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SAN MIGUEL BREWERY HONG KONG LTD.

香港生力啤酒廠有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 236)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 DECEMBER 2014

The Board of Directors of San Miguel Brewery Hong Kong Limited (the “Company”) hereby announces the consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2014, together with the comparative figures for the previous financial year. The annual results have been reviewed by the Audit Committee of the Company.

CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2014

(Expressed in Hong Kong dollars)

	Note	2014 \$'000	2013 \$'000
Turnover	3	728,640	687,093
Cost of sales		(416,883)	(396,798)
Gross profit		311,757	290,295
Other revenue	4	39,536	42,654
Other net income	4	15,822	396
Selling and distribution expenses		(230,005)	(212,303)
Administrative expenses		(85,217)	(83,241)
Other operating expenses		(10,258)	(9,127)
Profit from operations		41,635	28,674
Finance costs	5(a)	(4,408)	(6,391)
Profit before taxation	3,5	37,227	22,283
Income tax (charge)/credit	6	(233)	3,541
Profit for the year		36,994	25,824
Attributable to:			
Equity shareholders of the Company		35,323	26,010
Non-controlling interests		1,671	(186)
Profit for the year		36,994	25,824
Earnings per share			
— Basic (cents)	7(a)	9	7
— Diluted (cents)	7(b)	N/A	N/A

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2014

(Expressed in Hong Kong dollars)

	2014 \$'000	2013 \$'000
Profit for the year	<u>36,994</u>	<u>25,824</u>
Other comprehensive income for the year (after tax)		
<i>Items that may be reclassified subsequently to profit or loss</i>		
Exchange differences on translation of:		
— financial statements of subsidiaries outside Hong Kong	1,282	(11,505)
— monetary items that form part of the net investment in subsidiaries outside Hong Kong	<u>(1,230)</u>	<u>11,387</u>
	52	(118)
<i>Items that will not be reclassified to profit or loss</i>		
Actuarial gains and losses of defined benefit retirement plan	<u>(1,517)</u>	<u>6,136</u>
	<u>(1,465)</u>	<u>6,018</u>
Total comprehensive income for the year	<u><u>35,529</u></u>	<u><u>31,842</u></u>
Attributable to:		
Equity shareholders of the Company	33,747	32,971
Non-controlling interests	<u>1,782</u>	<u>(1,129)</u>
Total comprehensive income for the year	<u><u>35,529</u></u>	<u><u>31,842</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION*at 31 December 2014**(Expressed in Hong Kong dollars)*

		2014	2013
	<i>Note</i>	\$'000	\$'000
Non-current assets			
Fixed assets			
— Property, plant and equipment		452,050	461,316
— Investment properties		82,750	85,356
— Interests in leasehold land held for own use under operating leases		86,509	89,221
		621,309	635,893
Intangible assets		5,187	5,188
		626,496	641,081
Current assets			
Inventories		51,425	58,787
Trade and other receivables	8	82,639	87,172
Amounts due from holding companies and fellow subsidiaries		11,490	8,702
Amount due from a related company		665	—
Bank deposits		27,054	20,168
Cash and cash equivalents		108,574	112,746
		281,847	287,575
Current liabilities			
Trade and other payables	9	(111,818)	(138,446)
Loan from an intermediate holding company		(50,904)	(12,723)
Amounts due to holding companies and fellow subsidiaries		(5,414)	(17,235)
Amounts due to related companies		(5,671)	(5,139)
		(173,807)	(173,543)
Net current assets		108,040	114,032

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)**at 31 December 2014**(Expressed in Hong Kong dollars)*

