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 2009

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 2009, 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 2009
(Expressed in Hong Kong dollars)

	Note	**2009** **$'000**	2008 $'000 (restated)
Turnover	*3, 4*	**696,824**	753,375
Cost of sales		**(335,051)**	(326,085)
Gross profit		**361,773**	427,290
Other revenue	*5*	**10,372**	14,966
Other net expenses	*5*	**(8,933)**	(1,193)
Selling and distribution expenses		**(302,960)**	(326,844)
Administrative expenses		**(70,077)**	(79,195)
Other operating expenses		**(19,761)**	(44,098)
Impairment losses of non-current assets	*6*	**(302,293)**	(291,959)
Loss from operations		**(331,879)**	(301,033)
Finance costs	*7(a)*	**(13,445)**	(15,659)
Loss before taxation	*7,4*	**(345,324)**	(316,692)
Income tax credit	*8*	**2,272**	58,537
Loss for the year		**(343,052)**	(258,155)
Attributable to:			
Equity shareholders of the Company		**(334,856)**	(259,907)
Minority interests		**(8,196)**	1,752
Loss for the year		**(343,052)**	(258,155)
Loss per share			
— Basic (cents)	*9(a)*	**(90)**	(70)
— Diluted (cents)	*9(b)*	**N/A**	N/A

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2009

(Expressed in Hong Kong dollars)

	2009	2008
	$'000	*$'000*
		(restated)
Loss for the year	**(343,052)**	(258,155)
Other comprehensive income for the year (after tax)		
Exchange differences on translation of:		
— financial statements of subsidiaries outside Hong Kong	**76**	14,706
— monetary items that form part of the net investment in subsidiaries outside Hong Kong	**336**	18,607
	412	33,313
Actuarial gains and losses of defined benefit retirement plan	**21,199**	(35,798)
	21,611	(2,485)
Total comprehensive income for the year	**(321,441)**	(260,640)
Attributable to:		
Equity shareholders of the Company	**(313,315)**	(264,883)
Minority interests	**(8,126)**	4,243
Total comprehensive income for the year	**(321,441)**	(260,640)

CONSOLIDATED BALANCE SHEET
at 31 December 2009
(Expressed in Hong Kong dollars)

	Note	**31 December 2009 $'000**	31 December 2008 $'000 (restated)	1 January 2008 $'000 (restated)
Non-current assets				
Fixed assets				
— Property, plant and equipment		**946,321**	1,224,950	1,328,148
— Investment properties		**85,085**	85,439	87,534
— Interests in leasehold land held for own use under operating leases		**55,792**	69,172	81,228
		1,087,198	1,379,561	1,496,910
Intangible assets		**17,122**	28,722	39,643
Goodwill		**—**	—	5,044
Other tangible assets		**18,565**	41,192	53,164
		1,122,885	1,449,475	1,594,761
Current assets				
Non-current assets held for sale		**6,997**	—	—
Inventories		**60,673**	64,974	40,027
Trade and other receivables	*10*	**73,941**	97,807	123,423
Amounts due from holding companies and fellow subsidiaries		**12,460**	9,132	6,893
Current tax recoverable		**—**	101	71
Pledge deposits		**60,000**	—	18,696
Cash and cash equivalents		**285,902**	346,437	446,168
		499,973	518,451	635,278
Current liabilities				
Bank loans		**(242,343)**	(186,146)	(193,780)
Trade and other payables	*11*	**(168,467)**	(231,385)	(193,373)
Amounts due to holding companies and fellow subsidiaries		**(11,793)**	(6,457)	(19,110)
		(422,603)	(423,988)	(406,263)
Net current assets		**77,370**	94,463	229,015

CONSOLIDATED BALANCE SHEET *(continued)*
at 31 December 2009
(Expressed in Hong Kong dollars)

