

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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 2009 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 2009. 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	
		2009	2008
	Note	\$'000	\$'000
Turnover	3,4	327,082	359,886
Cost of Sales		(172,226)	(181,512)
Gross profit		154,856	178,374
Other revenue		5,174	8,372
Other net income/(expenses)		499	(212)
Selling and distribution expenses		(140,584)	(151,958)
Administrative expenses		(38,747)	(44,651)
Other operating expenses		(4,958)	(4,220)
Loss from operations		(23,760)	(14,295)
Finance costs	5(a)	(6,593)	(8,183)
Loss before taxation	5	(30,353)	(22,478)
Income tax charge	6	(1,493)	(1,737)
Loss for the period		(31,846)	(24,215)
Attributable to:			
Equity shareholders of the Company		(29,321)	(23,453)
Minority interests		(2,525)	(762)
Loss for the period		(31,846)	(24,215)
Loss per share			
— Basic (cents)	8(a)	9	6
— Diluted	8(b)	N/A	N/A

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME — UNAUDITED*(Expressed in Hong Kong dollars)*

	Six months ended 30 June	
	2009	2008
	<i>Note</i>	
	\$'000	\$'000
Loss for the period	(31,846)	(24,215)
Other comprehensive income for the period (after tax):		
Exchange differences on translation of the financial statements of subsidiaries outside Hong Kong	104	23,161
Exchange differences on monetary items that form part of the net investment in subsidiaries outside Hong Kong	110	17,830
Total comprehensive income for the period	<u>(31,632)</u>	<u>16,776</u>
Attributable to:		
Equity shareholders of the Company	(29,130)	14,824
Minority interests	(2,502)	1,952
Total comprehensive income for the period	<u>(31,632)</u>	<u>16,776</u>

CONSOLIDATED BALANCE SHEET — UNAUDITED

(Expressed in Hong Kong dollars)

		At 30 June 2009		At 31 December 2008	
	Note	\$'000	\$'000	\$'000	\$'000
Non-current assets					
Fixed assets					
— Property, plant and equipment			1,211,619		1,224,950
— Investment properties			84,039		85,439
— Interest in leasehold land held for own use under operating leases			68,075		69,172
			<u>1,363,733</u>		<u>1,379,561</u>
Intangible assets			28,722		28,722
Other tangible assets			35,915		41,192
			<u>1,428,370</u>		<u>1,449,475</u>
Current assets					
Inventories			61,106		64,974
Trade and other receivables	9		108,426		103,586
Amounts due from holding companies and fellow subsidiaries			12,864		9,132
Current tax recoverable			101		101
Cash and cash equivalents			357,109		346,437
			<u>539,606</u>		<u>524,230</u>
Current liabilities					
Bank loans (unsecured)			(220,246)		(186,146)
Trade and other payables	10		(223,696)		(231,385)
Amounts due to holding companies and fellow subsidiaries			(4,454)		(6,457)
			<u>(448,396)</u>		<u>(423,988)</u>
Net current assets			<u>91,210</u>		<u>100,242</u>
Total assets less current liabilities			<u>1,519,580</u>		<u>1,549,717</u>
Non-current liabilities					
Retirement benefit liabilities			(37,845)		(37,845)
Deferred tax liabilities			(17,415)		(15,920)
			<u>(55,260)</u>		<u>(53,765)</u>
NET ASSETS			<u>1,464,320</u>		<u>1,495,952</u>
CAPITAL AND RESERVES					
Share capital			186,785		186,785
Reserves			1,234,816		1,263,946
Total equity attributable to equity shareholders of the Company			<u>1,421,601</u>		<u>1,450,731</u>
Minority interests			<u>42,719</u>		<u>45,221</u>
TOTAL EQUITY			<u>1,464,320</u>		<u>1,495,952</u>

NOTES:

(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 28 August 2009.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2008 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2009 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 2008 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 2008 that is included in the interim financial report as being previously reported information does not constitute the Company’s statutory financial statements for that financial year but is derived from those financial statements. Statutory audited financial statements for the year ended 31 December 2008 are available from the Company’s registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 29 April 2009.

