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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 2021

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 2021, 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 2021

(Expressed in Hong Kong dollars)

	<i>Note</i>	2021 \$'000	2020 \$'000
Revenue	3	595,616	555,658
Cost of sales		<u>(352,572)</u>	<u>(312,267)</u>
Gross profit		243,044	243,391
Other net income	4	26,454	40,722
Selling and distribution expenses		(164,694)	(169,265)
Administrative expenses		(73,675)	(90,398)
Other operating expenses		<u>(7,577)</u>	<u>(9,530)</u>
Profit from operations		23,552	14,920
Finance costs	5(a)	<u>(1,541)</u>	<u>(2,373)</u>
Profit before taxation	3,5	22,011	12,547
Income tax credit	6	<u>97</u>	<u>1,304</u>
Profit for the year		<u>22,108</u>	<u>13,851</u>

CONSOLIDATED INCOME STATEMENT *(Continued)**for the year ended 31 December 2021**(Expressed in Hong Kong dollars)*

	<i>Note</i>	2021 \$'000	2020 \$'000
Attributable to:			
Equity shareholders of the Company		19,364	17,228
Non-controlling interests		2,744	(3,377)
		<hr/>	<hr/>
Profit for the year		22,108	13,851
		<hr/> <hr/>	<hr/> <hr/>
Earnings per share			
— Basic (cents)	7(a)	5	5
		<hr/> <hr/>	<hr/> <hr/>
— Diluted (cents)	7(b)	N/A	N/A
		<hr/> <hr/>	<hr/> <hr/>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2021

(Expressed in Hong Kong dollars)

	2021 \$'000	2020 \$'000
Profit for the year	22,108	13,851
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	2,210	4,203
<i>Items that will not be reclassified to profit or loss</i>		
— Actuarial gains and losses of defined benefit retirement plan	3,773	9,043
	5,983	13,246
Total comprehensive income for the year	28,091	27,097
Attributable to:		
Equity shareholders of the Company	26,306	32,445
Non-controlling interests	1,785	(5,348)
Total comprehensive income for the year	28,091	27,097

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 December 2021

(Expressed in Hong Kong dollars)

	<i>Note</i>	2021 \$'000	2020 \$'000
Non-current assets			
Property, plant and equipment		346,750	348,409
Investment properties		112,173	116,882
		458,923	465,291
Intangible assets		4,771	4,771
		463,694	470,062
Current assets			
Inventories		69,374	56,709
Trade and other receivables	8	42,250	42,775
Amounts due from holding companies and fellow subsidiaries		12,103	16,829
Amount due from a related company		1,273	1,260
Bank deposits		30,579	43,770
Cash and cash equivalents		101,807	112,339
		257,386	273,682
Current liabilities			
Trade and other payables	9	(85,144)	(83,027)
Loans from related companies		(42,351)	(54,731)
Amounts due to holding companies and fellow subsidiaries		(7,618)	(9,418)
Amounts due to related companies		(9,452)	(12,975)
Lease liabilities		(362)	(11)
		(144,927)	(160,162)
Net current assets		112,459	113,520

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)**at 31 December 2021**(Expressed in Hong Kong dollars)*

	2021	2020
	\$'000	\$'000
Total assets less current liabilities	576,153	583,582
Non-current liabilities		
Loan from related companies	—	(38,158)
Retirement benefit liabilities	(1,757)	(2,378)
Lease liabilities	(3,294)	(35)
	(5,051)	(40,571)
NET ASSETS	571,102	543,011
CAPITAL AND RESERVES		
Share capital	252,524	252,524
Other reserves	350,311	324,005
Total equity attributable to equity shareholders of the Company	602,835	576,529
Non-controlling interests	(31,733)	(33,518)
TOTAL EQUITY	571,102	543,011

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 2021 and the financial information relating to the year ended 31 December 2020 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 2020, 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 2021 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 2020 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 2020. 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 to 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 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 monitor 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, interest expense on loans from related companies and lease liabilities. 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 2021 and 2020 is set out below:

