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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 2023

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 2023, 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 2023

(Expressed in Hong Kong dollars)

	<i>Note</i>	2023 <i>\$'000</i>	2022 <i>\$'000</i>
Revenue	3	741,619	681,163
Cost of sales		(456,180)	(434,085)
Gross profit		285,439	247,078
Other net income	4	39,475	36,432
Selling and distribution expenses		(173,116)	(159,835)
Administrative expenses		(77,199)	(79,357)
Other operating expenses		(7,815)	(8,245)
Profit from operations		66,784	36,073
Finance costs	5(a)	(339)	(1,075)
Profit before taxation	3,5	66,445	34,998
Income tax credit/(expense)	6	23,135	(1,863)
Profit for the year		89,580	33,135

CONSOLIDATED INCOME STATEMENT *(Continued)*
for the year ended 31 December 2023
(Expressed in Hong Kong dollars)

		2023	2022
	<i>Note</i>	\$'000	\$'000
Attributable to:			
Equity shareholders of the Company		85,898	32,305
Non-controlling interests		3,682	830
		<hr/>	<hr/>
Profit for the year		89,580	33,135
		<hr/> <hr/>	<hr/> <hr/>
Earnings per share			
— Basic (cents)	7(a)	23	9
		<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 2023

(Expressed in Hong Kong dollars)

	2023	2022
	\$'000	\$'000
Profit for the year	<u>89,580</u>	<u>33,135</u>
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	(3,024)	(8,420)
<i>Items that will not be reclassified to profit or loss</i>		
— Remeasurement of defined benefit plan obligations	<u>(67)</u>	<u>(6,098)</u>
	<u>(3,091)</u>	<u>(14,518)</u>
Total comprehensive income for the year	<u><u>86,489</u></u>	<u><u>18,617</u></u>
Attributable to:		
Equity shareholders of the Company	82,472	15,001
Non-controlling interests	<u>4,017</u>	<u>3,616</u>
Total comprehensive income for the year	<u><u>86,489</u></u>	<u><u>18,617</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 December 2023

(Expressed in Hong Kong dollars)

		2023	2022
	<i>Note</i>	\$'000	\$'000
Non-current assets			
Property, plant and equipment		340,971	338,844
Investment properties		103,448	108,162
		444,419	447,006
Intangible assets		4,771	4,771
Other receivables	8	6,492	—
Deferred tax assets		27,351	—
		483,033	451,777
Current assets			
Inventories		88,579	89,643
Trade and other receivables	8	43,627	43,183
Amounts due from holding companies and fellow subsidiaries		10,754	17,976
Amount due from a related company		555	2,759
Current tax recoverable		1,029	—
Cash and cash equivalents		179,979	114,006
		324,523	267,567
Current liabilities			
Trade and other payables	9	(85,953)	(93,241)
Loan from a related company		(3,578)	(3,632)
Amounts due to holding companies and fellow subsidiaries		(4,057)	(6,469)
Amounts due to related companies		(10,344)	(10,314)
Lease liabilities		(380)	(374)
		(104,312)	(114,030)
Net current assets		220,211	153,537

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)**at 31 December 2023**(Expressed in Hong Kong dollars)*

	<i>Note</i>	2023 \$'000	2022 \$'000
Total assets less current liabilities		703,244	605,314
Non-current liabilities			
Retirement benefit liabilities		(16,497)	(12,680)
Other payables	9	(11,741)	—
Lease liabilities		(2,534)	(2,915)
		(30,772)	(15,595)
NET ASSETS		672,472	589,719
CAPITAL AND RESERVES			
Share capital		252,524	252,524
Other reserves		444,048	365,312
Total equity attributable to equity shareholders of the Company		696,572	617,836
Non-controlling interests		(24,100)	(28,117)
TOTAL EQUITY		672,472	589,719

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 2023 and the financial information relating to the year ended 31 December 2022 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 2022, 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 2023 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 2022 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 2022. 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") 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

