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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 2015**

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 2015, 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 2015

(Expressed in Hong Kong dollars)

	<i>Note</i>	2015 \$'000	2014 \$'000
Revenue	3	569,502	728,640
Cost of sales		(331,846)	(416,883)
Gross profit		237,656	311,757
Other net income	4	39,837	55,358
Selling and distribution expenses		(197,195)	(230,005)
Administrative expenses		(83,784)	(85,217)
Other operating expenses		(8,069)	(10,258)
(Loss)/profit from operations		(11,555)	41,635
Finance costs	5(a)	(4,498)	(4,408)
(Loss)/profit before taxation	3, 5	(16,053)	37,227
Income tax	6	(856)	(233)
(Loss)/profit for the year		(16,909)	36,994

CONSOLIDATED INCOME STATEMENT (Continued)*for the year ended 31 December 2015**(Expressed in Hong Kong dollars)*

		2015	2014
	<i>Note</i>	\$'000	\$'000
Attributable to:			
Equity shareholders of the Company		(16,074)	35,323
Non-controlling interests		(835)	1,671
		<hr/>	<hr/>
(Loss)/profit for the year		(16,909)	36,994
		<hr/> <hr/>	<hr/> <hr/>
(Loss)/earnings per share			
— Basic (cents)	<i>7(a)</i>	(4)	9
		<hr/> <hr/>	<hr/> <hr/>
— Diluted (cents)	<i>7(b)</i>	N/A	N/A
		<hr/> <hr/>	<hr/> <hr/>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2015

(Expressed in Hong Kong dollars)

	2015 \$'000	2014 \$'000
(Loss)/profit for the year	(16,909)	36,994
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	22,077	1,282
— monetary items that form part of the net investment in subsidiaries outside Hong Kong	<u>(22,499)</u>	<u>(1,230)</u>
	(422)	52
<i>Items that will not be reclassified to profit or loss</i>		
Actuarial gains and losses of defined benefit retirement plan	<u>(5,896)</u>	<u>(1,517)</u>
	<u>(6,318)</u>	<u>(1,465)</u>
Total comprehensive income for the year	<u>(23,227)</u>	<u>35,529</u>
Attributable to:		
Equity shareholders of the Company	(24,134)	33,747
Non-controlling interests	<u>907</u>	<u>1,782</u>
Total comprehensive income for the year	<u>(23,227)</u>	<u>35,529</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 December 2015

(Expressed in Hong Kong dollars)

	Note	2015 \$'000	2014 \$'000
Non-current assets			
Property, plant and equipment		416,822	452,050
Investment properties		98,457	82,750
Interests in leasehold land held for own use under operating leases		82,102	86,509
		<u>597,381</u>	<u>621,309</u>
Intangible assets		5,163	5,187
		<u>602,544</u>	<u>626,496</u>
Current assets			
Inventories		52,431	51,425
Trade and other receivables	8	68,772	82,639
Amounts due from holding companies and fellow subsidiaries		7,157	11,490
Amounts due from related companies		262	665
Bank deposits		50,882	27,054
Cash and cash equivalents		97,718	108,574
		<u>277,222</u>	<u>281,847</u>
Current liabilities			
Trade and other payables	9	(104,460)	(111,818)
Loan from an intermediate holding company		—	(50,904)
Amounts due to holding companies and fellow subsidiaries		(5,375)	(5,414)
Amounts due to related companies		(5,016)	(5,671)
		<u>(114,851)</u>	<u>(173,807)</u>
Net current assets		<u>162,371</u>	<u>108,040</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)**at 31 December 2015**(Expressed in Hong Kong dollars)*

	2015	2014
<i>Note</i>	\$'000	\$'000
Total assets less current liabilities	764,915	734,536
Non-current liabilities		
Loan from an intermediate holding company	(190,747)	(139,985)
Retirement benefit liabilities	(26,939)	(20,115)
Deferred tax liabilities	(2,243)	(2,487)
	(219,929)	(162,587)
NET ASSETS	544,986	571,949
CAPITAL AND RESERVES		
Share capital	252,524	252,524
Other reserves	319,516	347,386
Total equity attributable to equity shareholders of the Company	572,040	599,910
Non-controlling interests	(27,054)	(27,961)
TOTAL EQUITY	544,986	571,949

NOTES TO THE ANNUAL RESULTS

(Expressed in Hong Kong dollars)

1 BASIS OF PREPARATION

The unaudited financial information relating to the year ended 31 December 2015 and the financial information relating to the year ended 31 December 2014 included in this preliminary announcement of annual results for the year ended 31 December 2015 does not constitute the Company's statutory annual consolidated financial statements for those years but, in respect of the year ended 31 December 2014, is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance is as follows:

The financial statements for the year ended 31 December 2015 have yet to be reported on by the Company's auditor and will be delivered to the Registrar of Companies in due course.

