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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 THE 2024 INTERIM RESULTS

INTERIM RESULTS

The Board of Directors of San Miguel Brewery Hong Kong Limited (the “Company”) submit herewith the unaudited consolidated interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2024. The interim results are unaudited, but have been reviewed by the Company’s Audit Committee.

CONSOLIDATED INCOME STATEMENT — UNAUDITED

(Expressed in Hong Kong dollars)

		Six months ended 30 June	
	<i>Note</i>	2024	2023
		\$'000	\$'000
Revenue	3	378,094	415,837
Cost of sales		(238,560)	(250,993)
Gross profit		139,534	164,844
Other net income		31,743	15,253
Selling and distribution expenses		(84,583)	(83,371)
Administrative expenses		(39,971)	(39,677)
Other operating expenses		(4,354)	(4,170)
Profit from operations		42,369	52,879
Finance costs	4(a)	(231)	(232)
Profit before taxation	4	42,138	52,647
Income tax expense	5	(3,628)	(1,922)
Profit for the period		38,510	50,725
Attributable to:			
Equity shareholders of the Company		37,618	48,518
Non-controlling interests		892	2,207
Profit for the period		38,510	50,725
Earnings per share			
— Basic (cents)	7(a)	10.1	13.0
— Diluted (cents)	7(b)	N/A	N/A

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME – UNAUDITED

(Expressed in Hong Kong dollars)

	Six months ended 30 June	
	2024	2023
	\$'000	\$'000
Profit for the period	38,510	50,725
Other comprehensive income for the period (after tax):		
Items that may be reclassified subsequently to profit or loss:		
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	(711)	(4,694)
Total comprehensive income for the period	37,799	46,031
Attributable to:		
Equity shareholders of the Company	36,745	43,062
Non-controlling interests	1,054	2,969
Total comprehensive income for the period	37,799	46,031

CONSOLIDATED STATEMENT OF FINANCIAL POSITION – UNAUDITED

(Expressed in Hong Kong dollars)

		At 30 June 2024 \$'000	At 31 December 2023 \$'000
Non-current assets			
Property, plant and equipment		336,323	340,971
Investment properties		101,095	103,448
		<u>437,418</u>	444,419
Intangible assets		4,771	4,771
Other receivables		13,522	6,492
Deferred tax assets		27,306	27,351
		<u>483,017</u>	483,033
Current assets			
Inventories		72,434	88,579
Trade and other receivables	8	39,278	43,627
Amounts due from holding companies and fellow subsidiaries		32,872	10,754
Amount due from a related company		2,239	555
Current tax recoverable		—	1,029
Cash and cash equivalents		197,303	179,979
		<u>344,126</u>	324,523
Current liabilities			
Trade and other payables	9	(79,331)	(85,953)
Loan from a related company		(3,554)	(3,578)
Amounts due to holding companies and fellow subsidiaries		(3,771)	(4,057)
Amounts due to related companies		(7,744)	(10,344)
Lease liabilities		(384)	(380)
Current tax payable		(103)	—
		<u>(94,887)</u>	(104,312)
Net current assets		<u>249,239</u>	220,211
Total assets less current liabilities		<u>732,256</u>	703,244

CONSOLIDATED STATEMENT OF FINANCIAL POSITION – UNAUDITED *(Continued)*
(Expressed in Hong Kong dollars)

	At 30 June	At 31 December
	2024	2023
<i>Note</i>	\$'000	\$'000
Non-current liabilities		
Retirement benefit liabilities	(14,136)	(16,497)
Other payables	(24,404)	(11,741)
Lease liabilities	(2,124)	(2,534)
	<u>(40,664)</u>	<u>(30,772)</u>
NET ASSETS	<u>691,592</u>	<u>672,472</u>
CAPITAL AND RESERVES		
Share capital	252,524	252,524
Other reserves	462,114	444,048
	<u>714,638</u>	<u>696,572</u>
Total equity attributable to equity shareholders of the Company	714,638	696,572
Non-controlling interests	(23,046)	(24,100)
	<u>691,592</u>	<u>672,472</u>
TOTAL EQUITY	<u>691,592</u>	<u>672,472</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT:

(Expressed in Hong Kong dollars)

1 BASIS OF PREPARATION

The interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”), including compliance with Hong Kong Accounting Standard (“HKAS”) 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). It was authorised for issue on 29 July 2024.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2023 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2024 annual financial statements. Details of these changes in accounting policies are set out in note 2.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2023 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

The interim financial report is unaudited but has been reviewed by the Company’s Audit Committee.