(a) Amended HKFRSs

The Group has applied the following amended HKFRSs issued by the HKICPA to these financial statements for the current accounting period:

- Amendments to HKAS 8, *Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates*
- Amendments to HKAS 1, *Presentation of financial statements* and HKFRS Practice Statement 2, *Making materiality judgements: Disclosure of accounting policies*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the amended HKFRSs are discussed below:

Amendments to HKAS 8, Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates

The amendments provide further guidance on the distinction between changes in accounting policies and changes in accounting estimates. The amendments do not have a material impact on these financial statements as the Group's approach in distinguishing changes in accounting policies and changes in accounting estimates is consistent with the amendments.

Amendments to HKAS 1, Presentation of financial statements and HKFRS Practice Statement 2, Making materiality judgements: Disclosure of accounting policies

The amendments require entities to disclose material accounting policy information and provide guidance on applying the concept of materiality to accounting policy disclosure. The Group has revisited the accounting policy information it has been disclosing and considered it is consistent with the amendments.

2 CHANGES IN ACCOUNTING POLICIES (Continued)

(b) New HKICPA guidance on the accounting implications of the abolition of the MPF-LSP offsetting mechanism

In June 2022, the Government of the Hong Kong SAR (the “Government”) gazetted the Hong Kong Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the “Amendment Ordinance”), which will come into effect from 1 May 2025 (the “Transition Date”). Once the Amendment Ordinance takes effect, an employer can no longer use any of the accrued benefits derived from its mandatory contributions to mandatory provident fund (“MPF”) scheme to reduce the long service payment (“LSP”) in respect of an employee’s service from the Transition Date (the abolition of the “offsetting mechanism”). In addition, the LSP in respect of the service before the Transition Date will be calculated based on the employee’s monthly salary immediately before the Transition Date and the years of service up to that date.

In July 2023, the HKICPA published the captioned accounting guidance relating to the abolition of the offsetting mechanism. In particular, the guidance indicates that entities may account for the accrued benefits derived from mandatory MPF contributions that are expected to be used to reduce the LSP payable to an employee as deemed contributions by that employee towards the LSP.

To better reflect the substance of the abolition of the offsetting mechanism, the Group has applied the above HKICPA guidance and changed its accounting policy in connection with its LSP liability, which should result in a catch-up profit or loss adjustment in June 2022 for the service cost up to that date and consequential impacts on current service cost, interest expense and remeasurement effects from changes in actuarial assumptions for the rest of 2022, with the corresponding adjustment to the comparative carrying amount of the LSP liability.

The abolition of the offsetting mechanism did not have a material impact on the Group’s profit or loss for the year ended 31 December 2022 and the Group’s and the Company’s financial position as at 31 December 2022. In light of the immaterial impact, the Group did not apply the change in its accounting policy retrospectively. Alternatively, the catch-up profit or loss adjustment of \$522,000 was recognised in the current accounting period with the corresponding adjustment to the LSP liability.

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 other assets with the exception of deferred tax 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 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 gains. 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 2023 and 2022 is set out below:

	Hong Kong		Mainland China		Total	
	2023	2022	2023	2022	2023	2022
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue from external customers	450,352	397,339	291,267	283,824	741,619	681,163
Inter-segment revenue	329	200	—	—	329	200
Reportable segment revenue	450,681	397,539	291,267	283,824	741,948	681,363
Reportable segment profit/(loss) from operations (adjusted EBIT)	17,505	(12,120)	44,463	43,351	61,968	31,231
Interest income from bank deposits	2,767	339	1,147	930	3,914	1,269
Interest expense on loans	—	(736)	(156)	(158)	(156)	(894)
Depreciation and amortisation	(21,687)	(20,908)	(2,559)	(1,906)	(24,246)	(22,814)
Net provision for impairment of trade and other receivables	(222)	(336)	—	—	(222)	(336)
Reportable segment assets	938,978	917,178	138,771	138,010	1,077,749	1,055,188
Additions to non-current segment assets during the year	17,237	9,489	7,267	6,596	24,504	16,085
Reportable segment liabilities	90,616	85,028	342,012	380,441	432,628	465,469