The Company has delivered the financial statements for the year ended 31 December 2014 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

The Company's auditor has reported on these financial statements for the year ended 31 December 2014. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance.

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 Companies 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 are first effective for the current accounting period of the Group:

- Amendments to HKAS 19, *Employee benefits: Defined benefit plans: Employee contributions*
- *Annual Improvements to HKFRSs 2010-2012 Cycle*
- *Annual Improvements to HKFRSs 2011-2013 Cycle*

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 19, Employee benefits: Defined benefit plans: Employee contributions

The amendments introduce a relief to reduce the complexity of accounting for certain contributions from employees or third parties under defined benefit plans. When the contributions are eligible for the practical expedient provided by the amendments, a company is allowed to recognise the contributions as a reduction of the service cost in the period in which the related service is rendered, instead of including them in calculating the defined benefit obligation. The amendments do not have an impact on the Group's financial statements as the defined benefit plans operated by the Group are wholly funded by contributions from the Group and do not involve contributions from employees or third parties.

Annual Improvements to HKFRSs 2010-2012 Cycle and 2011-2013 Cycle

These two cycles of annual improvements contain amendments to nine standards with consequential amendments to other standards. Among them, HKAS 24, *Related party disclosures* has been amended to expand the definition of a "related party" to include a management entity that provides key management personnel services to the reporting entity and to require the disclosure of the amounts incurred for obtaining the key management personnel services provided by the management entity. These amendments do not have an impact on the Group's related party disclosures as the Group does not obtain key management personnel services from management entities.

3 REVENUE AND SEGMENT REPORTING

(a) Revenue

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

Revenue 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 revenue is generated from the manufacture and distribution of bottled, canned and draught beers.

(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.

3 REVENUE AND SEGMENT REPORTING (Continued)

(b) Segment reporting (Continued)

(i) Segment results, assets and liabilities (Continued)

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 2015 and 2014 is set out below:

	Hong Kong		Mainland China		Total	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Revenue from external customers	392,125	564,019	177,377	164,621	569,502	728,640
Inter-segment revenue	303	259	—	—	303	259
Reportable segment revenue	392,428	564,278	177,377	164,621	569,805	728,899
Reportable segment (loss)/profit from operations	(25,463)	29,982	9,410	7,245	(16,053)	37,227
Interest income from bank deposits	693	1,352	194	170	887	1,522
Interest expense on loans	(4,373)	(4,253)	—	—	(4,373)	(4,253)
Depreciation and amortisation for the year	(23,693)	(23,404)	(2,799)	(2,175)	(26,492)	(25,579)
(Provision for)/reversal of impairment losses recognised in profit or loss in respect of trade and other receivables	(301)	(409)	5	9	(296)	(400)
Reportable segment assets	1,179,474	1,220,424	81,479	68,843	1,260,953	1,289,267
Additions to non-current segment assets during the year	2,435	9,794	2,558	1,497	4,993	11,291
Reportable segment liabilities	270,414	275,170	443,310	439,661	713,724	714,831

3 REVENUE AND SEGMENT REPORTING *(Continued)*

(b) Segment reporting *(Continued)*

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

	2015 \$'000	2014 \$'000
Revenue		
Reportable segment revenue	569,805	728,899
Elimination of inter-segment revenue	(303)	(259)
	<u>569,502</u>	<u>728,640</u>
Consolidated revenue	<u><u>569,502</u></u>	<u><u>728,640</u></u>
(Loss)/profit		
Reportable segment (loss)/profit from operations	(16,053)	37,227
Elimination of inter-segment (losses)/profits	—	—
	<u>—</u>	<u>—</u>
Reportable segment (loss)/profit derived from Group's external customers and consolidated (loss)/profit before taxation	<u>(16,053)</u>	<u>37,227</u>
	<u><u>(16,053)</u></u>	<u><u>37,227</u></u>
Assets		
Reportable segment assets	1,260,953	1,289,267
Elimination of inter-segment receivables	(381,187)	(380,924)
	<u>(381,187)</u>	<u>(380,924)</u>
Consolidated total assets	<u><u>879,766</u></u>	<u><u>908,343</u></u>
Liabilities		
Reportable segment liabilities	713,724	714,831
Elimination of inter-segment payables	(381,187)	(380,924)
	<u>(381,187)</u>	<u>(380,924)</u>
	<u>332,537</u>	<u>333,907</u>
Deferred tax liabilities	2,243	2,487
	<u>2,243</u>	<u>2,487</u>
Consolidated total liabilities	<u><u>334,780</u></u>	<u><u>336,394</u></u>

3 REVENUE 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 non-current 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 property, plant and equipment, investment properties and leasehold land, and the location of the operation to which they are allocated, in the case of intangible assets.

