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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 2020

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 2020, 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 2020

(Expressed in Hong Kong dollars)

	<i>Note</i>	2020 \$'000	2019 \$'000
Revenue	3	555,658	580,050
Cost of sales		<u>(312,267)</u>	<u>(321,204)</u>
Gross profit		243,391	258,846
Other net income	4	40,722	26,972
Selling and distribution expenses		(169,265)	(190,156)
Administrative expenses		(90,398)	(80,127)
Other operating expenses		<u>(9,530)</u>	<u>(7,747)</u>
Profit from operations		14,920	7,788
Finance costs	5(a)	<u>(2,373)</u>	<u>(4,478)</u>
Profit before taxation	3,5	12,547	3,310
Income tax credit	6	<u>1,304</u>	<u>4,990</u>
Profit for the year		<u>13,851</u>	<u>8,300</u>

CONSOLIDATED INCOME STATEMENT (Continued)*for the year ended 31 December 2020**(Expressed in Hong Kong dollars)*

		2020	2019
	<i>Note</i>	\$'000	\$'000
Attributable to:			
Equity shareholders of the Company		17,228	11,583
Non-controlling interests		(3,377)	(3,283)
		<hr/>	<hr/>
Profit for the year		13,851	8,300
		<hr/> <hr/>	<hr/> <hr/>
Earnings per share			
— Basic (cents)	<i>7(a)</i>	5	3
		<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 2020

(Expressed in Hong Kong dollars)

	2020 \$'000	2019 \$'000
Profit for the year	13,851	8,300
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 and monetary items that form part of the net investment in subsidiaries outside Hong Kong	4,203	(1,225)
<i>Items that will not be reclassified to profit or loss</i>		
— Actuarial gains and losses of defined benefit retirement plan	9,043	8,252
	13,246	7,027
Total comprehensive income for the year	27,097	15,327
Attributable to:		
Equity shareholders of the Company	32,445	17,982
Non-controlling interests	(5,348)	(2,655)
Total comprehensive income for the year	27,097	15,327

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 December 2020

(Expressed in Hong Kong dollars)

	<i>Note</i>	2020 \$'000	2019 \$'000
Non-current assets			
Property, plant and equipment		348,409	352,764
Investment properties		116,882	121,613
		465,291	474,377
Intangible assets		4,771	4,771
		470,062	479,148
Current assets			
Inventories		56,709	51,027
Trade and other receivables	8	42,775	51,399
Amounts due from holding companies and fellow subsidiaries		16,829	19,595
Amount due from a related company		1,260	1,492
Bank deposits		43,770	22,661
Cash and cash equivalents		112,339	106,732
		273,682	252,906
Current liabilities			
Trade and other payables	9	(83,027)	(83,301)
Loan from related companies		(54,731)	(51,115)
Amounts due to holding companies and fellow subsidiaries		(9,418)	(9,410)
Amounts due to related companies		(12,975)	(8,632)
Lease liabilities		(11)	(932)
Current tax payable		—	(894)
		(160,162)	(154,284)
Net current assets		113,520	98,622

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)**at 31 December 2020**(Expressed in Hong Kong dollars)*

	2020	2019
<i>Note</i>	\$'000	\$'000
Total assets less current liabilities	583,582	577,770
Non-current liabilities		
Loan from related companies	(38,158)	(51,115)
Retirement benefit liabilities	(2,378)	(10,741)
Lease liabilities	(35)	—
	(40,571)	(61,856)
NET ASSETS	543,011	515,914
CAPITAL AND RESERVES		
Share capital	252,524	252,524
Other reserves	324,005	291,560
Total equity attributable to equity shareholders of the Company	576,529	544,084
Non-controlling interests	(33,518)	(28,170)
TOTAL EQUITY	543,011	515,914

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 2020 and the financial information relating to the year ended 31 December 2019 included in this preliminary announcement of annual results does not constitute the Company's statutory annual consolidated financial statements for those years but, in respect of the year ended 31 December 2019, 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 Hong Kong Companies Ordinance ("Companies Ordinance") is as follows:

The financial statements for the year ended 31 December 2020 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 2019 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 2019. 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 a number of amendments of HKFRSs that are first effective for the current accounting period of the Group.