3 REVENUE AND SEGMENT REPORTING (Continued)

(b) Segment reporting (Continued)

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

	2023	2022
	\$'000	\$'000
Revenue		
Reportable segment revenue	741,948	681,363
Elimination of inter-segment revenue	<u>(329)</u>	<u>(200)</u>
Consolidated revenue	<u><u>741,619</u></u>	<u><u>681,163</u></u>
Profit		
Reportable segment profit from operations	61,968	31,231
Interest income from bank deposits	3,914	1,269
Net foreign exchange gains	777	3,458
Interest on lease liabilities	(58)	(66)
Interest expense on loans from related companies	<u>(156)</u>	<u>(894)</u>
Consolidated profit before taxation	<u><u>66,445</u></u>	<u><u>34,998</u></u>
Assets		
Reportable segment assets	1,077,749	1,055,188
Elimination of inter-segment receivables	<u>(297,544)</u>	<u>(335,844)</u>
Deferred tax assets	<u>780,205</u>	719,344
	<u>27,351</u>	—
Consolidated total assets	<u><u>807,556</u></u>	<u><u>719,344</u></u>
Liabilities		
Reportable segment liabilities	432,628	465,469
Elimination of inter-segment payables	<u>(297,544)</u>	<u>(335,844)</u>
Consolidated total liabilities	<u><u>135,084</u></u>	<u><u>129,625</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	
	2023	2022	2023	2022
	\$'000	\$'000	\$'000	\$'000
Hong Kong (place of domicile)	258,622	243,781	411,254	416,141
Mainland China	63,625	60,826	37,936	35,636
International	419,372	376,556	—	—
	482,997	437,382	37,936	35,636
	741,619	681,163	449,190	451,777

3 REVENUE AND SEGMENT REPORTING (Continued)

(c) Major customers

The Group's customer base is diversified and includes one customer (2022: 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.

	2023 \$'000	2022 \$'000
Largest customer (arose from both Hong Kong and Mainland China segments)	406,090	366,028
— Percentage of total revenue	<u>55%</u>	<u>54%</u>

4 OTHER NET INCOME

	2023 \$'000	2022 \$'000
Rental income from investment properties	33,115	24,924
Government subsidies (note)	—	6,168
Interest income from bank deposits	3,914	1,269
Net gain on disposal of property, plant and equipment	1,152	66
Net foreign exchange gains	777	3,458
Others	<u>517</u>	<u>547</u>
	<u>39,475</u>	<u>36,432</u>

Note: In 2022, the Group successfully applied for funding support from the Employment Support Scheme under the Anti-epidemic Fund, set up by the Government. The purpose of the funding was to provide financial support to employers to retain their current employees or hire more employees when the business revives.

5 PROFIT BEFORE TAXATION

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

	2023 \$'000	2022 \$'000
(a) Finance costs		
Interest expense on loans from related companies	156	894
Interest on lease liabilities	58	66
Bank charges	125	115
	<u>339</u>	<u>1,075</u>
(b) Staff costs		
Retirement costs		
— Contributions to defined contribution retirement plans	7,613	6,826
— Expenses in respect of defined benefit plans		
— ORSO plan	3,676	4,280
— Long service payments	632	—
	<u>11,921</u>	<u>11,106</u>
Salaries, wages and other benefits	<u>130,611</u>	<u>124,532</u>
	<u>142,532</u>	<u>135,638</u>
(c) Other items		
Depreciation		
— Owned property, plant and equipment	8,161	6,790
— Right-of-use assets	16,085	16,024
Cost of inventories [#]	454,734	432,684
Expense relating to short-term leases	695	717
Rental receivable from investment properties		
less direct outgoings of \$7,642,000		
(2022: \$7,722,000)	(25,473)	(17,202)
Auditors' remuneration — audit services	3,210	3,085
Net provision for impairment of trade and other receivables	<u>222</u>	<u>336</u>

[#] Cost of inventories includes \$60,811,000 (2022: \$56,191,000) relating to staff costs and depreciation expenses, which amount is also included in the respective total amounts disclosed separately above or in notes 5(b) and 5(c) for each of these types of expenses.