	Hong Kong		Mainland China		Total	
	2021	2020	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue from external customers	369,584	365,924	226,032	189,734	595,616	555,658
Inter-segment revenue	270	179	—	—	270	179
Reportable segment revenue	369,854	366,103	226,032	189,734	595,886	555,837
Reportable segment profit from operations (adjusted EBIT)	2,630	14,176	20,811	797	23,441	14,973
Interest income from bank deposits	189	621	748	566	937	1,187
Interest expense on loans	(1,222)	(2,238)	(155)	—	(1,377)	(2,238)
Depreciation and amortisation for the year	(21,161)	(20,733)	(1,931)	(2,423)	(23,092)	(23,156)
Net reversal of/ (provision for) impairment of trade and other receivables	34	(1,085)	12	(5)	46	(1,090)
Reportable segment assets	958,307	995,898	137,776	129,577	1,096,083	1,125,475
Additions to non-current segment assets during the year	14,105	7,195	3,178	6,492	17,283	13,687
Reportable segment liabilities	105,547	145,931	419,434	436,533	524,981	582,464

3 REVENUE AND SEGMENT REPORTING (Continued)

(b) Segment reporting (Continued)

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

	2021 \$'000	2020 \$'000
Revenue		
Reportable segment revenue	595,886	555,837
Elimination of inter-segment revenue	(270)	(179)
	<u>595,616</u>	<u>555,658</u>
Consolidated revenue	<u>595,616</u>	<u>555,658</u>
Profit		
Reportable segment profit from operations	23,441	14,973
Interest income from bank deposits	937	1,187
Net foreign exchange losses	(929)	(1,360)
Interest on lease liabilities	(61)	(15)
Interest expense on loans from related companies	(1,377)	(2,238)
	<u>22,011</u>	<u>12,547</u>
Consolidated profit before taxation	<u>22,011</u>	<u>12,547</u>
Assets		
Reportable segment assets	1,096,083	1,125,475
Elimination of inter-segment receivables	(375,003)	(381,731)
	<u>721,080</u>	<u>743,744</u>
Consolidated total assets	<u>721,080</u>	<u>743,744</u>
Liabilities		
Reportable segment liabilities	524,981	582,464
Elimination of inter-segment payables	(375,003)	(381,731)
	<u>149,978</u>	<u>200,733</u>
Consolidated total liabilities	<u>149,978</u>	<u>200,733</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 and investment properties 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	
	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000
Hong Kong (place of domicile)	259,743	251,223	427,562	434,622
Mainland China	71,911	83,602	36,132	35,440
Philippines	258,832	212,511	—	—
Others	5,130	8,322	—	—
	335,873	304,435	36,132	35,440
	595,616	555,658	463,694	470,062

3 REVENUE AND SEGMENT REPORTING (Continued)

(c) Major customers

The Group's customer base is diversified and includes one customer (2020: one customer), with whom transactions have exceeded 10% of the Group's revenue. Revenue from sales to this customer during the reporting period is set out as below.

	2021 \$'000	2020 \$'000
Largest customer (arose from both Hong Kong and the Mainland China segments)	258,832	212,732
— Percentage of total revenue	<u>43%</u>	<u>38%</u>

4 OTHER NET INCOME

	2021 \$'000	2020 \$'000
Rental income from investment properties	24,875	24,517
Interest income from bank deposits	937	1,187
Net gain on disposal of property, plant and equipment	1,345	899
Net foreign exchange losses	(929)	(1,360)
Government subsidies	—	15,109
Others	226	370
	<u>26,454</u>	<u>40,722</u>