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

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.

3 REVENUE 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 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 "adjusted EBIT" i.e. adjusted earnings before interest and taxes, where "interest": is regarded as including interest income from bank deposits and interest expense on loan from an intermediate holding company. To arrive at adjusted EBIT the Group's earnings are further adjusted for items not specifically attributed to individual segments, such as net foreign exchange losses. Inter-segment sales are priced at cost plus a 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 2020 and 2019 is set out below:

	Hong Kong		Mainland China		Total	
	2020	2019	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue from						
external customers	365,924	384,663	189,734	195,387	555,658	580,050
Inter-segment revenue	179	327	—	—	179	327
Reportable segment revenue	366,103	384,990	189,734	195,387	555,837	580,377
Reportable segment profit/(loss) before taxation from operation (adjusted EBIT)	14,176	(1,989)	797	7,780	14,973	5,791
Interest income from						
bank deposits	621	1,252	566	325	1,187	1,577
Interest expense on loans	(2,238)	(4,303)	—	—	(2,238)	(4,303)
Depreciation and amortisation for the year	(20,733)	(20,270)	(2,423)	(3,801)	(23,156)	(24,071)
(Provision for)/reversal of impairment losses of trade and other receivables	(1,085)	(1)	(5)	5	(1,090)	4
Reportable segment assets	995,898	997,973	129,577	117,848	1,125,475	1,115,821
Additions to non-current segment assets during the year	7,195	7,275	6,492	3,532	13,687	10,807
Reportable segment liabilities	145,931	170,940	436,533	428,967	582,464	599,907

3 REVENUE AND SEGMENT REPORTING *(Continued)*

(b) Segment reporting *(Continued)*

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

	2020 \$'000	2019 \$'000
Revenue		
Reportable segment revenue	555,837	580,377
Elimination of inter-segment revenue	(179)	(327)
	<u>555,658</u>	<u>580,050</u>
Consolidated revenue	<u>555,658</u>	<u>580,050</u>
Profit		
Reportable segment profit from operations	14,973	5,791
Interest income from bank deposits	1,187	1,577
Net foreign exchange (losses)/gains	(1,360)	282
Interest on lease liabilities	(15)	(37)
Interest expense on loan from related companies	(2,238)	(4,303)
	<u>12,547</u>	<u>3,310</u>
Consolidated profit before taxation	<u>12,547</u>	<u>3,310</u>
Assets		
Reportable segment assets	1,125,475	1,115,821
Elimination of inter-segment receivables	(381,731)	(383,767)
	<u>743,744</u>	<u>732,054</u>
Consolidated total assets	<u>743,744</u>	<u>732,054</u>
Liabilities		
Reportable segment liabilities	582,464	599,907
Elimination of inter-segment payables	(381,731)	(383,767)
	<u>200,733</u>	<u>216,140</u>
Consolidated total liabilities	<u>200,733</u>	<u>216,140</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	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
Hong Kong (place of domicile)	251,223	267,792	434,622	448,158
Mainland China	83,602	93,693	35,440	30,990
Philippines	212,511	210,663	—	—
Others	8,322	7,902	—	—
	304,435	312,258	35,440	30,990
	555,658	580,050	470,062	479,148

3 REVENUE AND SEGMENT REPORTING (Continued)

(c) Major customers

The Group's customer base is diversified and includes one customer (2019: one customer), with whom transactions have exceeded 10% of the Group's revenues. Revenue from sales to these customers during the report period are set out as below.