	2014	2013
	\$'000	\$'000
Total assets less current liabilities	<u>734,536</u>	<u>755,113</u>
Non-current liabilities		
Loan from an intermediate holding company	(139,985)	(190,837)
Retirement benefit liabilities	(20,115)	(17,660)
Deferred tax liabilities	(2,487)	(2,938)
	<u>(162,587)</u>	<u>(211,435)</u>
NET ASSETS	<u>571,949</u>	<u>543,678</u>
CAPITAL AND RESERVES		
Share capital: nominal value	—	186,785
Other statutory capital reserves	—	65,739
	<u>252,524</u>	<u>252,524</u>
Share capital and other statutory capital reserves	252,524	252,524
Other reserves	347,386	320,897
	<u>599,910</u>	<u>573,421</u>
Total equity attributable to equity shareholders of the Company	599,910	573,421
Non-controlling interests	(27,961)	(29,743)
	<u>571,949</u>	<u>543,678</u>
TOTAL EQUITY	<u>571,949</u>	<u>543,678</u>

NOTES TO THE ANNUAL RESULTS

(Expressed in Hong Kong dollars)

1 BASIS OF PREPARATION

The annual results set out in this announcement do not constitute the Group's statutory financial statements for the year ended 31 December 2014 but are extracted from those financial statements.

The statutory financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance, which for this financial year and the comparative period continue to be those of the predecessor Hong Kong Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements of Part 9 of the new Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 to that Ordinance. The statutory financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The measurement basis used in the preparation of the statutory financial statements is the historical cost basis.

2 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued the following amendment to HKFRSs that is first effective for the current accounting period of the Group and the Company:

— Amendments to HKAS 36, *Recoverable amount disclosures for non-financial assets*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. The impact of the adoption of the amended HKFRS is discussed below:

Amendments to HKAS 36, Recoverable amount disclosures for non-financial assets

The amendments to HKAS 36 modify the disclosure requirements for impaired non-financial assets. Among them, the amendments expand the disclosures required for an impaired asset or cash-generating unit the recoverable amount of which is based on fair value less costs of disposal.

The adoption of the amendments does not have an impact on the Group's financial statements because no impairment loss for non-financial assets has been recognised or reversed in the current or preceding years.

3 TURNOVER AND SEGMENT REPORTING

(a) Turnover

The principal activities of the Group are the manufacture and distribution of bottled, canned and draught beers.

Turnover represents the invoiced value of products sold, net of discounts, returns, value added tax and consumption tax.

(b) Segment reporting

The Group manages its businesses by geography. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following two reportable segments:

- The Hong Kong operations mainly comprise the manufacture and distribution of own brewed beer products and distribution of imported beer products in Hong Kong and overseas.
- The Mainland China operations mainly comprise the manufacture and distribution of own brewed beer products in the southern part of the People's Republic of China ("PRC") and overseas.

All of the Group's turnover is generated from the manufacture and distribution of bottled, canned and draught beers.

3 TURNOVER AND SEGMENT REPORTING (Continued)

(b) Segment reporting (Continued)

(i) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible assets, intangible assets and current assets. Segment liabilities include trade creditors and accruals attributable to the manufacture and distribution activities of the individual segments, bank loan and retirement benefit liabilities managed directly by the segment and other current liabilities with the exception of deferred tax liabilities.

The measure used for reportable segment profit or loss is profit or loss before taxation. Taxation is not allocated to reportable segments. Inter-segment sales are priced at cost plus profit margin.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2014 and 2013 is set out below:

	Hong Kong		Mainland China		Total	
	2014	2013	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue from external customers	564,019	539,670	164,621	147,423	728,640	687,093
Inter-segment revenue	259	329	—	—	259	329
Reportable segment revenue	564,278	539,999	164,621	147,423	728,899	687,422
Reportable segment profit/(loss) from operations	29,982	27,598	7,245	(5,315)	37,227	22,283
Interest income from bank deposits	1,352	632	170	133	1,522	765
Interest expense on loans	(4,253)	(5,494)	—	—	(4,253)	(5,494)
Depreciation and amortisation for the year	(23,404)	(22,784)	(2,175)	(1,775)	(25,579)	(24,559)
(Provision for)/reversal of impairment losses recognised in profit or loss in respect of trade and other receivables	(409)	(1,049)	9	10	(400)	(1,039)
Reportable segment assets	1,220,424	1,225,441	68,843	83,560	1,289,267	1,309,001
Additions to non-current segment assets during the year	9,794	3,884	1,497	1,056	11,291	4,940
Reportable segment liabilities	275,170	300,710	439,661	461,675	714,831	762,385