5 PROFIT BEFORE TAXATION

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

	2021 \$'000	2020 \$'000
(a) Finance costs		
Interest expense on loans from related companies	1,377	2,238
Interest on lease liabilities	61	15
Bank charges	103	120
	<u>1,541</u>	<u>2,373</u>
(b) Staff costs		
Retirement costs		
— Defined contribution retirement plans	7,047	4,130
— Defined benefit retirement plan	4,648	4,681
	<u>11,695</u>	<u>8,811</u>
Severance payment	—	10,894
Salaries, wages and other benefits	121,450	121,179
	<u>133,145</u>	<u>140,884</u>
(c) Other items		
Depreciation		
— Property, plant and equipment	18,383	18,425
— Investment properties	4,709	4,731
Cost of inventories	350,894	309,672
Expense relating to short-term leases	1,254	801
Rental receivable from investment properties		
less direct outgoings of \$7,896,000		
(2020: \$7,922,000)	(16,979)	(16,595)
Auditors' remuneration	3,203	3,301
Net (reversal of)/provision for impairment of trade and other receivables	(46)	1,090

6 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

Taxation in the consolidated income statement represents:

	2021 \$'000	2020 \$'000
Current tax — Hong Kong Profits Tax		
Over-provision in prior year	—	(20)
	-----	-----
Deferred tax		
Origination and reversal of temporary differences	(97)	(1,284)
	-----	-----
Income tax credit	(97)	(1,304)
	=====	=====

No provision for Hong Kong Profits Tax in 2021 and 2020 has been made for the Group because the accumulated tax losses brought forward exceed the estimated assessable profits for both years.

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 or the entities sustained losses for taxation purposes for both years.

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 \$19,364,000 (2020: \$17,228,000) and on 373,570,560 (2020: 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:

	2021	2020
	\$'000	\$'000
Current	28,933	24,780
Less than 1 month past due	1,433	5,253
1 to 3 months past due	479	966
More than 3 months but less than 12 months past due	165	670
More than 12 months past due	71	16
	<u>31,081</u>	<u>31,685</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 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:

	2021	2020
	\$'000	\$'000
Current and less than 1 month past due	39,691	36,966
1 to 3 months past due	1,843	676
3 to 6 months past due	98	139
More than 6 months past due	—	42
	<u>41,632</u>	<u>37,823</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.

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, 20 April 2022 to Monday, 25 April 2022, 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, 19 April 2022.

FINANCIAL RESULTS

The Group registered a consolidated profit of HK\$22.1 million in 2021 (2020: HK\$13.9 million). Net profit attributable to equity shareholders for 2021 reached HK\$19.4 million (2020: HK\$17.2 million).

The Group's consolidated revenue was HK\$595.6 million, 7.2% higher than the same period in 2020. Gross profit reached HK\$243.0 million, 0.1% lower than the HK\$243.4 million in 2020, with a gross profit margin of 40.8%.

As of 31 December 2021, cash and cash equivalents and bank deposits amounted to HK\$132.4 million (HK\$156.1 million as of 31 December 2020).

Loans as of 31 December 2021 totaled HK\$42.4 million, 54.4% lower than the HK\$92.9 million debt reported the prior year. Total net assets stood at HK\$571.1 million (HK\$543.0 million as of 31 December 2020), with a loan-to-equity ratio of 0.07 (31 December 2020: 0.17).

DIVIDENDS

No final dividends will be declared for the year ended 31 December 2021.

BUSINESS REVIEW

Hong Kong Operations

Hong Kong's economy contracted for two consecutive years in 2019 and 2020 as it faced various internal and external challenges, as well as the COVID-19 pandemic. In 2021, the economy began a gradual recovery as a result of continuous fiscal stimulus, a resilient financial services industry, buoyant property prices, and resurgent trade. However, this recovery remains uneven, as tourism and the retail sales and services segment — the largest job providers for the city's working-class — continue to be affected by the pandemic.

With beer consumption highly linked to the tourism and the retail sales and services sector, the beer industry contracted for the third straight year in 2021, dropping by a further 6% and affecting all price segments. Nonetheless, we performed better than the industry average in terms of sales volume, with local volumes declining by only 3%. Taking into account increased sales to Macau and other export markets, the Company's total volume performance was at par with the previous year.

