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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 2021 INTERIM RESULTS

INTERIM RESULTS

The board of directors (the “Board”) 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 2021. 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	
		2021	2020
	<i>Note</i>	\$'000	\$'000
Revenue	3	266,395	244,142
Cost of sales		<u>(156,406)</u>	<u>(140,603)</u>
Gross profit		109,989	103,539
Other net income		13,078	16,581
Selling and distribution expenses		(78,778)	(75,198)
Administrative expenses		(37,267)	(38,378)
Other operating expenses		<u>(4,513)</u>	<u>(4,530)</u>
Profit from operations		2,509	2,014
Finance costs	4(a)	<u>(1,090)</u>	<u>(1,416)</u>
Profit before taxation	4	1,419	598
Income tax charge	5	<u>—</u>	<u>—</u>
Profit for the period		<u>1,419</u>	<u>598</u>
Attributable to:			
Equity shareholders of the Company		1,142	2,785
Non-controlling interests		<u>277</u>	<u>(2,187)</u>
Profit for the period		<u>1,419</u>	<u>598</u>
Earnings per share			
— Basic (cents)	7(a)	<u>0.3</u>	<u>0.8</u>
— Diluted (cents)	7(b)	<u>N/A</u>	<u>N/A</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME – UNAUDITED

(Expressed in Hong Kong dollars)

	Six months ended 30 June	
	2021	2020
	\$'000	\$'000
Profit for the period	1,419	598
	-----	-----
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	734	(1,108)
	-----	-----
Total comprehensive income for the period	2,153	(510)
	=====	=====
Attributable to:		
Equity shareholders of the Company	2,245	1,061
Non-controlling interests	(92)	(1,571)
	-----	-----
Total comprehensive income for the period	2,153	(510)
	=====	=====

CONSOLIDATED STATEMENT OF FINANCIAL POSITION – UNAUDITED

(Expressed in Hong Kong dollars)

		At 30 June 2021 \$'000	At 31 December 2020 \$'000
Non-current assets			
— Property, plant and equipment		348,521	348,409
— Investment properties		114,527	116,882
		463,048	465,291
Intangible assets		4,771	4,771
		467,819	470,062
Current assets			
Inventories		56,296	56,709
Trade and other receivables	8	30,171	42,775
Amounts due from holding companies and fellow subsidiaries		9,851	16,829
Amount due from a related company		902	1,260
Bank deposit		47,925	43,770
Cash and cash equivalents		100,626	112,339
		245,771	273,682
Current liabilities			
Trade and other payables	9	(75,299)	(83,027)
Loan from related companies		(54,843)	(54,731)
Amounts due to holding companies and fellow subsidiaries		(7,645)	(9,418)
Amounts due to related companies		(10,297)	(12,975)
Lease liabilities		(389)	(11)
		(148,473)	(160,162)
Net current asset		97,298	113,520

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

	At 30 June	At 31 December
	2021	2020
<i>Note</i>	\$'000	\$'000
Total assets less current liabilities	565,117	583,582
	<u>-----</u>	<u>-----</u>
Non-current liabilities		
Loan from related companies	(12,736)	(38,158)
Retirement benefit liabilities	(3,985)	(2,378)
Lease liabilities	(3,232)	(35)
	<u>-----</u>	<u>-----</u>
	(19,953)	(40,571)
	<u>-----</u>	<u>-----</u>
NET ASSETS	545,164	543,011
	<u>=====</u>	<u>=====</u>
CAPITAL AND RESERVES		
Share capital	252,524	252,524
Other reserves	326,250	324,005
	<u>-----</u>	<u>-----</u>
Total equity attributable to equity		
shareholders of the Company	578,774	576,529
Non-controlling interests	(33,610)	(33,518)
	<u>-----</u>	<u>-----</u>
TOTAL EQUITY	545,164	543,011
	<u>=====</u>	<u>=====</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 26 July 2021.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2020 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2021 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 2020 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 2020 that is included in the interim financial report as being previously reported information does not constitute the Company’s statutory 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 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 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 a number of amendments of HKFRSs that are first effective for the current accounting period of the Group and the Company. Of these, the following development is relevant to the Group's financial statements:

- Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16, *Interest Rate Benchmark Reform — Phase 2*

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.

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.