The financial information relating to the financial year ended 31 December 2023 that is included in the interim financial report as comparative information does not constitute the Company’s statutory annual consolidated financial statements for the financial year but is derived from those financial statements. Further information relating to these statutory financial statements disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended 31 December 2023 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 those financial statements. 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 section 406(2), 407(2) or (3) of the Companies Ordinance.

2 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued several amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these impacts on the accounting policies of the Group. 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.

As the Group's revenue is entirely attributable to these activities, no analysis by activity is provided.

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

(b) Segment reporting

(i) Segment results, assets and liabilities

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 periods ended 30 June 2024 and 2023 is set out below:

	Six months ended 30 June					
	Hong Kong		Mainland China		Total	
	2024	2023	2024	2023	2024	2023
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue from						
external customers	235,383	232,708	142,711	183,129	378,094	415,837
Inter-segment revenue	328	219	—	—	328	219
Reportable segment						
revenue	<u>235,711</u>	<u>232,927</u>	<u>142,711</u>	<u>183,129</u>	<u>378,422</u>	<u>416,056</u>
Reportable segment						
profit from						
operations						
(adjusted EBIT)	<u>21,755</u>	<u>10,525</u>	<u>15,167</u>	<u>39,811</u>	<u>36,922</u>	<u>50,336</u>

3 REVENUE AND SEGMENT REPORTING (Continued)

(b) Segment reporting (Continued)

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

	Hong Kong		Mainland China		Total	
	At 30 June	At 31 December	At 30 June	At 31 December	At 30 June	At 31 December
	2024	2023	2024	2023	2024	2023
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Reportable segment						
assets	<u>946,147</u>	<u>938,978</u>	<u>151,047</u>	<u>138,771</u>	<u>1,097,194</u>	<u>1,077,749</u>
Reportable segment						
liabilities	<u>93,118</u>	<u>90,616</u>	<u>339,790</u>	<u>342,012</u>	<u>432,908</u>	<u>432,628</u>

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

	Six months ended 30 June	
	2024	2023
	\$'000	\$'000
Revenue		
Reportable segment revenue	378,422	416,056
Elimination of inter-segment revenue	(328)	(219)
Consolidated revenue	<u>378,094</u>	<u>415,837</u>
Profit		
Reportable segment profit from operations	36,922	50,336
Interest income from bank deposits	3,579	1,248
Net gain on disposal of property, plant and equipment	—	11
Net foreign exchange gains	1,798	1,220
Interest expense on loan from a related company	(135)	(138)
Interest on lease liabilities	(26)	(30)
Consolidated profit before taxation	<u>42,138</u>	<u>52,647</u>

3 REVENUE AND SEGMENT REPORTING (Continued)

(b) Segment reporting (Continued)

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

	At 30 June 2024 \$'000	At 31 December 2023 \$'000
Assets		
Reportable segment assets	1,097,194	1,077,749
Elimination of inter-segment receivables	<u>(297,357)</u>	<u>(297,544)</u>
	799,837	780,205
Deferred tax assets	<u>27,306</u>	<u>27,351</u>
	827,143	807,556
Consolidated total assets	<u><u>827,143</u></u>	<u><u>807,556</u></u>
Liabilities		
Reportable segment liabilities	432,908	432,628
Elimination of inter-segment payables	<u>(297,357)</u>	<u>(297,544)</u>
	135,551	135,084
Consolidated total liabilities	<u><u>135,551</u></u>	<u><u>135,084</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 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	
	Six months ended		At	At
	30 June		30 June	31 December
	2024	2023	2024	2023
	\$'000	\$'000	\$'000	\$'000
Hong Kong (place of domicile)	118,620	127,143	404,435	411,254
Mainland China	30,902	31,523	37,754	37,936
International	228,572	257,171	—	—
	259,474	288,694	37,754	37,936
	378,094	415,837	442,189	449,190

4 PROFIT BEFORE TAXATION

	Six months ended 30 June	
	2024	2023
	\$'000	\$'000
Profit before taxation is arrived at after charging:		
(a) Finance costs		
Interest expense on loan from a related company	135	138
Interest on lease liabilities	26	30
Bank charges	70	64
	<u>231</u>	<u>232</u>
(b) Staff costs		
Retirement costs	5,693	5,578
Salaries, wages and other benefits	69,160	65,154
	<u>74,853</u>	<u>70,732</u>
(c) Other items		
Depreciation		
— Owned property, plant and equipment	3,968	3,716
— Right-of-use assets	8,155	8,049
Cost of inventories	237,896	250,278
Provision for impairment of trade and other receivables	186	186
	<u>186</u>	<u>186</u>