6 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

Taxation in the consolidated income statement represents:

	2023	2022
	\$'000	\$'000
Current year — Mainland China		
Provision for the year	3,591	—
Deferred tax		
Origination and reversal of temporary differences	<u>(26,726)</u>	<u>1,863</u>
	<u><u>(23,135)</u></u>	<u><u>1,863</u></u>

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

No provision for Hong Kong Profits Tax had been made for the Company and other Hong Kong subsidiaries for 2022 because the entities sustained losses for taxation purposes.

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%.

No provision for current taxation had been made for the subsidiaries established in the PRC for 2022 because the accumulated tax losses brought forward exceeded the estimated assessable profits 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 \$85,898,000 (2022: \$32,305,000) and on 373,570,560 (2022: 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 analysis of trade receivables, net of loss allowance, as at the end of the reporting period is as follows:

	2023	2022
	\$'000	\$'000
Current (not past due)	31,373	32,589
Less than 1 month past due	1,902	1,151
1 to 3 months past due	1,138	679
More than 3 months but less than 12 months past due	306	97
More than 12 months past due	—	34
	34,719	34,550

According to the Group's credit policy, customers are granted a credit period that generally requires payment by the end of the month following the month in which sales take place. Therefore, all the current balances disclosed above are aged within two months from the invoice date.

9 TRADE AND OTHER PAYABLES

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

	2023	2022
	\$'000	\$'000
Current and less than 1 month past due	38,572	46,615
1 to 3 months past due	435	950
3 to 6 months past due	93	—
	39,100	47,565

According to the credit terms provided by supplies, the Group is generally required to settle within one to two months from the invoice date. Therefore, the current and less than 1 month past due balances disclosed above are mostly aged within two to three months from the invoice date.

10 DIVIDENDS

(a) Dividends payable to equity shareholders of the Company attributable to the year

	2023	2022
	<i>\$'000</i>	<i>\$'000</i>
Final dividend proposed after the end of the reporting period of \$0.05 per ordinary share (2022: \$0.01 per ordinary share)	<u>18,679</u>	<u>3,736</u>

The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

(b) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year

	2023	2022
	<i>\$'000</i>	<i>\$'000</i>
Final dividend in respect of the previous financial year, approved and paid during the year	<u>3,736</u>	<u>—</u>

CLOSURE OF REGISTER OF MEMBERS

- (a) For the purpose of determining the shareholders who are entitled to attend and vote at the annual general meeting, the register of members of the Company will be closed from Wednesday, 17 April 2024 to Monday, 22 April 2024, both days inclusive. To qualify to attend and vote at the annual general meeting, shareholders should ensure that 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, 16 April 2024.
- (b) For the purpose of determining the shareholders who qualify for the final dividend, the register of members of the Company will be closed from Friday, 26 April 2024 to Thursday, 2 May 2024, both days inclusive. To qualify for the final dividend, 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 Thursday, 25 April 2024.

FINANCIAL RESULTS

The Group registered a consolidated profit of HK\$89.6 million in 2023 (2022: HK\$33.1 million). Net profit attributable to equity shareholders for 2023 was HK\$85.9 million (2022: HK\$32.3 million).

The increase in profit was due to the significant improvement in the operating results of both its Hong Kong and South China Operations. In addition, this year's results included a tax credit amounting to HK\$26.7 million, arising from the recognition of a deferred tax asset for the carryforward of unused tax losses and unused tax credits, given the profit-making position of the Group's Hong Kong and South China operations.