Profits from our Hong Kong operations were lower compared to the previous year. However, excluding the financial support provided by the Hong Kong Government in the form of the "Employment Support Scheme" (ESS) in 2020, the Company would have registered a significant profit increase, reflecting cost management improvements in our operations aimed at counteracting marked increases in the cost of aluminum and diesel fuel.

In the local market, we managed to outperform the industry by closely anticipating shifting market dynamics brought about by varying COVID-19-related restrictions. The Company adapted quickly to changing conditions, rationalizing and targeting advertising and promotions towards appropriate media channels to ensure our brands were visible to consumers in different channels at the right times.

Due to COVID-19 restrictions, the volume share of on-premise outlets to the total market bottomed out in the first quarter of 2021, at 6%. This slowly improved to almost 20% in the fourth quarter, as the pandemic situation in Hong Kong stabilized. To adapt to this market development, we launched off-premise-wide promotions for San Miguel Pale Pilsen, San Mig Light, San Miguel Cerveza Negra, and San Miguel Cerveza Blanca, from May to June and then targeting a broader audience from September to October, through a market-wide lucky draw, 生力神級歎住賞. Both programs were supported by tactical TV and online advertising, along with a public relations campaign and in-store merchandising. We likewise stepped-up efforts to increase online sales, which resulted in double-digit growth from online selling platforms over the previous year.

Our new wheat beer offering, San Miguel Cerveza Blanca, which we launched in late 2020 to compete in the premium segment, performed very well throughout 2021 and became one of the highest-selling brands in our portfolio of premium, specialty, and craft beers.

Blue Ice also managed to stay ahead of other players in the low-priced segment, which suffered an 11% volume drop compared to the previous year.

South China Operations

The recovery of Guangdong's economy amidst the COVID-19 pandemic in 2021 was strong but irregular. The first half of the year saw China's growth rate increase significantly, due to the low base resulting from the economic slump of the previous year, and the remarkable performance of the exports sector. However, economic activities slowed down in the second half due to supply and demand disruptions. With a zero-infection policy in the whole of China, Guangdong was able to keep COVID-19 cases to relatively low levels, enabling manufacturers to better meet overseas orders. However, the same measures also resulted in subdued domestic consumer spending. These developments are very much reflected in San Miguel (Guangdong) Brewery Co., Ltd.'s ("SMGB") volume performance, which registered double-digit growth compared to 2020, accounted for by the notable growth in our export volumes. Sales within South China, however, were affected by erratic and disruptive COVID-19 restrictions. Volumes were also partially affected by the discontinuation of the sales of our previous partner's brand, Guang's. However, this had minimal profit impact due to its low margins. Nevertheless, a market-wide lucky draw consumer promotion for all San Miguel brands across all channels and regions, coupled with increased outlet merchandising, was rolled out from June to November to further drive consumption.

The year 2021 also marked the first full year since the cessation of the operations of Guangzhou San Miguel Brewery Company Limited ("GSMB") last November 30, 2020. Since then, we have managed the smooth transition of GSMB's sales and marketing operations to SMGB. Not only did SMGB maintain GSMB's previous sales network, but it also recruited new dealers and wholesalers, widening the company's coverage and putting in place a more sustainable distribution network that will be key to improving our performance throughout, and after this pandemic. This, together with improved fixed and variable costs on a per hectoliter basis, contributed to the double-digit improvement in the operating profit of our South China operations versus the previous year.

COMMUNITY RELATIONS AND SOCIAL RESPONSIBILITY

The Company continued to strive to act in the best interest of the environment as well as of the communities in our areas of operation. Social responsibility remains an important value in our Company. Apart from meticulously complying with legal and regulatory requirements, we work toward making a genuine, positive impact on our employees, their families, our business partners, our local communities, and the environment.