2 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued one new HKFRS, a number of amendments to HKFRSs and new Interpretations that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group’s financial statements:

- HKFRS 8, *Operating segments*
- HKAS 1 (revised 2007), *Presentation of financial statements*
- Improvements to HKFRSs (2008)
- Amendments to HKFRS 7, *Financial instruments: Disclosures — improving disclosures about financial instruments*
- HKAS 23 (revised 2007), *Borrowing costs*

2 CHANGES IN ACCOUNTING POLICIES *(Continued)*

Certain of the changes to HKFRSs which are effective for the current accounting period comprise a number of minor amendments to a range of HKFRSs and the amendments to HKAS 23 and have had no material impact on the Group's unaudited interim financial report as the amendments and interpretations were consistent with policies already adopted by the Group. In addition, the amendments to HKFRS 7 do not contain any additional disclosure requirements specifically applicable to the interim financial report. The impact of the remainder of these developments on the interim financial report is as follows:

- HKFRS 8 requires segment disclosure to be based on the measures reported to the Group's chief operating decision maker for the purposes of assessing segment performance and making decisions about operating matters. The adoption of HKFRS 8 has resulted in the presentation of segment information in a manner that is more consistent with internal reporting provided to the Group's chief operating decision maker. As this is the first period in which the Group has presented segment information in accordance with HKFRS 8, additional explanation has been included in the interim financial report which explains the basis of preparation of the information. Corresponding amounts have also been provided on a basis consistent with the revised segment information.
- The adoption of HKAS 1 (Revised) changes certain presentation of the financial statements. Under the revised standard, details of changes in equity during the period arising from transactions with equity shareholders in their capacity as such have been presented separately from all other income and expenses in the consolidated statement of changes in equity. All other items of income and expense are presented in the consolidated income statement, if they are recognised as part of profit or loss for the period, or otherwise in the consolidated statement of comprehensive income. The new presentation for the consolidated statement of comprehensive income and the consolidated statement of changes in equity has been adopted in this consolidated interim financial statements and the comparative figures have been restated to conform to the new presentation. This change in presentation has no effect on the Group's net assets and profit or loss for any period presented.

3 TURNOVER

The principal activities of the Group are the manufacture and distribution of bottled, canned and draught beers.

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

Turnover represents the invoiced value of products sold, net of discounts, returns, beer duty and consumption tax.

4 SEGMENT REPORTING

As the Group is mainly engaged in the manufacture and distribution of bottled, canned and draught beers, the Group's chief operating decision maker considers the business from a geographic perspective.

The Group's chief operating decision maker assesses the performance of the operating segments based on profit before finance cost and income tax which is consistent with that in the financial statements. Sales between segments are carried out based on terms agreed.

Segment assets include all tangible assets, intangible assets and current assets and segment liabilities include current liabilities and non-current liabilities.