	31 December 2009	31 December 2008	1 January 2008
	$'000	*$'000*	*$'000*
		(restated)	(restated)
Total assets less current liabilities	**1,200,255**	1,543,938	1,823,776
Non-current liabilities			
Retirement benefit liabilities	**(18,089)**	(37,845)	(8,625)
Deferred tax liabilities	**(12,682)**	(15,168)	(63,586)
	(30,771)	(53,013)	(72,211)
NET ASSETS	**1,169,484**	1,490,925	1,751,565
CAPITAL AND RESERVES			
Share capital	**186,785**	186,785	186,785
Reserves	**945,805**	1,259,120	1,524,003
Total equity attributable to equity shareholders of the Company	**1,132,590**	1,445,905	1,710,788
Minority interests	**36,894**	45,020	40,777
TOTAL EQUITY	**1,169,484**	1,490,925	1,751,565

NOTES TO THE ANNUAL RESULTS

(Expressed in Hong Kong dollars)

1. BASIS OF PREPARATION

The annual results set out in this announcement does not constitute the Group's statutory financial statements for the year ended 31 December 2009 but are extracted from those financial statements.

The statutory financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. The statutory financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The measurement basis used in the preparation of the statutory financial statements is the historical cost basis.

2. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued one new HKFRS, a number of amendments to HKFRSs and new interpretations that are first effective for the current accounting period of the Group. 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)
— HKAS 23 (revised 2007), *Borrowing costs*

The amendments to HKAS 23 have had no material impact on the Group's financial statements as the amendments were consistent with policies already adopted by the Group. The impact of the remainder of these developments is as follows:

— HKFRS 8 requires segment disclosure to be based on the way that the Group's chief operating decision maker regards and manages the Group, with the amounts reported for each reportable segment being the measures reported to the Group's chief operating decision maker for the purposes of assessing segment performance and making decisions about operating matters. This differs from the presentation of segment information in prior years which was based on a disaggregation of the Group's financial statements into geographical segments based on locations of customers. 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 most senior executive management. Corresponding amounts have been provided on a basis consistent with the revised segment information.

— As a result of the adoption of HKAS 1 (revised 2007), 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 a revised 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 a new primary statement, the consolidated statement of comprehensive income. Corresponding amounts have been restated to conform to the new presentation. This change in presentation has no effect on reported profit or loss, total income and expense or net assets for any period presented.

2. CHANGES IN ACCOUNTING POLICIES *(continued)*

— The "Improvements to HKFRSs (2008)" comprise a number of minor and non-urgent amendments to a range of HKFRSs which the HKICPA has issued as an omnibus batch of amendments. Of these, the amendments to HKAS 38, Intangible assets, have resulted in a change to the Group's accounting policies:

As a result of amendments to HKAS 38, Intangible assets, expenditure on advertising and promotional materials is recognised as an expense when the Group has the right to access the goods or when the entity receives the services. The Group has a right to access goods when it owns them or when they have been constructed by a supplier in accordance with the terms of a supply contract and the Group could demand delivery of them in return for payment. Prior to this change, the Group adopted a policy whereby advertising and promotional materials were capitalised in other receivables and recognised in profit or loss when they were distributed to customers.

This change has been applied retrospectively with comparatives restated. The adjustments for each financial statement line item affected for the years ended 31 December 2009 and 2008 are set out below:

	2009	2008
	$'000	*$'000*
Consolidated income statement for the year ended 31 December		
((Decrease)/increase in net loss)		
Selling and distribution expenses	**(547)**	2,507
Loss from operations and before taxation	**(547)**	2,507
Income tax	**752**	(378)
Loss for the year	**205**	2,129
Attributable to:		
Equity shareholders of the Company	**286**	2,138
Minority interests	**(81)**	(9)
Loss per share (basic) in cents	**0.1**	1
Consolidated statement of changes in equity for the year ended 31 December		
(Decrease in total equity)		
Total equity at 1 January	**(5,027)**	(2,898)
Total comprehensive income for the year	**(205)**	(2,129)
Total equity at 31 December	**(5,232)**	(5,027)

2. **CHANGES IN ACCOUNTING POLICIES** *(continued)*

This change has been applied retrospectively with comparatives restated. The adjustments for each financial statement line item affected for the years ended 31 December 2009 and 2008 are set out below: *(continued)*