3 REVENUE AND SEGMENT REPORTING (Continued)

(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 2021 and 2020 is set out below:

	Six months ended 30 June					
	Hong Kong		Mainland China		Total	
	2021	2020	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue from						
external customers	175,987	177,312	90,408	66,830	266,395	244,142
Inter-segment revenue	180	89	—	—	180	89
Reportable segment revenue	176,167	177,401	90,408	66,830	266,575	244,231
Reportable segment (loss)/profit from operations (adjusted EBIT)	(619)	3,860	3,024	(2,935)	2,405	925
	Hong Kong		Mainland China		Total	
	At 30 June	At 31 December	At 30 June	At 31 December	At 30 June	At 31 December
	2021	2020	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Reportable segment assets	969,575	995,898	126,112	129,577	1,095,687	1,125,475
Reportable segment liabilities	120,449	145,931	430,074	436,533	550,523	582,464

3 REVENUE AND SEGMENT REPORTING (Continued)

(b) Segment reporting (Continued)

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

	Six months ended 30 June	
	2021	2020
	\$'000	\$'000
Revenue		
Reportable segment revenue	266,575	244,231
Elimination of inter-segment revenue	(180)	(89)
	<u>266,395</u>	<u>244,142</u>
Consolidated revenue	<u><u>266,395</u></u>	<u><u>244,142</u></u>
Profit		
Reportable segment profit from operations	2,405	925
Interest income from bank deposits	653	857
Gain on disposal of fixed assets	40	—
Net foreign exchange (losses)/gain	(639)	168
Interest expense on loan from related companies	(1,015)	(1,343)
Interest expense lease liabilities	(25)	(9)
	<u>1,419</u>	<u>598</u>
Consolidated profit before taxation	<u><u>1,419</u></u>	<u><u>598</u></u>
	At 30 June	At 31 December
	2021	2020
	\$'000	\$'000
Assets		
Reportable segment assets	1,095,687	1,125,475
Elimination of inter-segment receivables	(382,097)	(381,731)
	<u>713,590</u>	<u>743,744</u>
Consolidated total assets	<u><u>713,590</u></u>	<u><u>743,744</u></u>
Liabilities		
Reportable segment liabilities	550,523	582,464
Elimination of inter-segment payables	(382,097)	(381,731)
	<u>168,426</u>	<u>200,733</u>
Consolidated total liabilities	<u><u>168,426</u></u>	<u><u>200,733</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 fixed assets, intangible assets and other tangible assets ("specified non-current assets"). The geographic location of customers is based on the country of establishment of each customer. The geographic location of the specified non-current assets is based on the physical location of the assets, in the case of fixed assets and other tangible assets 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		At	At
	ended 30 June		30 June	31 December
	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000
Hong Kong (place of domicile)	118,983	123,442	432,387	434,622
Mainland China	37,485	33,994	35,432	35,440
Philippines	105,637	83,198	—	—
Others	4,290	3,508	—	—
	147,412	120,700	35,432	35,440
	266,395	244,142	467,819	470,062

4 PROFIT BEFORE TAXATION

	Six months ended 30 June	
	2021	2020
	\$'000	\$'000
Profit before taxation is arrived at after charging/(crediting):		
(a) Finance costs		
Interest expense on loan from related companies wholly repayable within five years	1,015	1,343
Interest expense on lease liabilities	25	9
Bank charges	50	64
	<u>1,090</u>	<u>1,416</u>
(b) Staff costs		
Retirement costs	4,994	4,466
Salaries, wages and other benefits	58,235	59,079
	<u>63,229</u>	<u>63,545</u>
(c) Other items:		
Depreciation		
— Property, plant and equipment	9,175	9,027
— Investment properties	2,355	2,372
Cost of inventories	156,074	139,305
Provision for impairment losses on trade and other receivables	161	157
	<u>161</u>	<u>157</u>

5 INCOME TAX

Taxation in the consolidated income statement represents:

	Six months ended 30 June	
	2021	2020
	\$'000	\$'000
Current tax - Outside Hong Kong		
— Provision for the period	—	—
	-----	-----
Deferred tax		
— Origination and reversal of temporary differences	—	—
	-----	-----
Income tax charge	—	—
	=====	=====

Under the two-tiered profits tax rate regime, the first \$2 million of assessable profits of qualifying corporations is taxed at 8.25% and the remaining assessable profits at 16.5%. No provision for Hong Kong Profits Tax for the six months ended 30 June 2021 is made for the Company and other Hong Kong subsidiaries either because the accumulated tax losses brought forward exceed the estimated assessable profits for the period or the entities sustained losses for taxation purposes.