3 TURNOVER AND SEGMENT REPORTING (Continued)

(b) Segment reporting (Continued)

(ii) Reconciliation of reportable segment revenue, profit or loss, assets and liabilities

	2014 \$'000	2013 \$'000
Revenue		
Reportable segment revenue	728,899	687,422
Elimination of inter-segment revenue	(259)	(329)
	<u>728,640</u>	<u>687,093</u>
Consolidated turnover	<u>728,640</u>	<u>687,093</u>
Profit		
Reportable segment profit from operations	37,227	22,283
Elimination of inter-segment profits	—	—
	<u>37,227</u>	<u>22,283</u>
Reportable segment profit derived from Group's external customers and consolidated profit before taxation	<u>37,227</u>	<u>22,283</u>
Assets		
Reportable segment assets	1,289,267	1,309,001
Elimination of inter-segment receivables	(380,924)	(380,345)
	<u>908,343</u>	<u>928,656</u>
Consolidated total assets	<u>908,343</u>	<u>928,656</u>
Liabilities		
Reportable segment liabilities	714,831	762,385
Elimination of inter-segment payables	(380,924)	(380,345)
	<u>333,907</u>	<u>382,040</u>
Deferred tax liabilities	2,487	2,938
	<u>336,394</u>	<u>384,978</u>
Consolidated total liabilities	<u>336,394</u>	<u>384,978</u>

3 TURNOVER AND SEGMENT REPORTING (Continued)

(b) Segment reporting (Continued)

(iii) Geographic information

The following table sets out information about the geographic location of (i) the Group's revenue from external customers and (ii) the Group's fixed assets and intangible assets ("specified non-current assets"). The geographic location of customers is based on the country of establishment of each customer. The geographic location of the specified non-current assets is based on the physical location of the assets, in the case of fixed assets, and the location of the operation to which they are allocated, in the case of intangible assets.

	Revenue from external customers		Specified non-current assets	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Hong Kong (place of domicile)	<u>448,483</u>	<u>444,214</u>	<u>596,271</u>	<u>609,887</u>
Mainland China	101,531	94,220	30,225	31,194
Philippines	163,236	136,233	—	—
Others	<u>15,390</u>	<u>12,426</u>	<u>—</u>	<u>—</u>
	<u>280,157</u>	<u>242,879</u>	<u>30,225</u>	<u>31,194</u>
	<u>728,640</u>	<u>687,093</u>	<u>626,496</u>	<u>641,081</u>

(c) Major customers

In 2014, the revenue from the Group's largest customer which was served both by the Hong Kong segment and the Mainland China segment amounted to \$164,791,000 or 23% of the Group's total revenue (2013: \$137,605,000 or 20%). The revenue from the Group's five largest customers amounted to 45% (2013: 43%) of the Group's total revenue.

4 OTHER REVENUE AND OTHER NET INCOME

	2014 \$'000	2013 \$'000
Other revenue		
Interest income from bank deposits	1,522	765
Rental income from investment properties	8,409	6,206
Advertising and promotion subsidy	26,564	32,382
Subsidy from local government in Mainland China	—	3,005
Others	<u>3,041</u>	<u>296</u>
	<u>39,536</u>	<u>42,654</u>
Other net income		
Net gain on disposal of fixed assets	1,415	697
Net foreign exchange gains/(losses)	106	(556)
Compensation income received from a former customer	14,301	—
Net gain on disposal of intangible assets	<u>—</u>	<u>255</u>
	<u>15,822</u>	<u>396</u>

