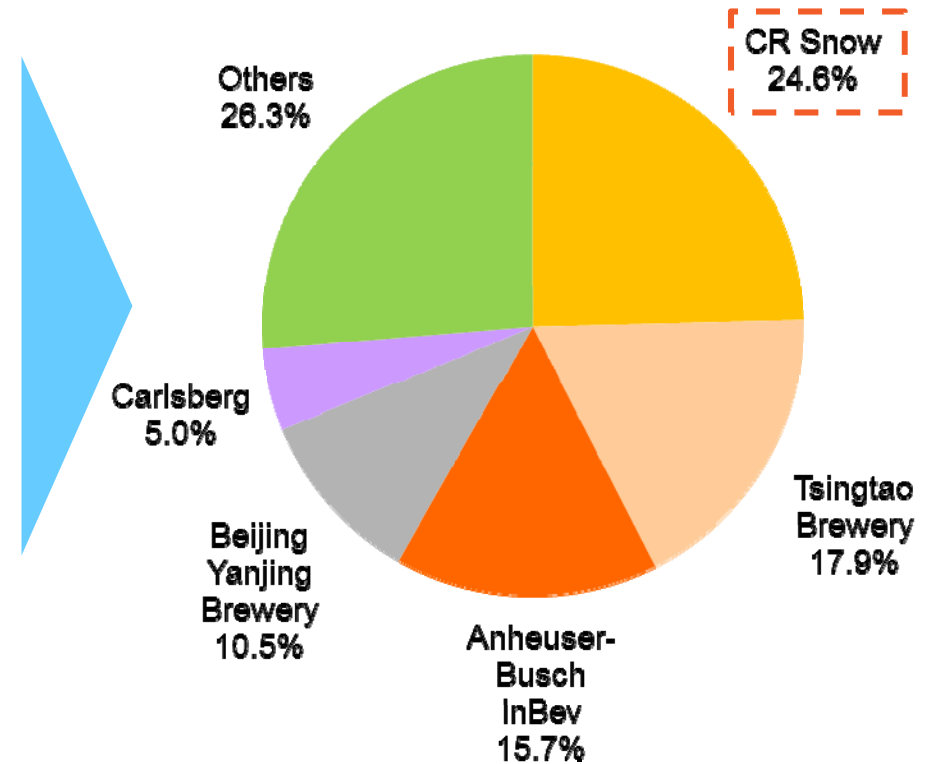
- Market share distribution

## China beer market competitive landscape by volume

2005 Top five market share = 47.3%