The statutory tax rate applicable to the subsidiaries established in the People's Republic of China ("PRC") was 25% (2020: 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 DIVIDENDS

The Board resolved that no dividends will be declared for the six months ended 30 June 2021 (2020: Nil).

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 2021 of \$1,142,000 (30 June 2020: \$2,785,000) and on 373,570,560 ordinary shares (at 30 June 2020: 373,570,560 ordinary shares), being the number of ordinary shares in issue throughout the period.

(b) Diluted earnings per share

The diluted loss per share is not presented as the Company does not have dilutive potential ordinary share 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	At 31 December
	2021	2020
	\$'000	\$'000
Current	21,476	24,780
Less than 1 month past due	1,102	5,253
1 to 3 months past due	951	966
More than 3 months but less than 12 months past due	439	670
More than 12 months past due	—	16
	23,968	31,685

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

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 the customers vary and are generally based on the financial strength of the individual customer. 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
	2021	2020
	\$'000	\$'000
Current and less than 1 month past due	27,448	36,966
1 to 3 months past due	1,597	676
More than 3 months but less than 6 months past due	—	139
More than 6 months past due	14	42
	29,059	37,823

The Group's general payment terms are one to two months from the invoice date. Therefore, the current and less than 1 month past due balances above are mostly within two to three months from the invoice date.

FINANCIAL RESULTS

The Group registered a consolidated profit of HK\$1.4 million in the first semester of 2021, compared to the consolidated profit of HK\$0.6 million in 2020. As a result, net profit attributable to equity shareholders for 2021 was HK\$1.1 million, compared to HK\$2.8 million the previous year.

The Group's consolidated revenue was HK\$266.4 million, 9.1% more than the same period in 2020. Gross profit reached HK\$110.0 million, a 6.2% increase versus 2020, with a gross profit margin of 41.3%.

As of 30 June 2021, cash and cash equivalents and bank deposits amounted to HK\$148.6 million (HK\$156.1 million as of 31 December 2020).

Loans as of 30 June 2021 totaled HK\$67.6 million (HK\$92.9 million as of 31 December 2020). Total net assets stood at HK\$545.2 million (HK\$543.0 million as of 31 December 2020), with a loan-to-equity ratio of 0.12 (31 December 2020: 0.17).

DIVIDENDS

The Board resolved that no dividends will be declared for the six months ended 30 June 2021.

BUSINESS REVIEW

Hong Kong Operations

Hong Kong has slowly emerged from its worst recession on record, brought about by the Covid-19 pandemic and social unrest. The economy's return to growth in the first six months of the year was led by a resilient financial services industry, buoyant property prices, and resurgent trade. However, tourism, retail sales, and services segment — the largest job providers for the city's working-class — continued to be affected by the pandemic.

On-premise channels remained significantly affected by pandemic restrictions, with beer volumes declining 60% compared to the same period in 2020. The Covid-19 surge that happened in the first half of 2021 was worse than last year. This led to the contraction of the total Hong Kong beer industry by 10% during this period. Our local volumes managed to outperform the industry and was only 3% behind our results in the same period in 2020. Combined with volume gains in Macau and an increase in exports, the Company achieved a 3% improvement in total sales volume in the first six months of the year.

Our Hong Kong operations posted a loss due to a volume shift from higher priced, on-premise consumption to off-premise channels, as a result of longer period of on-premise outlet closures and more stringent restrictions due to rising covid cases. The notable increase in the cost of aluminum and diesel fuel also affected operations. In addition, the Hong Kong SAR Government has already stopped the Employment Support Scheme (ESS) that was given to companies from June to November of last year.

The Company was quick to adapt to the shift from on-premise to off-premise consumption, as local demand weakened and consumer behavior adapted to pandemic-related restrictions.

With off-premise consumption accounting for 90% of the total market, we shifted advertising and promotion resources to growing channels, improving our brands' position. We also continued to develop our presence in online selling platforms. This resulted to double-digit growth from online sales in the first half of the year. The Company made every effort to ensure that our brands remained among the most preferred by customers whether they were buying online or on-site.