5 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

	2014 \$'000	2013 \$'000
(a) Finance costs		
Interest expense on bank loan wholly repayable within five years	—	4,205
Interest expense on loan from an intermediate holding company wholly repayable within five years	4,253	1,289
Amortisation of transaction costs for bank loan	—	755
Bank charges	155	142
	<u>4,408</u>	<u>6,391</u>
(b) Staff costs		
Retirement costs		
— Defined contribution retirement plans	6,639	6,362
— Defined benefit retirement plan	5,452	6,769
	<u>12,091</u>	<u>13,131</u>
Salaries, wages and other benefits	116,888	106,631
	<u>128,979</u>	<u>119,762</u>
(c) Other items		
Amortisation		
— Land lease premium	2,599	2,624
Depreciation		
— Property, plant and equipment	20,258	19,210
— Investment properties	2,722	2,725
Cost of inventories	414,586	394,540
Operating lease charges: minimum lease payments		
— Land and buildings	1,616	1,958
— Other assets	208	254
Rental receivable from investment properties less direct outgoings of \$4,210,000 (2013: \$2,976,000)	(4,199)	(3,230)
Auditors' remuneration		
— Provision for the year	3,364	3,353
— (Over)/under-provision in respect of prior year	(65)	140
Impairment losses for trade and other receivables	400	1,039

6 TAXATION IN THE CONSOLIDATED INCOME STATEMENT

Taxation in the consolidated income statement represents:

	2014 \$'000	2013 \$'000
Current tax — Outside Hong Kong		
Provision for the year	(62)	(31)
Deferred tax		
Origination and reversal of temporary differences	<u>(171)</u>	<u>3,572</u>
Income tax (charge)/credit	<u>(233)</u>	<u>3,541</u>

The statutory tax rate applicable to the Company and other Hong Kong subsidiaries was 16.5% (2013: 16.5%). No provision for Hong Kong Profits Tax has been made for the Company and other Hong Kong subsidiaries either because the accumulated tax losses brought forward exceed the estimated assessable profits for the year or the entities sustained losses for taxation purposes.

The statutory tax rate applicable to the subsidiaries established in the PRC was 25% (2013: 25%). No provision for current taxation has been made for the subsidiaries established in the PRC because the entities sustained losses for taxation purposes.

Provision for current tax outside Hong Kong for 2014 and 2013 represented a withholding tax levied at 10% on interest income earned in the PRC by a subsidiary which is a non-PRC resident according to the relevant rules and regulations of the PRC.

7 EARNINGS PER SHARE

(a) *Basic earnings per share*

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of \$35,323,000 (2013: \$26,010,000) and on 373,570,560 (2013: 373,570,560) ordinary shares, being the number of ordinary shares in issue throughout the year.

(b) *Diluted earnings per share*

Diluted earnings per share is not presented as the Company did not have dilutive potential ordinary shares for both years presented.

8 TRADE AND OTHER RECEIVABLES

Credit limits are offered to customers following a financial assessment and an established payment record. Security in the form of mortgages, cash deposits or bank guarantees is obtained from certain customers. Customers who are considered to have higher credit risk are required to trade on a cash basis. Credit control staff monitor trade receivables and follow up collections.

8 TRADE AND OTHER RECEIVABLES (Continued)

The ageing of trade receivables (net of allowance for doubtful debts) at the end of the reporting period is as follows:

	2014	2013
	<i>\$'000</i>	<i>\$'000</i>
Current	53,930	52,104
Less than 1 month past due	8,667	9,152
1 to 3 months past due	3,161	2,702
More than 3 months but less than 12 months past due	1,689	2,940
More than 12 months past due	1,805	3,822
	<u>69,252</u>	<u>70,720</u>

According to the Group's credit policy, the general credit period is payment by the end of the month following the month in which sales took place. Therefore, all the current balances above are within two months from the invoice date.

9 TRADE AND OTHER PAYABLES

The ageing of trade payables as at the end of the reporting period is as follows:

	2014	2013
	<i>\$'000</i>	<i>\$'000</i>
Current and less than 1 month past due	42,359	48,067
1 to 3 months past due	4,616	3,163
3 to 6 months past due	331	1,395
More than 6 months past due	142	289
	<u>47,448</u>	<u>52,914</u>

The Group's general payment terms are one to two months from the invoice date. Therefore, the current and less than one month past due balances above are mostly within two to three months from the invoice date.