	2020	2019
	\$'000	\$'000
Largest customer (arose from both Hong Kong and the Mainland China segments)	212,732	210,749
— Percentage of total revenue	38%	36%

4 OTHER NET INCOME

	2020	2019
	\$'000	\$'000
Rental income from investment properties	24,517	23,706
Interest income from bank deposits	1,187	1,577
Net gain on disposal of non-current assets	899	913
Net foreign exchange (losses)/gains	(1,360)	282
Government subsidies (<i>note</i>)	15,109	—
Others	370	494
	40,722	26,972

Note: In 2020, the Group successfully applied for funding support from the Employment Support Scheme under the Anti-epidemic Fund, set up by the Hong Kong Government. The purpose of the funding is to provide financial support to enterprises to retain their employees who would otherwise be made redundant. Under the terms of the grant, the Group is required not to make redundancies during the subsidy period and to spend all the funding on paying wages to the employees.

5 PROFIT BEFORE TAXATION

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

	2020 \$'000	2019 \$'000
(a) Finance costs		
Interest expense on loan from related companies	2,238	4,303
Interest on lease liabilities	15	37
Bank charges	120	138
	<u>2,373</u>	<u>4,478</u>
(b) Staff costs		
Retirement costs		
— Defined contribution retirement plans	4,130	6,199
— Defined benefit retirement plan	4,681	5,263
	<u>8,811</u>	11,462
Severance payment (<i>note</i>)	10,894	—
Salaries, wages and other benefits	121,179	122,952
	<u>140,884</u>	<u>134,414</u>
<p><i>Note:</i> The Group incurred severance payment of HK\$10.9 million upon cessation of one of the subsidiary's operations in the PRC.</p>		
(c) Other items		
Depreciation		
— Property, plant and equipment	18,425	19,332
— Investment properties	4,731	4,739
Cost of inventories	309,672	318,340
Expenses relating to short-term leases and other leases with remaining lease term ending on or before 31 December 2019	801	830
Rental receivable from investment properties less direct outgoings of \$7,922,000 (2019: \$7,860,000)	(16,595)	(15,846)
Auditors' remuneration	3,301	3,306
Net provision for/(reversal of) impairment of trade and other receivables	<u>1,090</u>	<u>(4)</u>

6 TAXATION IN THE CONSOLIDATED INCOME STATEMENT

Income tax in the consolidated income statement represents:

	2020	2019
	\$'000	\$'000
Current tax — Hong Kong		
Provision for the year	—	601
Over-provision in prior year	<u>(20)</u>	<u>(20)</u>
	(20)	581
Deferred tax		
Origination and reversal of temporary differences	<u>(1,284)</u>	<u>(5,571)</u>
Income tax credit	<u>(1,304)</u>	<u>(4,990)</u>

No provision for Hong Kong Profits Tax in 2020 has been made for the Group because the accumulated tax losses brought forward exceed the estimated assessable profits for the year. The provision for Hong Kong Profits Tax for 2019 was calculated at 8.25% for the first \$2 million of assessable profits and the remaining assessable profits were taxed at 16.5%.

The statutory tax rate applicable to the subsidiaries established in the PRC was 25% (2019: 25%). No provision for current taxation has been made for the subsidiaries established in the PRC because the accumulated tax losses brought forward exceed the estimated assessable profits for the year or the entities sustained losses for taxation purposes.

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 \$17,228,000 (2019: \$11,583,000) and on 373,570,560 (2019: 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

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

	2020	2019
	\$'000	\$'000
Current	24,780	29,709
Less than 1 month past due	5,253	5,829
1 to 3 months past due	966	2,106
More than 3 months but less than 12 months past due	670	1,360
More than 12 months past due	16	367
	31,685	39,371

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:

	2020	2019
	\$'000	\$'000
Current and less than 1 month past due	36,966	39,894
1 to 3 months past due	676	3,904
More than 3 months but less than 6 months past due	139	312
More than 6 months past due	42	135
	37,823	44,245

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.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining shareholders who are entitled to attend and vote at the Annual General Meeting (“AGM”), the register of members of the Company will be closed from Wednesday, 21 April 2021 to Monday, 26 April 2021, 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, 20 April 2021.