2015 Top five market share = 73.7%



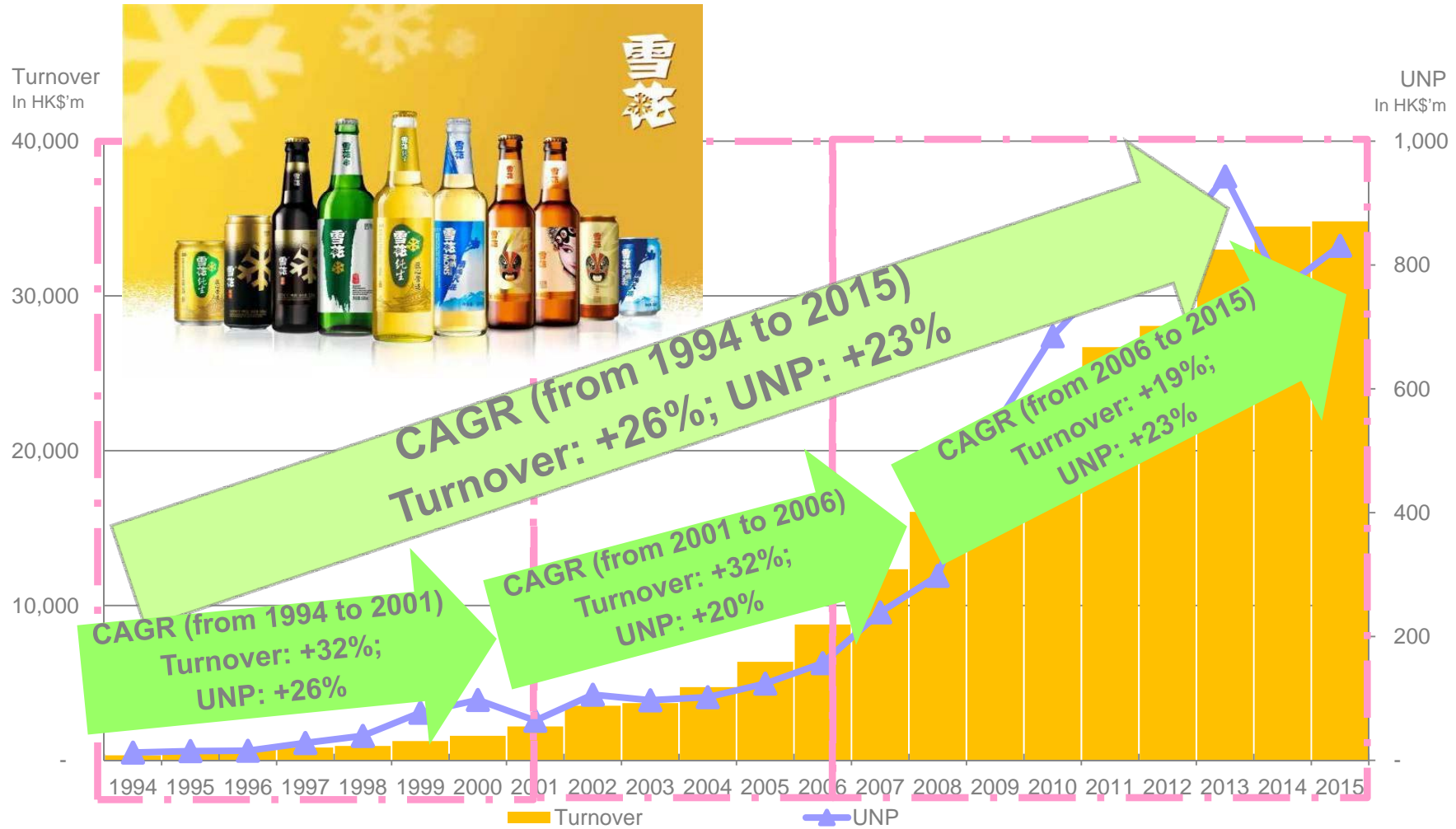
Source: Euromonitor International, www.cnbeverage.com and Company information