10 DIVIDENDS

(i) Dividends payable to equity shareholders of the Company attributable to the year

	2014 \$'000	2013 \$'000
Interim dividend declared and paid of \$0.01 per ordinary share (2013: Nil per ordinary share)	3,736	—
Final dividend proposed after the end of the reporting period of \$0.01 per ordinary share (2013: \$0.01 per ordinary share)	<u>3,736</u>	<u>3,736</u>
	<u><u>7,472</u></u>	<u><u>3,736</u></u>

The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

(ii) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year

	2014 \$'000	2013 \$'000
Final dividend in respect of the previous financial year, approved and paid during the year, of \$0.01 per ordinary share (2013: \$Nil per ordinary share)	<u><u>3,736</u></u>	<u><u>—</u></u>

CLOSURE OF REGISTER OF MEMBERS

- (a) For the purpose of determining shareholders who are entitled to attend and vote at the AGM, the register of members of the Company will be closed from Wednesday, 15 April 2015 to Friday, 17 April 2015, both days inclusive. To qualify for attending and voting at the forthcoming AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 14 April 2015.
- (b) For the purpose of determining shareholders who qualify for the final dividend, the register of members of the Company will be closed from Thursday, 23 April 2015 to Monday, 27 April 2015, both days inclusive. To qualify for the final dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 22 April 2015.

FINANCIAL RESULTS

For 2014, the principal elements of San Miguel Brewery Hong Kong Limited and its subsidiaries (the "Group")'s growth strategy, which we rolled out during the year, were: improvements in our distribution network, particularly in South China; restructuring across our markets to create an operational base that delivers scale and competitive advantage through lower costs and greater efficiencies; and redesigned packaging, new advertising, and the introduction of new products and product extensions.

The Group registered a consolidated profit of HK\$37.0 million in 2014, a 43.3% increase over the same period in 2013. As a result, net profit attributable to equity shareholders for 2014 rose to HK\$35.3 million from HK\$26.0 million in the previous year.

The Group's consolidated turnover was at HK\$728.6 million, 6.0% higher over the same period in 2013. Gross profit reached HK\$311.8 million, with a gross profit margin of 42.8%.

As of 31 December 2014, cash and cash equivalents and, bank deposits, excluding bank loans, amounted to HK\$135.6 million (HK\$132.9 million as of 31 December 2013). Meanwhile, total debt as of 31 December 2014 was at HK\$190.9 million, 6.2% lower than the HK\$203.6 million debt reported for the same period the previous year. Total net assets stood at HK\$571.9 million (HK\$543.7 million as of 31 December 2013), with a debt-to-equity ratio of 0.33 (31 December 2013: 0.37).

DIVIDENDS

On 17 February 2015, the Board of Directors approved the declaration of a final dividend for the year ended 31 December 2014, of HK\$0.01 per share to shareholders on record as of 27 April 2015.

BUSINESS REVIEW

HONG KONG OPERATIONS

Weaker consumer and tourist spending resulted in a slowdown of the Hong Kong economy. In turn, local beer industry volumes dropped 6% over 2013 levels; the single largest decline since excise duties on beer were abolished in 2008. San Miguel Brewery Hong Kong Limited (the “Company”) performed slightly better with sales volume in the territory declining only by 2%. Even with this decline, the brewery managed to post a 1% growth in sales revenue.

Your Company remains Hong Kong’s No. 1 beer company—its strengths being the San Miguel brand itself and a wide portfolio of beer brands. Total sales volume rose 4% over the previous year as the brewery’s sales to both Macau and to other export markets grew by double-digits.

The Company managed to sustain the strong profit recovery achieved in 2013. Operating profit remained largely at par during the last 12 months despite having ended distribution agreements with partners for specific premium brands during the last quarter of 2014. To make up for lost revenue and to further round out its portfolio, the Company introduced a new selection of premium brands, kicked-off by a highly successful trade conference in December. Initial indications are positive and we are confident this move has updated and strengthened our portfolio.