FINANCIAL RESULTS

The Group registered a consolidated profit of HK\$13.9 million in 2020 (2019: HK\$8.3 million). Net profit attributable to equity shareholders for 2020 reached HK\$17.2 million (2019: HK\$11.6 million).

The Group’s consolidated revenue was HK\$555.7 million, 4.2% lower than the same period in 2019. Gross profit reached HK\$243.4 million, 6.0% lower than the HK\$258.8 million in 2019, with a gross profit margin of 43.8 %.

As of 31 December 2020, cash and cash equivalents and bank deposits amounted to HK\$156.1 million (HK\$129.4 million as of 31 December 2019).

Loans as of 31 December 2020 amounted to HK\$92.9 million, 9.1% lower than the HK\$102.2 million debt reported the prior year. Total net assets stood at HK\$543.0 million (HK\$515.9 million as of 31 December 2019), with a loan-to-equity ratio of 0.17 (31 December 2019: 0.20).

DIVIDENDS

No final dividends will be declared for the year ended 31 December 2020.

BUSINESS REVIEW

Hong Kong Operations

The economic recession in Hong Kong eased in the second half of 2020, as the territory managed to contain the third wave of COVID-19 infections, before the onset of the fourth wave toward the end of the year. The moderately improved economic performance in the second half was also due to the low-base effect, since the economic situation in the comparable half of 2019 was marked by the social unrest that reigned in spending and investment.

To provide the private sector financial support, the Hong Kong Government launched the “Employment Support Scheme” (ESS). The Company availed of this program and received the support in two tranches for wages paid from June to August, and from September to November 2020. Our Hong Kong operations posted strong profit recovery in 2020, driven by an improvement in total volumes and rationalization in spending, further supported by the government’s ESS.

Our Hong Kong operations were able to achieve roughly the same level of local sales volume in 2020 despite a 7% contraction of the total Hong Kong beer industry compared to the same period in 2019. Including export sales volumes, the Company achieved a 2% increase in total sales volume over the previous year.

The various COVID-19-related restrictions on social distancing and cross-border activities impacted the entire market dynamics of the beer industry. Sales in on-premise outlets declined and beer consumption shifted to off-premise, which accounted for 84% of retail sales in 2020. The Company was able to adapt quickly to changing consumer habits by targeting advertising and promotion towards more appropriate media and channels, to ensure that our brands fit into consumers’ new lifestyles.

To take advantage of the shift to home consumption, San Miguel brands San Miguel Pale Pilsen, San Mig Light and San Miguel Cerveza Negra, implemented a co-branded retail chain-wide promotion, 大放送, which ran from May to June. This was followed by a co-branded market-wide lucky draw promotion implemented from August to September. Both major initiatives were supported by tactical advertising, including on-site and online campaigns to ensure high awareness, participation, and consumption. Apart from these, the market-wide promotion also utilized television ads to encourage greater participation. A series of premium redemption promotion was also organized throughout the year to push volumes in convenience stores.

The premium segment’s share of the Hong Kong market increased in 2020, pushing the growth of our broad portfolio of premium, specialty, and craft beers. Red Horse Beer, in particular, outperformed its sales in 2019 by more than 200%. Kirin beer brands, which the Company distributes exclusively within Hong Kong and Macau, registered a 17% volume improvement over the previous year. Riding on the uptrend of the premium segment, the Company launched San Miguel Cerveza Blanca, our new wheat beer offering, in December 2020. With its perfect harmony of spicy, smoky, and fruity flavors throughout a smooth and refreshing taste, the Company expects the brand to be well-received by Hong Kong consumers.

In the lower-priced segment, our Blue Ice Beer brand was able to increase its market share following consistent programs such as celebrity endorsement, retail chain-wide promotions, and exclusive premium redemptions in convenience store.