4 SEGMENT REPORTING (Continued)

	Six months ended 30 June																																													
	Hong Kong		PRC (excluding Hong Kong)		Total																																									
	2009	2008	2009	2008	2009	2008																																								
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000																																								
Revenue from external customers	182,168	175,757	144,914	184,129	327,082	359,886																																								
Inter-segment revenue	—	—	106,680	99,853	106,680	99,853																																								
Reportable segment revenue	<u>182,168</u>	<u>175,757</u>	<u>251,594</u>	<u>283,982</u>	<u>433,762</u>	<u>459,739</u>																																								
Reportable segment (loss)/profit	<u>(14,249)</u>	<u>3,490</u>	<u>(8,406)</u>	<u>5,389</u>	<u>(22,655)</u>	<u>8,879</u>																																								
	<table border="1"> <thead> <tr> <th rowspan="3"></th> <th colspan="2">Hong Kong</th> <th colspan="2">PRC (excluding Hong Kong)</th> <th colspan="2">Total</th> </tr> <tr> <th>At 30 June</th> <th>At 31 December</th> <th>At 30 June</th> <th>At 31 December</th> <th>At 30 June</th> <th>At 31 December</th> </tr> <tr> <th>2009</th> <th>2008</th> <th>2009</th> <th>2008</th> <th>2009</th> <th>2008</th> </tr> <tr> <th></th> <th>\$'000</th> <th>\$'000</th> <th>\$'000</th> <th>\$'000</th> <th>\$'000</th> <th>\$'000</th> </tr> </thead> <tbody> <tr> <td>Reportable segment assets</td> <td><u>1,181,359</u></td> <td><u>1,199,241</u></td> <td><u>786,617</u></td> <td><u>774,464</u></td> <td><u>1,967,976</u></td> <td><u>1,973,705</u></td> </tr> <tr> <td>Reportable segment liabilities</td> <td><u>106,703</u></td> <td><u>113,630</u></td> <td><u>397,583</u></td> <td><u>364,123</u></td> <td><u>503,656</u></td> <td><u>477,753</u></td> </tr> </tbody> </table>							Hong Kong		PRC (excluding Hong Kong)		Total		At 30 June	At 31 December	At 30 June	At 31 December	At 30 June	At 31 December	2009	2008	2009	2008	2009	2008		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	Reportable segment assets	<u>1,181,359</u>	<u>1,199,241</u>	<u>786,617</u>	<u>774,464</u>	<u>1,967,976</u>	<u>1,973,705</u>	Reportable segment liabilities	<u>106,703</u>	<u>113,630</u>	<u>397,583</u>	<u>364,123</u>	<u>503,656</u>	<u>477,753</u>
	Hong Kong		PRC (excluding Hong Kong)		Total																																									
	At 30 June	At 31 December	At 30 June	At 31 December	At 30 June	At 31 December																																								
	2009	2008	2009	2008	2009	2008																																								
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000																																								
Reportable segment assets	<u>1,181,359</u>	<u>1,199,241</u>	<u>786,617</u>	<u>774,464</u>	<u>1,967,976</u>	<u>1,973,705</u>																																								
Reportable segment liabilities	<u>106,703</u>	<u>113,630</u>	<u>397,583</u>	<u>364,123</u>	<u>503,656</u>	<u>477,753</u>																																								

(a) Reconciliation of reportable segment revenues and profit or loss

	Six months ended 30 June	
	2009	2008
	\$'000	\$'000
Revenue		
Reportable segment revenue	433,762	459,739
Elimination of inter-segment revenue	<u>(106,680)</u>	<u>(99,853)</u>
Consolidated turnover	<u>327,082</u>	<u>359,886</u>
Profit or loss		
Reportable segment (loss)/profit	(22,655)	8,879
Elimination of inter-segment profits	<u>(1,105)</u>	<u>(23,174)</u>
Reportable segment loss derived from Group's external customers	(23,760)	(14,295)
Finance costs	<u>(6,593)</u>	<u>(8,183)</u>
Consolidated loss before taxation	<u>(30,353)</u>	<u>(22,478)</u>

5 LOSS BEFORE TAXATION

	Six months ended 30 June	
	2009	2008
	\$'000	\$'000
Loss before taxation is arrived at after charging/(crediting):		
(a) Finance costs		
Interest expenses on bank loans	6,022	7,637
Bank charges	571	546
	<u>6,593</u>	<u>8,183</u>
(b) Staff costs		
Retirement costs	4,485	4,529
Salaries, wages and other benefits	50,715	50,142
	<u>55,200</u>	<u>54,671</u>
(c) Other items		
Amortisation		
— Land lease premium	1,108	1,221
— Other tangible assets	5,352	8,556
Depreciation		
— Property, plant and equipment	22,801	27,226
— Investment properties	1,570	1,108
Cost of inventories	172,221	178,692
Net foreign exchange loss/(gain)	144	(1,440)
Impairment losses		
— Trade and other receivables	499	33
	<u>499</u>	<u>33</u>

6 INCOME TAX

Taxation in the consolidated income statement represents:

	Six months ended 30 June	
	2009	2008
	\$'000	\$'000
Deferred tax		
— Origination and reversal of temporary differences	<u>1,493</u>	<u>1,737</u>

No provision for Hong Kong Profits Tax for the six months ended 30 June 2009 has been 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.

No provision for the PRC taxation has been made for the subsidiaries established in the PRC either because the entities sustained losses for taxation purposes or the entities were under tax holidays granted in the relevant tax jurisdictions.