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



## Proven growth records

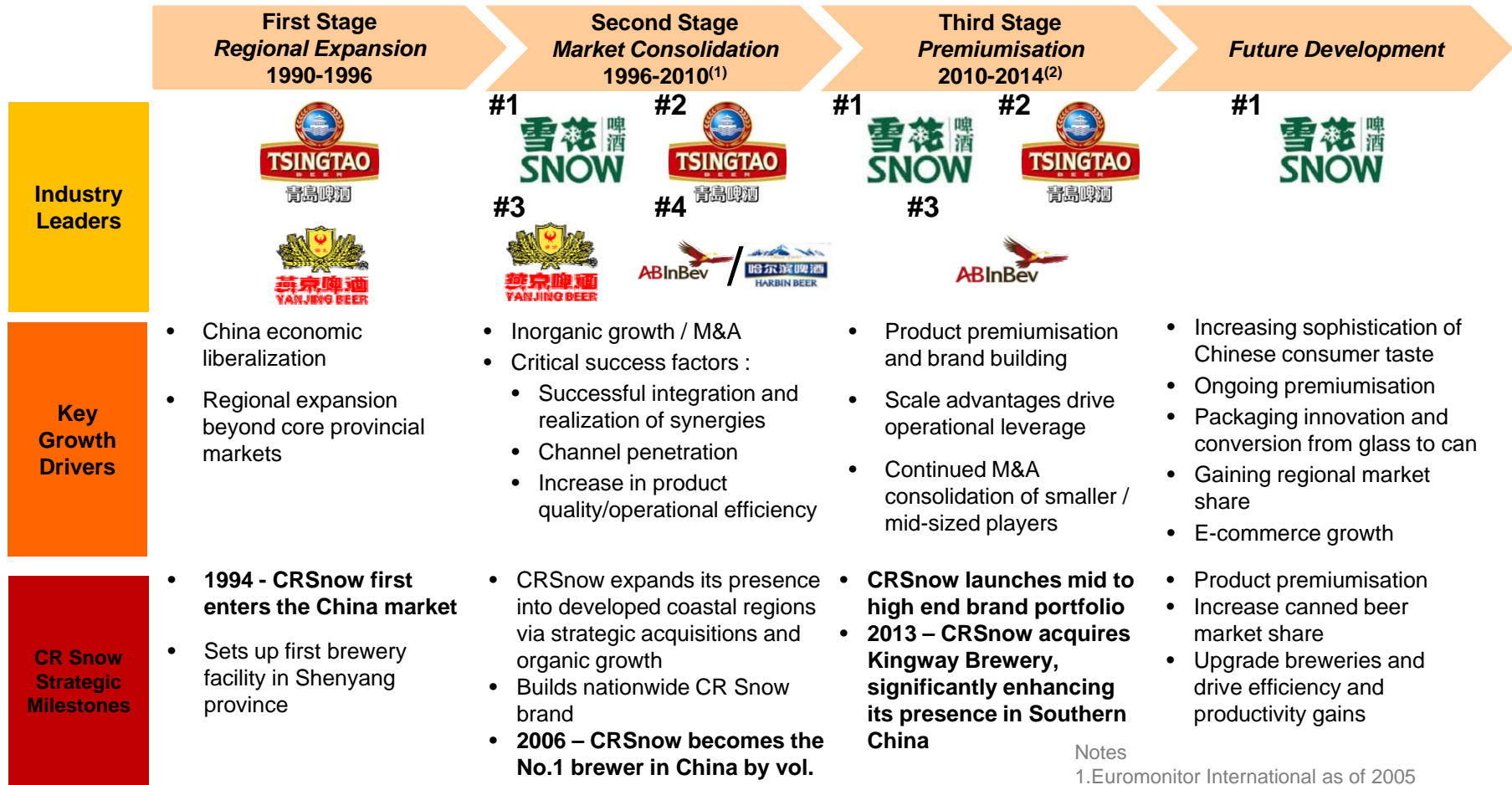




# Beer (No.1 brand by volume in the world since 2008) 雪花

## 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



# 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 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

### 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 of 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



# 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

<b>High end on-trade channel</b>	<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>
<b>Other on-trade channel and traditional retail channel</b>	<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>
<b>Modern retail channel</b>	<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 team</b> coordinate negotiations with regional retailers and provide comprehensive sales support and monitor performance</li> </ul>
<b>E-commerce channel</b>	<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> </ul>
<ul style="list-style-type: none"> <li>□ <b>Flat distribution model</b> through careful and finer division of regional markets</li> </ul>
<ul style="list-style-type: none"> <li>□ Utilize <b>secondary distributors</b> to supply to rural areas</li> </ul>

1. Regional markets comprise 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

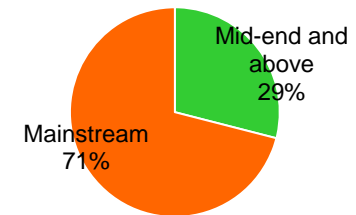
South

Southwest

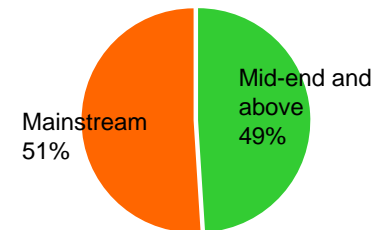
Northwest



### 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 Information