The Group's consolidated revenue was HK\$741.6 million, 8.9% higher than 2022. Gross profit was at HK\$285.4 million, 15.5% higher than the HK\$247.1 million in 2022, with a gross profit margin of 38.5%.

As of 31 December 2023, cash and cash equivalents and bank deposits amounted to HK\$180.0 million (HK\$114.0 million as of 31 December 2022).

Loan as of 31 December 2023 was at HK\$3.6 million (HK\$3.6 million as of 31 December 2022). Total net assets stood at HK\$672.5 million (HK\$589.7 million as of 31 December 2022), with a loan-to-equity ratio of 0.01 (31 December 2022: 0.01).

DIVIDENDS

On 29 February 2024, the Board of Directors approved the proposal to declare a final dividend of HK\$0.05 per share for the year ended 31 December 2023 to shareholders of record as of 2 May 2024. The proposal is further subject to the approval of the shareholders at the forthcoming annual general meeting.

BUSINESS REVIEW

HONG KONG OPERATIONS

In 2023, Hong Kong's economy grew by 3.2%. This was a softer recovery than initially forecasted by the government, following a contraction in 2022. The improvement was fueled mainly by increased tourism and consumer spending. However, despite the increase, inbound tourism was still far below 2018 levels. By comparison, more outbound tourism was observed, with more locals visiting the Mainland on weekends and holidays. Growth was further tempered by geopolitical tensions and high local interest rates following rate hikes implemented by major central banks across the globe in 2022. This continued to weigh down domestic demand and the exports of goods.

While the beer industry registered a modest increase of 1.1% in 2023, the Company's total volume for the year grew 11%. However, this was on account of increased export sales, as local volumes declined 5%, underperforming versus the industry, mainly due to the decline in the economy brands. Nevertheless, San Mig Light (SML) sustained its growth momentum, registering a double-digit volume increase compared to the previous year.

Higher export volumes, better margins, and value enhancement from the leasing of our property all combined to support our profit turnaround this year.

As the market recovered and on-trade business picked up, the Company embarked on an aggressive re-penetration of on-premise outlets to increase brand availability and drive volume growth. To maintain brand visibility, we aired a re-edited version of the San Miguel Pale Pilsen (SMPP) TVC, “A True Friend,” supported by the “Friends, Fly Together” market-wide promotion. These helped improve total awareness and preference for the brand. We also launched a new TVC for SML, complemented by the “Feel Light, Feel Good” market-wide promotion. Various premium redemption promotions were also implemented for the other San Miguel brands, and the Kirin and Blue Ice brands at supermarkets and convenience stores.

SMBHK marked its 75th Anniversary in 2023, and we collaborated with media company, Mill Milk to produce a 75th anniversary video launched on YouTube in October. To commemorate this milestone further with our consumers, the Company held an SMPP free ride day at KMB (Kowloon Motor Bus) Route No. 6 in November, with buses wrapped in our 75th anniversary-themed livery for eight weeks in November and December.

SOUTH CHINA OPERATIONS

While China posted a 5.2% GDP growth in 2023, recovery remains tenuous as the economy suffers through property crisis and weak global demand.

Similarly, San Miguel (Guangdong) Brewery Co., Ltd.’s (“SMGB”) domestic volumes registered a 10% increase compared to the previous year. With healthy volume growth in its export markets, total South China volumes improved by 10%, in 2023. Profits were at par with 2022 due to higher operating expenses.

With the full market re-opening, SMGB focused on increasing off-take through its SMPP “Share San Miguel” merchandising drive, supported by various consumer promotions. We launched a new visual merchandising campaign and consumer program for SML and Dragon to drive volume growth. SMGB also saw growth in online channels, with its penetration of two new online platforms and expanding its distribution coverage in an existing online account.