7 DIVIDENDS

Directors have resolved that no interim dividends will be declared for 2009. No dividends have been declared or paid during 2008.

8 LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to equity shareholders of the Company for the period ended 30 June 2009 of \$29,321,000 (six months ended 30 June 2008: \$23,453,000) and on 373,570,560 ordinary shares (at 30 June 2008: 373,570,560 ordinary shares), being the number of ordinary shares in issue throughout the period.

(b) Diluted loss per share

The diluted loss per share is not presented as the Company does not have dilutive potential ordinary share for both periods.

9 TRADE AND OTHER RECEIVABLES

The ageing of trade receivables (net of allowance for doubtful debts) as of the balance sheet date is as follows:

	At 30 June 2009 \$'000	At 31 December 2008 \$'000
Current	64,216	58,968
Less than 1 month past due	8,056	11,302
1 to 3 months past due	1,042	1,279
More than 3 months but less than 12 months past due	2,464	1,034
More than 12 months past due	5,272	8,220
	<u>81,050</u>	<u>80,803</u>

Management has a credit policy in place and the exposures to those credit risks are 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.

10 TRADE AND OTHER PAYABLES

The ageing of trade payables as of the balance sheet date is as follows:

	At 30 June 2009 \$'000	At 31 December 2008 \$'000
Due within 1 month or on demand	99,914	96,594
Due after 1 month but within 3 months	395	459
Due after 3 months but within 6 months	92	199
Due after 6 months	65	83
	<u>100,466</u>	<u>97,335</u>

INTERIM RESULTS

The Company continues to refine its business strategy, focusing specifically on competitiveness and sharper execution in the way in which we bring and market our products to consumers.

While volumes in Hong Kong grew 2.3%, volumes in South China have been weaker than expected. Taken together, consolidated volume and turnover were 19.5% and 9.1% behind 2008 respectively, largely due to our South China operations.

Consolidated loss from operations for the six months ended 30 June 2009 was HK\$23.8 million, compared to HK\$14.3 million in 2008. Consolidated loss attributable to equity shareholders for the first semester of 2009 was HK\$29.3 million, from HK\$23.5 million posted last year.

Net cash balances for the period ended 30 June 2009 amounted to HK\$136.9 million. Total net assets maintained at HK\$1,464.3 million, along with a low debt-to-equity ratio of 0.15 and current ratio of 1.2 times.

Dividends

The Board has resolved that no dividends will be declared for the first six months of 2009.

Business Review

Hong Kong Operations

The start of 2009 saw preparation for the resumption of our brewing operations in our Yuen Long brewery. The plant will be more flexible and will be able to produce multi products e.g. beer and other beverages. With a much leaner operating structure, plant efficiencies and production costs are expected to improve. The first batch of products was available for export in April, while products for local market were made available in May.

While our Hong Kong operations turned in sales volume growth of 2.3%, the shift in product mix towards our economy segment has resulted to narrower profit margins. While our imported premium brands continued to register growth, volumes have been growing at a slower pace than previously as sales in Macau were hugely affected by the ongoing financial crisis that has brought casino operations almost to a halt.

Despite some setbacks, the Company managed to defend its leading position and benefitted from the strength of its wide portfolio of brands that cater to the different needs of the trade and consumers. By building our brand portfolio through effective marketing, we hope to retain consumers who enjoy our brands, and attract and excite new consumers to maintain our market share.

Building on the huge success of “San Miguel WildDayOut”, the Company has organized WildDayOut bar shows in the first half of 2009 to solidify the brand San Miguel communication platform with young consumers. Another upcoming highlight is the most awaited San Miguel “WildDayOut” Grand Show that will coincide with Halloween.

With soccer being the most popular sport in Asia and to take advantage of the hype leading up to the 2010 World Cup, the Company has launched a new program called “San Miguel Soccer Union” that created the perfect environment for consumers to view Premier League soccer games in bars and be part of a live broadcast on a sports channel in Hong Kong, the NOW Sport 2 Channel.

For the second half of 2009, the Company intends to build brand presence through the launch of a new marketing campaign for brand San Miguel, including television commercials using a new theme complemented with similarly-themed market promotions, to meet the challenges of the market.