South China Operations

Despite seeing its first economic contraction in nearly three decades during the first quarter of 2020, China reported GDP growth for the year.

The drop in consumer spending was a stark reminder of the extensive impact of the pandemic both in terms of public health and the economic impact after the government imposed strict measures to control the spread of infections. The decline in sales volume within South China was a result of the national lockdown, with government mandating the temporary shutdown of all outlets, factories — including our brewery in Foshan — and the closure of shipping ports in South China in the early part of the year. Weak commercial activities also persisted even after the lockdown. While export volume was initially affected by the temporary closure of the brewery and shipping ports, it was able to recover and deliver positive growth for the year.

As announced on 28 October 2020, the business term of Guangzhou San Miguel Brewery Company Limited (“GSMB”) expired on 29 November 2020 in accordance with GSMB’s Articles of Association and the Joint Venture Contract between San Miguel (Guangdong) Limited (“SMG”) and Guangzhou Brewery (“GB”). GSMB ceased operations on 30 November 2020.

The principal activity of GSMB was the distribution of bottled, canned, and draught beers in the South China market, while San Miguel (Guangdong) Brewery Company Limited (“SMGB”) manufactures and provides quality beer products and services to both GSMB and San Miguel Brewing International’s export business. Following the cessation of GSMB operations, SMGB took over the selling and distribution of the said beer products in the South China market on 30 November 2020.

Overall, our consolidated South China operations improved and registered sales volume growth in 2020. However, overall profit performance declined by 94% due to the one-time cost for the employee separation pay in relation to the cessation of GSMB. Without the cost of employee separation pay, the overall profit of the South China Operations would have improved by 90%.

Brand-building focused on tactical initiatives to drive consumption. San Miguel Pale Pilsen launched an under-the-crown market-wide campaign through an on-line lucky draw promotion from August to November 2020, with merchandising blitz support. Meanwhile, San Mig Light rolled out a merchandising campaign in June 2020 in almost 900 outlets to improve visibility and promote brand awareness. In addition, the Company introduced Dragon Legend in 330ml-bottle in night outlets and in strategic restaurants.

COMMUNITY RELATIONS AND SOCIAL RESPONSIBILITY

Social responsibility is an important aspect of how we do business. Apart from meticulously complying with legal or regulatory requirements, we genuinely work toward making a positive impact on the welfare of our employees, their families, our business partners, our local communities, and the environment.

Since 2015, we have published an Environment, Social and Governance (“ESG”) Report to provide the public an appreciation of how we approach and address different ESG issues. The Company’s 2020 ESG Report will be available on our website within three months of the publication of the Company’s annual report.

We actively promote responsible drinking within the organization and also to the public. We are also committed to protecting the environment and ensuring that environmental standards and initiatives set by the government are met or exceeded.

To bring focus and emphasis on the Company’s approach and strategy on the management of ESG issues, the Board established the Sustainability Committee on 2 November 2020.

HUMAN RESOURCES

The Company has always recognized the key role our employees play in our success. As such, we continue to invest in our people by ensuring they are equipped with the knowledge, skills, and experiences to match our needs, keep them challenged, and allow them to reach their fullest potential. Even in the time of COVID-19, we’ve invested in in-house training and publicly available webinars to support their personal growth and foster harmony in the organization.

We also have in place a set of safety and health measures to protect our employees from both the day-to-day working environment and from extraordinary circumstances such as the COVID-19 pandemic.

We continue to offer competitive remuneration packages commensurate with industry standards and to provide attractive fringe benefits, including medical and insurance coverage and numerous paid leaves, on top of legal requirements.