	Revenue from		Specified	
	external customers		non-current assets	
	2015	2014	2015	2014
	\$'000	\$'000	\$'000	\$'000
Hong Kong (place of domicile)	297,009	448,483	575,006	596,271
Mainland China	86,797	101,531	27,538	30,225
Philippines	178,574	163,236	—	—
Others	7,122	15,390	—	—
	272,493	280,157	27,538	30,225
	569,502	728,640	602,544	626,496

(c) Major customers

In 2015, the revenue from the Group's largest customer which was served both by the Hong Kong segment and the Mainland China segment amounted to \$180,556,000 or 32% of the Group's total revenue (2014: \$164,791,000 or 23%). The revenue from the Group's five largest customers amounted to 60% (2014: 45%) of the Group's total revenue.

4 OTHER NET INCOME

	2015 \$'000	2014 \$'000
Interest income from bank deposits	887	1,522
Rental income from investment properties	10,759	8,409
Advertising and promotion subsidy	24,895	26,564
Net gain on disposal of fixed assets	2,351	1,415
Net foreign exchange gains	499	106
Compensation income received from a former customer	—	14,301
Others	446	3,041
	<u>39,837</u>	<u>55,358</u>

5 (LOSS)/PROFIT BEFORE TAXATION

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

	2015 \$'000	2014 \$'000
(a) Finance costs		
Interest expense on loan from an intermediate holding company	4,373	4,253
Bank charges	125	155
	<u>4,498</u>	<u>4,408</u>
(b) Staff costs		
Retirement costs		
— Defined contribution retirement plans	5,444	6,639
— Defined benefit retirement plan	5,613	5,452
	<u>11,057</u>	<u>12,091</u>
Salaries, wages and other benefits	118,421	116,888
	<u>129,478</u>	<u>128,979</u>

5 (LOSS)/PROFIT BEFORE TAXATION (Continued)

(Loss)/profit before taxation is arrived at after charging/(crediting): (Continued)

	2015	2014
	\$'000	\$'000
(c) Other items		
Amortisation of land lease premium	2,588	2,599
Depreciation		
— Property, plant and equipment	20,548	20,258
— Investment properties	3,356	2,722
Cost of inventories	329,578	414,586
Operating lease charges: minimum lease payments		
— Land and buildings	1,544	1,616
— Other assets	196	208
Rental receivable from investment properties		
less direct outgoings of \$5,559,000 (2014: \$4,210,000)	(5,200)	(4,199)
Auditors' remuneration		
— Provision for the year	3,436	3,364
— Under/(over)-provision in respect of the prior year	308	(65)
Impairment losses for trade and other receivables	296	400
	—————	—————

6 TAXATION IN THE CONSOLIDATED INCOME STATEMENT

Taxation tax in the consolidated income statement represents:

	2015	2014
	\$'000	\$'000
Current tax — Outside Hong Kong		
Provision for the year	—	(62)
Deferred tax		
Origination and reversal of temporary differences	(856)	(171)
Income tax	(856)	(233)
	—————	—————

The statutory tax rate applicable to the Company and other Hong Kong subsidiaries was 16.5% (2014: 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% (2014: 25%). No provision for current taxation has been made for the subsidiaries established in the PRC because the entities sustained losses for taxation purposes.

6 TAXATION IN THE CONSOLIDATED INCOME STATEMENT *(Continued)*

Provision for current tax outside Hong Kong for 2014 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 (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on the loss attributable to equity shareholders of the Company of \$16,074,000 (2014: profit of \$35,323,000) and on 373,570,560 (2014: 373,570,560) ordinary shares, being the number of ordinary shares in issue throughout the year.

(b) Diluted (loss)/earnings per share

Diluted (loss)/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.