While it was the mainstream beer segment that suffered the most from the market contraction, our San Miguel brands in the local market managed to achieve roughly the same volumes as the same period last year.

The Company launched our new wheat beer offering, San Miguel Cerveza Blanca late last year, eliciting positive trade and consumer feedback since its roll out. This year, the widely-accepted brand benefited from a series of out-of-home and online advertising, point-of-sale merchandising, and product trial events, resulting in favorable performance for the brand in the first semester of the year.

San Miguel Pale Pilsen, San Mig Light, San Miguel Cerveza Negra, as well as the recently-introduced San Miguel Cerveza Blanca, successfully launched an off-premise-wide promotion 生力神級幸運賞 from May to June, supported by tactical TV and online advertising, a public relations campaign, and in-store merchandising. To further capitalize on the shift to home consumption, a series of supplementary premium redemption promotions in convenience stores and provision stores were also implemented in the first half of the year.

Meanwhile, though also affected by the market contraction, the premium segment registered the lowest rate of decline for the period. The Company's broad portfolio of premium, specialty, and craft beers, managed a marginal 2% volume increase, mainly due to higher sales of Kirin beer brands, which we distribute exclusively within Hong Kong and Macau.

Our Blue Ice brand continued to compete in the lower-priced segment, supported by celebrity endorsement and retail chain promotions.

South China Operations

Despite the resurgence of Covid-19 in Guangdong and the restrictions imposed by the government, the first half of 2021 saw China recover from the economic slump that started in early 2020, due to the wide-ranging impacts of the Covid-19 pandemic. Likewise, our South China operations made a significant recovery until May of 2021 as restrictions were gradually lifted and favorable operating conditions returned. However, our June results were similarly affected by the Covid-19 restrictions due to a spike in cases during the month. Nevertheless, our year-to-date operating profit was still a significant improvement versus last year. Early last year, during the lockdown that was imposed in South China, our brewery in Foshan, along with other factories and shipping ports, were mandated to shut down temporarily. This year, our South China operation was able to benefit from higher export volumes and further cost improvements, which contributed to a strong profit turnaround.

With the expiration of the business term of Guangzhou San Miguel Brewery Company Limited (“GSMB”), GSMB ceased operations on 30 November 2020. Consequently, this was followed by the withdrawal of our previous partner’s brand, Guang’s, from the Company’s portfolio, which resulted to a 7% decline in total South China domestic volumes. Without the impact of Guang’s withdrawal, the domestic volume increased by 9%, but had minimal profit impact due to the brand’s low margins.

The principal activity of GSMB was the distribution of bottled, canned, and draught beer in the South China market. Following the cessation of its operations, the Company was able to achieve a smooth transition of its sales and marketing operations to San Miguel (Guangdong) Brewery Company Limited (“SMGB”). SMGB maintained GSMB’s previous sales network and even recruited new dealers in the first six months of the year.

To further increase visibility for San Miguel Pale Pilsen, we launched a merchandising drive covering 500 outlets, using a new Chinese New Year POSM design. The Company also rolled out a lucky draw consumer promotion for all San Miguel brands in all channels and regions beginning June to further drive consumption.

OUTLOOK

The Covid-19 pandemic will continue to have a socio-economic impact across the world. These impacts will be uneven, as the rollout of vaccination, as well as the lifting of restrictions, will vary per city and country. HK will similarly continue to have lingering uncertainties, with occasional surges in Covid-19 cases, similar to other countries. 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 thank our employees for their hard work and perseverance, and members of our Board for their guidance. Most of all, we thank all our consumers, customers, and business partners for their continued support, patronage, and trust.

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 2021.

CORPORATE GOVERNANCE

The Company has applied the principles set out in the Governance Code and Corporate Governance Report (the "CG Code") as contained in Appendix 14 of the Listing Rules during the six months ended 30 June 2021, save for the deviation discussed below:

- All of the non-executive directors are not appointed for a specific term (CG Code provision A.4.1) but are subject to retirement by rotation once every three years and reelection at the annual general meeting under the Company's Articles of Association.
- The Company will be scheduling board meetings for the rest of the year in respect of CG Code provisions A.1.1. and A.2.7.

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, 26 July 2021

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.