Helped by programs aimed at enhancing San Miguel’s brand equity and reinforcing its bond with consumers, flagship San Miguel Pale Pilsen continues to resonate with core drinkers. As part of a larger initiative, a new design for its can variant was launched in April to update and reinvigorate brand image. Highlighting the brand’s “Friendship” campaign, San Miguel continued to air its thematic TVC “Real Friends” alongside promotional draws like “Dream Comes True” in April and “Dine with Friends” in August.

In December, the brand worked with local illustrators to celebrate the beauty of Hong Kong’s cityscape, creating the “Cheers 2015” seasonal can. The Company continues to support some of the most iconic events in Hong Kong. Through the Company’s alliance with the Lan Kwai Fong Association, the San Miguel X Lan Kwai Fong Rugby Fest remains one of the biggest and most popular post-rugby events in the city. San Miguel Pale Pilsen has been the exclusive sponsor of the Hong Kong Dragon Boat Carnival organized by the Hong Kong Tourism Board for five years running.

San Mig Light is one of our portfolio’s best performers, having registered a 28% volume growth over 2013. We are seeing gains across the different sales channels with on-premise outlets generating the strongest demand. The brand’s popularity has been supported by the launch of two major marketing activation programs. We launched the Summer Splash campaign in May 2014 partnering with some of Hong Kong’s most promising artists to design the brand’s premium merchandise. In October, we launched the Walk On Water (WOW) campaign highlighting direct engagement with its target market, through WOW summer parties.

To further create excitement in the beer market, we launched a variety of new products and initiatives. The second half of 2014 saw the introduction of San Miguel Cerveza Negra in draught. The launch in July provided the market an exceptional product that we believe can ably compete in the premium segment, at the same time enhancing San Miguel’s overall brand image. The success of Kirin Ichiban Frozen Beer paved the way for the introduction of Kirin Ichiban Stout Frozen Beer and Kirin Ichiban 2-Tone Beer. These premium segment variants were met with great interest by consumers.

The Company also saw double-digit sales and revenue growth in Macau, on the back of a revamped distribution resulting in an improved penetration of on-premise outlets.

SOUTH CHINA OPERATIONS

Our consolidated South China operations continued to improve significantly with operating losses reduced by 40% over the prior year. Sales volumes and revenue grew by double-digits. Much of this improvement owes to calibrations in our going-to-market and distribution strategy in Guangzhou San Miguel Brewery Company Limited (“GSMB”) and gains made in the export business of San Miguel (Guangdong) Brewery Company Limited (“SMGB”).

The new going-to-market and distribution strategy implemented at GSMB resulted in a stronger dealer network that expanded both the breadth and depth of sales coverage. Sales in our retail chain channel, Shenzhen, East Guangdong and West Guangdong have clearly benefited in terms of the focus and efficiency. As a result, sales volumes grew by double-digits in 2014.

To improve visibility and shelf impact, new carton designs were introduced for San Miguel Pale Pilsen and San Mig Light. To highlight this change, point-of-sales materials promoting product intrinsics such as quality and taste were rolled out. A market-wide consumer promotion for both San Miguel Pale Pilsen and San Mig Light was launched during the peak summer months. The Company also developed a TVC in support of the market-wide promotion and to further publicize the new packaging design.

To strengthen the brand equity of the local Dragon beer, the Company initiated a new communication platform for the Dragon brand with the slogan, “Dragon Beer, the Beer for Shunde People”. Consumer promotions were also implemented to revolve around this campaign messaging.

The two brands on both ends of GSMB’s price spectrum did extremely well in 2014. The higher alcohol Red Horse beer in the premium segment registered a 45% sales volume improvement, while the lower-priced Guang’s Pineapple beer posted a 62% sales volume growth versus the previous year.

Meanwhile, SMGB, which serves as a production source of San Miguel Brewing International’s export business, delivered a 19% growth in total exports volume compared to last year.