CORPORATE GOVERNANCE

The Company continues to apply the principles of the Corporate Governance (“CG”) Code and CG Report contained in Appendix 14 of the Listing Rules throughout the year, save for the deviation discussed below:

- All of the non-executive directors are appointed for a specific term (Code Provision A.4.1 of the CG Code) and are subject to retirement by rotation at least once every three years and to re-election at the annual general meeting in accordance with the Company’s Articles of Association.
- The board only met three times during the year under review (Code Provision A.1.1 of the CG Code) due to the COVID-19 pandemic and the regulations implemented by the HKSAR government and the Philippines government, which prohibited international travel.
- The chairman and the board committees, who are based in Manila, did not attend the Annual General Meeting in 2020 due to the COVID-19 pandemic and the regulations implemented by the HKSAR government and the Philippines government, which prohibited international travel.

DIRECTORS

Mr. William C. M. Cheng has resigned as an alternate director to an independent non-executive director, Dr. the Hon. Sir David K.P. Li, due to his retirement from The Bank of East Asia, Limited, and was replaced by Ms. Sum Li on 1 September 2020. Save for this, there has been no change in the membership of the Board of Directors since we published our interim report on 25 August 2020.

FUTURE DIRECTION AND CHALLENGES

For 2021, the Company has outlined the following objectives:

- In Hong Kong, we will further improve profitability and work to increase our market share by maximizing the use of our resources, nurturing a winning culture within the organization, and focus more on the San Miguel brand. We will be quick to adopt to emerging consumption dynamics in our markets and will work closely with wholesalers and direct customers to ensure product availability is in line with market needs.

- In South China, we intend to take advantage of newly streamlined operations and further improve profitability by continuing to develop both our dealer and wholesaler networks in all of our markets. We will strengthen the brand equity of both the San Miguel and Dragon brands while enhancing the productivity of our sales force. We will also maintain our export business and aim to improve margins and rationalize costs.

To achieve these objectives, we will be responsive to the following risks:

While the global pandemic persists as of this writing, the arrival of COVID-19 vaccines offers hope for economic recovery. However, access as well as the timing of distribution in mainland China, Hong Kong, and Macau is yet to be determined. The occurrence of new and more infectious and/or fatal strains of COVID-19 is also something to watch out for. Improvements in domestic economic activities and our performance as a company depends critically on how fast and how efficient the vaccine roll-out is and whether there are future outbreaks.

- Political unrest in Hong Kong seems to have subsided as a result of the COVID-19 pandemic and the new security law. We will continue to monitor how the unrest will further manifest.
- The Hong Kong government will be imposing a recycling levy on glass beverage containers. When this measure is put in place, prices for our products in glass bottles may be affected, which will in turn impact consumption.

Moving forward, we reiterate our commitment to maximizing shareholder value and strengthen our brands. We have a number of dynamic strategies in place to not only help us cope with the challenges ahead, but also enable us to manage costs effectively, so we can have a strong foundation for better profitability.

We will strive to ensure that our beer brands remain relevant to our consumers and customers, regardless of the occasion, their location, and lifestyle.

Apart from our sales and marketing strategies, we also have new guidelines, systems, and policies in place to ensure efficient and effective cost management, sustainable environmental management, and responsible social engagement.

We convey our sincere appreciation to our Board of Directors for their valuable guidance. We also wish to acknowledge our employees for their dedication and professionalism, and most of all, our shareholders, customers, and consumers for their continued support during this difficult time.

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.

SCOPE OF WORK OF KPMG

The financial figures in respect of the Group's consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2020 as set out in the preliminary announcement have been compared by the Group's auditor, KPMG, Certified Public Accountants, to the amounts set out in the Group's consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the auditor.

PUBLICATION OF THE 2020 ANNUAL REPORT ON THE WEBSITE OF THE STOCK EXCHANGE

The Company's annual report for 2020 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, 1 March 2021

(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. May (Michelle) W. M. Chan, Mr. Roberto N. Huang, Mr. Fumiaki Ozawa, Mr. Kenji Uchiyama and Mr. Tomoki Yamauchi; and the independent non-executive directors, Mr. Alonzo Q. Ancheta, Dr. the Hon. Sir David K. P. Li, Mr. Reynato S. Puno and Mr. Carmelo L. Santiago.