5 INCOME TAX

Taxation in the consolidated income statement represents:

	Six months ended 30 June	
	2024	2023
	\$'000	\$'000
Current tax – Mainland China		
— Provision for the period	3,628	1,922
Deferred tax		
— Origination and reversal of temporary differences	—	—
	3,628	1,922

No provision for Hong Kong Profits Tax in 2024 and 2023 has been made for the Company and other Hong Kong subsidiaries because the accumulated tax losses brought forward exceed the estimated assessable profits or the entities sustain losses for taxation purposes for both periods.

The Group's operations in the PRC are subject to Corporate Income Tax Law of the PRC. The standard PRC Corporate Income Tax rate is 25%.

6 DIVIDENDS

(i) Dividends payable to equity shareholders attributable to the interim period

The Board has resolved that no interim dividends will be declared for 2024 (2023: Nil).

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

	Six months ended 30 June	
	2024	2023
	\$'000	\$'000
Final dividend in respect of the previous financial year, approved and paid during the following interim period, of \$0.05 per ordinary share (six months ended 30 June 2023: \$0.01 per ordinary share)	18,679	3,736

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 for the six months ended 30 June 2024 of \$37,618,000 (six months ended 30 June 2023: \$48,518,000) and on 373,570,560 ordinary shares (at 30 June 2023: 373,570,560 ordinary shares), being the number of ordinary shares in issue throughout the period.

(b) Diluted earnings per share

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

8 TRADE AND OTHER RECEIVABLES

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

	At 30 June 2024 \$'000	At 31 December 2023 \$'000
Current (not past due)	29,419	31,373
Less than 1 month past due	1,885	1,902
1 to 3 months past due	816	1,138
More than 3 months but less than 12 months past due	683	306
	<u>32,803</u>	<u>34,719</u>

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 aged within two months from the invoice date.

Management has a credit policy in place and the exposure to this credit risk is monitored on an ongoing basis.

The credit terms given to customers vary and are generally based on the financial strength of the individual customers. In order to effectively manage the credit risks associated with trade debtors, credit evaluations of customers are performed periodically.

9 TRADE AND OTHER PAYABLES

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

	At 30 June	At 31 December
	2024	2023
	\$'000	\$'000
Current and less than 1 month past due	36,284	38,572
1 to 3 months past due	47	435
3 to 6 months past due	10	93
More than 6 months past due	32	—
	<hr/>	<hr/>
	36,373	39,100
	<hr/> <hr/>	<hr/> <hr/>

The general credit terms provided by suppliers are one to two months from the invoice date. Therefore, the current and less than 1 month past due balances above are mostly aged within two to three months from the invoice date.

FINANCIAL RESULTS

The Group registered a consolidated profit of HK\$38.5 million in the first semester of 2024, compared to HK\$50.7 million in 2023. As a result, net profit attributable to equity shareholders for 2024 was HK\$37.6 million, compared to HK\$48.5 million for the previous year. The decrease in profit was due to lower export volume and lower export margins from South China Operations.

The Group's consolidated revenue was HK\$378.1 million, 9.1% lower than in 2023. Gross profit reached HK\$139.5 million, a 15.4% decrease versus 2023, with a gross profit margin of 36.9%.

As of 30 June 2024, cash and cash equivalents and bank deposits amounted to HK\$197.3 million (HK\$180.0 million as of 31 December 2023).

Loan as of 30 June 2024 was at HK\$3.6 million (HK\$3.6 million as of 31 December 2023). Total net assets stood at HK\$691.6 million (HK\$672.5 million as of 31 December 2023), with a loan-to-equity ratio of 0.01 (31 December 2023: 0.01).

DIVIDENDS

The Board resolved that no dividends will be declared for the six months ended 30 June 2024.

BUSINESS REVIEW

Hong Kong Operations

Hong Kong's economy grew moderately in the first quarter of this year, with GDP improving 2.7%, driven by improvements in the export of services and goods. However, total retail sales in the first five months decreased by 7.7%, due to a drop in visitor spending and greater outbound travel, particularly to Mainland China on weekends and holidays. We anticipate that this trend will continue to challenge the retail sector in the near term.