The restructuring of our South China operations has started to show positive results. Over the long term, we will build on this momentum for more profitable volume growth.

COMMUNITY RELATIONS AND SOCIAL RESPONSIBILITY

The Company continues to take part in the broader societal response relevant to issues that impact our local communities and various stakeholder groups.

We actively promote responsible drinking and continue to sponsor and participate in various local events, contributing to charitable and non-profit organizations.

The Company is also committed to protecting the environment where it operates and ensuring that it complies with environmental standards set by government.

HUMAN RESOURCES

In a people-intensive industry, the Company continues to invest in our people by ensuring that they are equipped with the knowledge, skills and experiences that keep them challenged and allow them to reach their fullest potential. We believe in investing resources in training, seminars, mentorship, partnership and team-building workshops to develop our employees' growth and foster harmony in the organization.

The Company continues to offer competitive remuneration packages commensurate with industry standards and to provide attractive fringe benefits, including medical and insurance coverage and retirement packages to all employees.

CORPORATE GOVERNANCE

The Company continued to apply the principles of the Corporate Governance Code and Corporate Governance Report contained in Appendix 14 of the Listing Rules throughout the year, with the exception of Code Provision A.4.1, which states that non-executive directors should be appointed for a specific term, subject to re-election. At present, all of the non-executive directors of the Company are not appointed for a specific term but are subject to retirement by rotation at least once every three years, and re-election at the Annual General Meeting under the Company's Articles of Association.

DIRECTORS

There was no change in directors since we published our interim report on 5 August 2014.

FUTURE DIRECTION AND CHALLENGES

The following are the objectives of the Company for the year 2015:

- In Hong Kong, we will sustain profitability and work to increase our share of the market by expanding the Wholesaler channel and making this an integral part of the Company's going-to-market strategy in order to achieve effective distribution, higher volumes, and to generate distribution cost savings. We will also further invest in the San Miguel brand, at the same time building the new premium brands in our portfolio to replace the old portfolio. Cost containment discipline will continue to be a priority.
- In South China, we intend to turnaround the business through increasing the yield and coverage of the jobber and dealer network in all our markets. We will also further strengthen the brand equity of San Miguel and Dragon brands. We will actively promote our export business and work towards better margin improvement and cost rationalization.

Moving forward, the Company is confident that we have put in place sound strategies and plans that will continue to support our growth. We reiterate our full commitment to maximize shareholder value and will strive to ensure that our beer brands are ever more relevant to our consumers. Apart from the sales and marketing growth strategies, we also have various new guidelines, systems and procedures to facilitate efficient and effective cost management, sustainable environmental management and responsible social engagement.

In closing, we convey our gratitude to our Board of Directors for their guidance and support. We also wish to thank our shareholders, customers and consumers for their continued loyalty; and our employees for their dedication and hard work.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SHARES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

PUBLICATION OF THE 2014 ANNUAL REPORT ON THE WEBSITE OF THE STOCK EXCHANGE

The Company's annual report for 2014 will be published on the website of The Stock Exchange of Hong Kong Limited at www.hkex.com.hk and the Company's website at info.sanmiguel.com.hk in due course.

By Order of the Board
Ramon S. Ang
Chairman

Hong Kong, 17 February 2015

(All monetary values in this announcement are expressed in Hong Kong Dollars unless stated otherwise)

As at the date of this announcement, the Board of the Company comprises the executive director, Mr. Ramon G. Torralba, the non-executive directors, Mr. Ramon S. Ang (Chairman), Mr. Carlos Antonio M. Berba (Deputy Chairman), Ms. Chan Wen Mee, May (Michelle), Mr. Teruyuki Daino, Mr. Takashi Hayashi, Mr. Roberto N. Huang and Mr. Takeshi Wada; and the independent non-executive directors, Dr. the Hon. Sir David K. P. Li, Mr. Ng Wai Sun, Mr. Reynato S. Puno and Mr. Carmelo L. Santiago.