South China Operations

The effects of the global financial crisis continued to be felt in South China for the first six months of 2009. Both San Miguel (Guangdong) Brewery Company Limited (“SMGB”) and Guangzhou San Miguel Brewery Company Limited (“GSMB”) were particularly affected by the difficult market conditions as the economies of the cities the two companies operate in are mostly dependent on the export and manufacturing industries, thus were the ones hard hit by factory closures.

SMGB recorded a volume decline during the first six months of 2009 compared to the same period last year. While the economy of Foshan contracted, SMGB continued to adapt to the changing market. Dragon Bottled Draft, which was launched last year to upgrade the total product portfolio mix of SMGB, proved to be a promising addition, as it already achieved double-digit growth since its launch.

The Company continued to air the Dragon Beer television commercial “Bar” and “Pool” as part of the brand’s visibility program. Complementing the television ad were billboards and market-wide promotions to reinforce Dragon Beer’s brand equity and competitiveness in the challenging market.

With the current economic situation, SMGB has worked to further improve in the areas of sales and distribution management systems, processes and training, so as to ensure that operating disciplines are in place and reinforced and that the entire organization will be in pole position once the economic situation improves.

GSMB likewise posted a sales volume decline versus the previous year. Nevertheless, in more developed cities like Guangzhou and Shenzhen which were less affected as these markets are less dependent on manufacturing and exports, we are encouraged by the positive trend registered in the second quarter of the year. Guangzhou managed to endure minimal year-to-date volume decline, with second quarter volumes growing by 2%, a turnaround from the 14% decline registered in the first quarter; similarly, Shenzhen managed to reverse the declining trend in the first quarter, growing by as much as 55% in the second quarter to end the first six months with an impressive double-digit sales growth. In addition, total volume in GSMB’s Retail Chain operations posted a significant growth of 61% over last year.

Facing these challenges head-on, the Company will continue to strengthen San Miguel’s presence in higher-end bars, pubs and restaurants complemented by the launch of the new San Miguel Draught Beer.

Outlook

While the Group continues to compete in a difficult market, it remains optimistic on the outlook for the rest of the year given the positive trend we are witnessing in key cities of our South China operations. The Company is also placing a great deal of emphasis on investments in brand-building and improvements in its sales and distribution management systems which should help create a solid groundwork for the Group's growth in the future. We understand that there is still more work to be done in order to lead the Company toward improved profitability. The Company has adopted the appropriate strategies and certainly has the resolve to successfully surmount the inevitable challenges, both old and new, that will affect its operating environment.

Tough times are a test of strength and determination and we have made steady and measurable progress in our strategy and objectives and continue to view the future with optimism. In closing, I would like to take this opportunity to thank all our directors for their guidance and our employees for their dedication and hard work. I would also like to thank all our customers and business associates for their continued support and trust.

Our thanks also go to you for your support. I'm confident that your investment and faith in San Miguel will be rewarded.

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 2009.

CORPORATE GOVERNANCE

The Company has applied the principles of the Code Provisions under the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules during the six months ended 30 June 2009, save for the deviation discussed below:

- All of the non-executive directors are not appointed for a specific term (Code Provision A.4.1) but are subject to retirement by rotation once every three years and re-election at the annual general meeting under the Company's Articles of Association.

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 and the Company's website (<http://info.sanmiguel.com.hk>) in due course.

By order of the Board

Ramon S. Ang

Chairman

Hong Kong, 28 August 2009

As at the date of this announcement, the Board of the Company comprises the executive director, Mr. Peter K. Y. Tam, the non-executive directors, Mr. Ramon S. Ang (Chairman), Mr. Faustino F. Galang (Deputy Chairman), Mr. Carlos Antonio M. Berba, Ms. Minerva Lourdes B. Bibonia, Mr. Cheung Yuen Tak, Mr. Thelmo Luis O. Cunanan, Jr., General Benjamin P. Defensor, Jr. and Ms. Jesusa Victoria Hernandez-Bautista; and the independent non-executive directors, Dr. The Hon. Sir. David K. P. Li, Mr. Ng Wai Sun and Mr. Carmelo L. Santiago.