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

	2015	2014
	\$'000	\$'000
Current	38,996	53,930
Less than 1 month past due	7,280	8,667
1 to 3 months past due	3,006	3,161
More than 3 months but less than 12 months past due	610	1,689
More than 12 months past due	1,077	1,805
	<hr/> 50,969 <hr/>	<hr/> 69,252 <hr/>

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 take 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:

	2015	2014
	\$'000	\$'000
Current and less than 1 month past due	44,443	42,359
1 to 3 months past due	1,574	4,616
3 to 6 months past due	247	331
More than 6 months past due	36	142
	<u>46,300</u>	<u>47,448</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

	2015	2014
	\$'000	\$'000
Interim dividend declared and paid of \$Nil per ordinary share (2014: \$0.01 per ordinary share)	—	3,736
Final dividend proposed after the end of the reporting period of \$Nil per ordinary share (2014: \$0.01 per ordinary share)	—	3,736
	<u>—</u>	<u>7,472</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

	2015	2014
	\$'000	\$'000
Final dividend in respect of the previous financial year, approved and paid during the year, of \$0.01 per ordinary share (2014: \$0.01 per ordinary share)	<u>3,736</u>	<u>3,736</u>

CLOSURE OF REGISTER OF MEMBERS

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, 27 April 2016 to Friday, 29 April 2016, 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, 26 April 2016.

FINANCIAL RESULTS

The Group registered a consolidated loss of HK\$16.9 million in 2015, compared with consolidated profit of HK\$37.0 million in 2014. As a result, net loss attributable to equity shareholders for 2015 was HK\$16.1 million, compared to a profit of HK\$35.3 million in the previous year.

The Group's consolidated revenue was HK\$569.5 million, 21.8% lower than the same period in 2014. Gross profit reached HK\$237.7 million, with a gross profit margin of 41.7%.

As of 31 December 2015, cash and cash equivalents and bank deposits amounted to HK\$148.6 million (HK\$135.6 million as of 31 December 2014). Meanwhile, total debt as of 31 December 2015 was at HK\$190.7 million, 0.1% lower than the HK\$190.9 million debt reported for the same period the previous year. Total net assets stood at HK\$545.0 million (HK\$571.9 million as of 31 December 2014), with a debt-to-equity ratio of 0.35 (31 December 2014: 0.33).

DIVIDENDS

The directors have resolved that no final dividends will be declared for the year ended 31 December 2015.

BUSINESS REVIEW

Hong Kong Operations

Overall sales volume of the Company in the territory declined by 17%, mainly because of the slow demand in the on-premise sales channel partly due to lower tourist arrivals and the non-renewal of distribution agreements with Anheuser-Busch In Bev China Sales Company Limited and Anheuser-Busch InBev International GmbH & Co KG in 2014, as disclosed in a profit warning announcement last 25 January 2016. A disclosure referring to the same agreement was made last 15 October 2014 and 6 July 2015. However, sales volumes, excluding the discontinued agency brands, grew by 2%.

Contributing to the net loss were the operating costs associated with the sales and marketing operations of the affected products, which were redirected and reinvested in the development of new, premium, specialty and craft brands.

In line with our key business strategy of sustaining a broad and diversified portfolio of brands, the Company was quick to sign up and develop a new stable of premium, specialty and craft brands. Last February, we signed a distribution agreement with Mahou S.A. to be the exclusive distributor of Mahou Cinco Estrellas. We also started selling Angry Orchard Cider, Mac's Great White, Samuel Adams Rebel IPA, Spitfire Kentish Ale, Whitstable Bay Blonde and Whitstable Pale Ale. By the second semester of the year, all of these new brands were reporting double-digit growth rate compared to the prior semester. Meanwhile, Kirin beer brands, which we distribute exclusively within the territory, also continued to perform strongly. In 2015, the brand registered a 32% volume improvement over the previous year.

Meanwhile, to develop and strengthen our own beer brands, we launched San Miguel Cerveza Negra in July 2014 and Red Horse Beer in February of 2015. Since its introduction, San Miguel Cerveza Negra has grown consistently by more than 50% every semester. In the second half of 2015, Red Horse Beer registered double-digit improvement over the previous semester.

Since its launch in 2010, San Mig Light has gained significant presence in the market with a consistent double digit growth. In 2015, sales volumes grew 46% across all sales channels. We have been able to sustain demand by ensuring visibility among target consumers. In July, we launched a new television commercial, "Fit & Firm", supported by a marketing campaign that extended to point-of-sales visibility activities, out-of-home advertising and a talent search contest.

Established in 1890, our flagship San Miguel Pale Pilsen celebrated its 125th anniversary in 2015. We initiated special market-wide promotions, supported by a television commercial, print ads and point-of-sales communications. We also continued to air the thematic television commercial, “Real Friends”, which we complemented with the market-wide promotion, “Dining with Friends” and the launch of special edition “San Miguel Moments” cans. The company continues to support the Hong Kong Dragon Boat Carnival organized by the Hong Kong Tourism Board through exclusive sponsorship.