Correspondingly, the Hong Kong beer market contracted by 3.2%, while the Company's total domestic volumes for the first six months of the year decreased by 6.0% compared to the same period in 2023. Nevertheless, growth in the Hong Kong Operations' exports resulted in a 4% increase in total volumes. Along with improved product cost, higher export margins, and higher leasing income, the Company registered a significant improvement in profit for the first six months of the year.

In the first half of 2024, the Company aggressively sought more on-premise outlets and ran promotions in retail chains. San Miguel Pale Pilsen’s “Taste of Hong Kong” campaign was launched in April, with new point-of-sales merchandise deployed to various channels to strengthen the brand’s association with Hong Kong. We also collaborated with key food and beverage opinion leaders (KOLs) to produce “Taste of Hong Kong” videos.

Meanwhile, San Mig Light (SML) aired a re-edited version of its “Seashore” TVC. The SML market-wide campaign, “Light is Life, Feel Light, Feel Good” was also released from May to June, supported by above-the-line advertising and a merchandising drive in Chinese restaurants, supermarkets, convenience stores, and provision stores. SML was also the official beer sponsor of the “Waterbomb” Hong Kong music event.

The San Miguel Cerveza Blanca “Perfect Moment” lucky draw promotion was also rolled out, supported by promotions via KOLs.

Various premium redemption promos were also implemented at supermarkets and convenience stores for other San Miguel brands, as well as the Kirin and Blue Ice brands.

South China Operations

China’s economy outperformed expectations in the first semester, lifted by the strong performance of key industrial and manufacturing sectors and the service sector. However, retail sales grew much slower compared to the last quarter of 2023, highlighting subdued consumer optimism.

Domestic volumes of San Miguel (Guangdong) Brewery Co., Ltd. (“SMGB”) grew marginally by 3% in the first semester. However, export volume was 12% lower in the first semester due to a shift in export customers’ sourcing preference to breweries outside of Mainland China. Margins from exports were also lower due to the downward adjustment in export transfer price due to foreign exchange movements. This weighed down operating profit, which declined by 60% compared to last year.

SMPP ran a San Miguel Chinese New Year themed campaign in January and February, which included a merchandising drive at on-premise outlets.

Meanwhile, the SMPP and SML market-wide promotion was launched in June in time for summer.

SMGB also introduced the new 250ml bottle for SML in May to enhance its product portfolio and cater to growing demand for small packaging, particularly in night outlets.

Brand visibility programs for the Dragon brand were also implemented. These include the “Year of the Dragon” merchandising campaign at off-premise and on-premise outlets from January to March, the Dragon Food Pairing Campaign, and “Dragon, Genuine Shunde Flavour” campaign from March to May.

OUTLOOK

There is reason to be optimistic about sustained growth for both the Hong Kong and South China economies. Still, we are fully aware that challenges and uncertainties lie ahead, such as continued tight financial conditions and geopolitical tensions that have impact on domestic demand and the exports of goods.

Nevertheless, we have put in place programs to help us cope with the risks we foresee. We will closely monitor market conditions to implement strategies to accelerate our volume recovery, manage costs effectively, and strengthen profitability overall.

We thank our employees for their hard work and perseverance, and the 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

There was no purchase, sale or redemption by the Company or any of its subsidiaries of its listed shares during the six months ended 30 June 2024.

CORPORATE GOVERNANCE

The Company has applied the principles set out in the Corporate Governance Code (the “CG Code”) as contained in Appendix C1 of the Listing Rules during the six months ended 30 June 2024, save for the deviation discussed below:

- The Company will be scheduling the board and other meetings in respect of CG Code provisions C.5.1 and C.2.7 for the rest of the year.

PUBLICATION OF DETAILED INTERIM RESULTS

A detailed results announcement containing all the information required by the Listing Rules 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, 29 July 2024

As at the date of this announcement, the Board of the Company comprises the executive director, Mr. Chan Weng Kheong, the non-executive directors, Mr. Ramon S. Ang (Chairman), Mr. Carlos Antonio M. Berba (Deputy Chairman), Ms. May (Michelle) W. M. Chan, Mr. Yoshinori Inazumi, Mr. Katsuhisa Nose and Mr. Fumiaki Ozawa; and the independent non-executive directors, Mr. Alonzo Q. Ancheta, Mr. Thelmo Luis O. Cunanan Jr., Dr. the Hon. Sir David K. P. Li and Mr. Reynato S. Puno.