COMMUNITY RELATIONS AND SOCIAL RESPONSIBILITY

Social responsibility remains an integral part of our values as a Company. We work to make a positive impact on our employees, their families, our business partners, local communities, and the environment and ensure compliance with legal and regulatory requirements.

Since 2015, we have been publishing an Environmental, Social, and Governance (“ESG”) Report to provide the public with an appreciation of how we respond to different ESG issues, guided by our Sustainability Committee. The Company’s 2023 ESG Report will be available on our website no later than 28 March 2024.

Part of our commitment includes actively promoting responsible drinking within the organization and by the general public, protecting the environment, and meeting or exceeding environmental standards set by the government.

HUMAN RESOURCES

Our employees are crucial to our Company's success and in fulfilling our responsibilities to shareholders, society, and the environment. As such, we continue to implement programs to improve their well-being and capabilities.

We invested in in-house training programs and maximized the utilization of publicly available webinars to further enhance and develop knowledge, skills, and experiences needed to fulfill their duties. We also organized smaller-scale company programs and activities to foster camaraderie within the organization.

We regularly review our policies to ensure appropriate and sufficient measures are in place to provide our employees with a safe, secure, and healthy workplace conducive to their physical well-being and personal and career development.

We also continued to provide employees with competitive remuneration aligned with industry standards, along with attractive benefits that include medical and insurance coverage and paid leaves, on top of what is required by the law.

CORPORATE GOVERNANCE

The Company has applied the principles and complied with the requirements set out in the Corporate Governance Code, as contained in Appendix C1 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited throughout the year.

DIRECTORS

On 4 November 2023, one of the Company's non-executive directors, Mr. Roberto N. Huang, passed away peacefully in the Philippines. Save for this, the membership of our Board of Directors has remained the same since we published our interim report on 25 August 2023.¹

¹ Mr. Raymundo Y. Albano, an Executive Director and the Managing Director of the Company has tendered his resignation with effect from 8 March 2024 in view of his new assignment in San Miguel Brewery Inc.

FUTURE DIRECTION AND CHALLENGES

For 2024, the Company has outlined the following objectives:

- In Hong Kong, we will continue to improve brand preference and expand distribution coverage of our San Miguel brands to intensify volume recovery in all channels. We will maximize our brand portfolio to ensure we can meet consumer preferences. We will also continue to improve efficiencies across our operations to mitigate cost increases.
- In South China, we will continue to develop our wholesale network and accelerate penetration of on-premise channels to ensure the expansion of our outlet base. We will strengthen our brand portfolio with new offerings to allow us to meet the needs of consumers. We will continue pursuing cost rationalization and operational efficiency programs to improve margins.

Looking ahead, we are optimistic that the Company will be able to build on the inroads we have made in terms of our distribution coverage and improved brand disposition. However, we will remain cautious of factors that weigh down the economy, such as geopolitical tensions and tight financial conditions that may affect domestic and global demand.

Looking ahead, we reiterate our commitment to maximize shareholder value, strengthen our brands, and ensure that our products remain relevant to our consumers and customers. We have strategies to help us cope with the risks we foresee. We will closely monitor market conditions to implement appropriate strategies and programs to accelerate volume recovery, manage costs effectively, and strengthen profitability.

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

Neither the Company nor its subsidiaries purchased, sold, or redeemed any of the Company's listed securities during the year.

SCOPE OF WORK OF KPMG

The 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 2023 as set out in the preliminary announcement have been agreed by the Group's auditor, KPMG, Certified Public Accountants, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by KPMG in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by KPMG on the preliminary announcement.

PUBLICATION OF THE 2023 ANNUAL REPORT ON THE WEBSITE OF THE STOCK EXCHANGE

The Company's annual report for 2023 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 February 2024

(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. Yoshinori Inazumi, Mr. Fumiaki Ozawa and Mr. Yoshinori Tsuchiya; 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.