Since 2015, we have published an Environmental, Social and Governance (“ESG”) Report to provide the public an appreciation of how we approach and address different ESG issues. The Company’s 2021 ESG Report will be available on our website no later than May 31, 2022. 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 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 Sustainability Committee was established last November 2, 2020.

HUMAN RESOURCES

Our employees play a key role in our success, and how we fulfill our responsibilities to shareholders, society, and the environment. We continue to invest in our people, ensuring that they are equipped with the right knowledge, skills, and experiences to match the Company’s needs. Even in the time of COVID-19, we have invested in in-house training and utilized publicly-available webinars, to support their personal growth and foster harmony within the organization.

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

We also continue to provide employees with competitive remuneration packages aligned with industry standards, as well as attractive benefits, including medical and insurance coverage, and numerous paid leaves on top of what is required by the law.

CORPORATE GOVERNANCE

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

- All of the non-executive directors are not appointed for a specific term (Code Provision A.4.1 of the CG Code) but are subject to retirement by rotation at least once every three years and re-election at the annual general meeting in accordance with the Company’s Articles of Association.
- A vacancy existed in the position of Chairman of the Nomination Committee (Code Provision A.5.1 of the CG Code) in view of the untimely passing of one of the independent non-executive directors of the Company, Mr. Carmelo L. Santiago, who is the Chairman of the Nomination Committee, on 6 August 2021 as disclosed in the Company’s announcement dated 10 August 2021. The vacancy existed for this position until the appointment of Mr. Alonzo Q. Ancheta as his replacement on 25 October 2021.

DIRECTORS

Since we published our interim report on 24 August 2021, Mr. Thelmo Luis Cunanan Jr. has been appointed as an independent non-executive director of the Company, effective 25 October 2021 in view of the untimely demise of Mr. Carmelo L. Santiago on April 6, 2021. Mr. Ramon G. Torralba has resigned as Executive Director and Managing Director of the Company, effective 16 January 2022 and Mr. Raymundo Y. Albano was appointed in his stead, also effective the same date.

FUTURE DIRECTION AND CHALLENGES

For 2022, the Company has outlined the following objectives:

- In Hong Kong, we will further improve profitability and work to increase our market share by optimizing the use of our resources, nurturing a winning culture within the organization, and focusing more on the San Miguel brand. We will be quick to adapt to ever-changing 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 the newly consolidated operations and further improve profitability by continuing to develop both our dealer and wholesaler networks in all our markets. 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 risk presented by COVID-19. While the global pandemic persists as of this report, the availability of COVID-19 vaccines and the lower virulence of the currently prevalent COVID-19 variant, Omicron, offers hope for economic recovery. However, many uncertainties remain on the possible emergence of new and more infectious and lethal variants, as well as on the long-term effects of the pandemic on the economy. We will continue to be vigilant and ensure the adaptability of our business strategies to the market situation.

Looking ahead, we reiterate our commitment to maximizing shareholder value and strengthening our brands. We have a number of strategies in place to help us cope with the risks we foresee, and at the same time, enable us to manage costs effectively to strengthen profitability.

The COVID-19 pandemic will continue to have a socio-economic impact across the world. These impacts will be uneven, as the recovery and ability to live with COVID-19 vary per city and country. We will continue to closely monitor and adapt to changing conditions and ensure that we adopt the appropriate strategies and programs to get ahead of the competition and accelerate volume recovery. We will strive to ensure that our beer brands remain relevant to our consumers and customers, regardless of the occasion, their location, lifestyle, and earning power.

We thank our employees for their hard work and perseverance, and members of our Board for their guidance. Most of all, we thank all our shareholders, consumers, customers, and business partners for their continued support.

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 2021 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 2021 ANNUAL REPORT ON THE WEBSITE OF THE STOCK EXCHANGE

The Company's annual report for 2021 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, 7 March 2022

(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. Raymundo Y. Albano, 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, Dr. the Hon. Sir David K. P. Li, Mr. Reynato S. Puno, Mr. Alonzo Q. Ancheta and Mr. Thelmo Luis O. Cunanan Jr..