South China Operations

Our South China Operations posted double-digit improvement in consolidated sales volume over the previous year, with sales revenues also up slightly. However, despite these improvements, South China operations registered a 1% increase in operating losses compared to the previous year due to one-off gains in 2014. Much of the volume improvement came from San Miguel (Guangdong) Brewery Company Limited (“SMGB”). As one of the production bases for San Miguel Brewing International’s export business, it delivered double-digit growth in 2015 over the previous year.

Meanwhile, sales volumes of Guangzhou San Miguel Brewery Company Limited (“GSMB”) declined, with the rationalization of non-performing dealers and outlets demanding greater promotion spending. However, gross profit margin improved with higher average selling prices and effective discount management. Both strategies are integral to further improving GSMB’s performance.

Our dealer development program continues to be a key component of GSMB’s going-to-market and distribution strategy. By 2015, our successful roll-out of the program afforded us greater control of the value chain and we were able to shift our focus to developing sub-dealers. As a result of efficiencies generated by the program, sales volumes in West and North Guangdong improved significantly.

To enhance brand equity and win new consumers for San Miguel Pale Pilsen, we launched “Meta”: a product-focused television commercial aired on a provincial channel, to support our expansion in the Guangdong province. For both San Miguel Pale Pilsen and San Mig Light, we launched “Enjoy a Trip to Spain”, a market-wide consumer program to stimulate trial and repeat consumption. In addition, we released special packaging designs for both brands.

COMMUNITY RELATIONS AND SOCIAL RESPONSIBILITY

The company continues to endeavor to be socially responsible in the way it conducts business. In 2015, we published our first Environmental, Social and Governance (“ESG”) Report to give the public a better understanding of how we respond to issues that impact our local communities and various stakeholders.

Specifically, we are committed to actively promote responsible drinking. We also continue to support charitable organizations and suitable NGOs through financial and product support, as well as by sharing with them our experience and expertise.

We are committed to protecting the environment in the areas where we operate and ensuring that environmental standards set by government are consistently met or exceeded.

The ESG Report will be updated annually by the Company. The 2015 updates will be available at the Company’s website within three months from the publication of the Company’s annual report.

HUMAN RESOURCES

Much of our success is driven by the capabilities and commitment of each of our employees. As such, we invest in training, seminars, and mentoring and team-building workshops, to ensure they are equipped with the necessary knowledge, skills, experience and winning mindset, that will help them perform well. We endeavor to develop our employees so that we can tap and maximize their potential, support their professional growth and foster a friendly and caring environment.

We continue to offer competitive remuneration packages that are at par with industry standards and provide attractive 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 has been no change in membership of the Board of Directors since we published our interim report on 5 August 2015.

FUTURE DIRECTION AND CHALLENGES

For 2016, the company has outlined the following objectives:

- In Hong Kong, to significantly turn around the business by investing in the San Miguel brand and actively participating in the premium, specialty and craft beer segment to regain volume loss and market share. We will expand the wholesaler channel and make it a key component of the Company's going-to-market strategy in order to achieve broader distribution, higher volume and to generate distribution cost savings.
- In South China, to turn around the business by focusing on the yield and coverage of the sub-dealer and dealer network in all of our markets. We will strengthen the brand equity of San Miguel and Dragon brands. We will likewise continue to seek new areas of growth for our exports business and aim to improve margins and rationalize costs.

In pursuit of the abovementioned objectives for 2016, we shall be responsive to the following risks that we have identified:

- While Hong Kong's unemployment rate remains low and stable, the overall wages are relatively stagnant. Tourism activity may further lower as mainland China continues to face economic headwinds and the renminbi depreciates which may affect industry consumption. On the legislation front, the Hong Kong government is looking into imposing a recycling levy on glass beverage containers. Depending on when it will start and how much the levy will be, the prices for our products in glass containers may be seriously affected and may impinge consumption.
- In South China, the economy will most likely mirror the key macroeconomic indicators of the country and continue to trend downward gradually, which may affect local demand.

The company reiterates its commitment to maximizing shareholder value and enhancing and strengthening our brands. We are confident that we have put in place sound strategies that will address the uncertainties facing the Company, as well as allow us to take advantage of growth opportunities. Apart from the sales and marketing strategies, we have also instituted new policies, guidelines, systems and procedures to facilitate efficient and effective cost management, sustainable environmental management and responsible social engagement.

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

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 2015 ANNUAL REPORT ON THE WEBSITE OF THE STOCK EXCHANGE

The Company's annual report for 2015 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, 4 February 2016

(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.