	At 31 December 2009 *$'000*	At 31 December 2008 *$'000*	At 1 January 2008 *$'000*
Consolidated balance sheet *((Decrease)/increase in net assets)*			
Trade and other receivables	**(5,232)**	(5,779)	(3,272)
Net current assets and total assets less current liabilities	**(5,232)**	(5,779)	(3,272)
Deferred tax liabilities	**—**	752	374
Net assets	**(5,232)**	(5,027)	(2,898)
Reserves and total equity attributable to equity shareholders of the Company	**(5,112)**	(4,826)	(2,688)
Minority interests	**(120)**	(201)	(210)
Total equity	**(5,232)**	(5,027)	(2,898)

3. **TURNOVER**

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

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

4. **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 operation mainly represents the manufacture and distribution of own brewed and imported beer products in Hong Kong, and distribution of own brewed products overseas. In 2008 and the first quarter of 2009, the Hong Kong operation solely distributed imported beer products in Hong Kong as its plant suspended production until April 2009.

— The mainland China operation mainly represents the manufacture and distribution of own brewed beer products in the Southern part of the People's Republic of China ("PRC"). The mainland China operation also supplied beer products to the Hong Kong operation in 2008 and until late 2009.

All of the Group's turnover is generated from the manufacture and distribution of bottled, canned and draught beers.

4. SEGMENT REPORTING *(continued)*

(a) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible assets, intangible assets and current assets. Segment liabilities include trade creditors and accruals attributable to the manufacture and distribution activities of the individual segments, bank loans and retirement benefit liabilities managed directly by the segment and current liabilities with the exception of deferred tax liabilities.

The measure used for reportable segment profit or loss is profit/(loss) before taxation. Taxation charge/(credit) is not allocated to reportable segments. Inter-segment sales are priced at cost plus profit margin.

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 2009 and 2008 is set out below:

	Hong Kong		Mainland China		Total	
	2009	2008	**2009**	2008	**2009**	2008
	$'000	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*
		(restated)		(restated)		(restated)
Revenue from external customers	**416,478**	379,282	**280,346**	374,093	**696,824**	753,375
Inter-segment revenue	**—**	—	**84,581**	141,329	**84,581**	141,329
Reportable segment revenue	**416,478**	379,282	**364,927**	515,422	**781,405**	894,704
Reportable segment profit/(loss) from operations	**69,777**	142,693	**(415,101)**	(458,915)	**(345,324)**	(316,222)
Interest income from bank deposits	**1,227**	5,356	**1,722**	4,104	**2,949**	9,460
Interest expense on bank loans	**—**	(524)	**(10,915)**	(14,215)	**(10,915)**	(14,739)
Depreciation and amortisation for the year	**(34,475)**	(33,152)	**(30,500)**	(42,235)	**(64,975)**	(75,387)
(Impairment losses)/reversal of impairment losses on						
— non-current assets	**(11,000)**	(10,992)	**(291,293)**	(280,967)	**(302,293)**	(291,959)
— trade receivables	**664**	(3,414)	**131**	425	**795**	(2,989)
Reportable segment assets	**1,520,583**	1,530,831	**482,199**	824,628	**2,002,782**	2,355,459
Additions to non-current segment assets during the year	**3,239**	1,861	**50,219**	186,978	**53,458**	188,839
Non-current assets held for sale	**6,997**	—	**—**	—	**6,997**	—
Reportable segment liabilities	**82,656**	122,850	**737,960**	726,516	**820,616**	849,366

4. **SEGMENT REPORTING** *(continued)*

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

	2009	2008
	$'000	*$'000*
		(restated)
Revenue		
Reportable segment revenue	**781,405**	894,704
Elimination of inter-segment revenue	**(84,581)**	(141,329)
Consolidated turnover	**696,824**	753,375
Loss		
Reportable segment loss from operations	**(345,324)**	(316,222)
Elimination of inter-segment profits	**—**	(470)
Reportable segment loss derived from Group's external customers and consolidated loss before taxation	**(345,324)**	(316,692)
Assets		
Reportable segment assets	**2,002,782**	2,355,459
Elimination of inter-segment receivables	**(379,924)**	(387,533)
Consolidated total assets	**1,622,858**	1,967,926
Liabilities		
Reportable segment liabilities	**820,616**	849,366
Elimination of inter-segment payables	**(379,924)**	(387,533)
	440,692	461,833
Deferred tax liabilities	**12,682**	15,168
Consolidated total liabilities	**453,374**	477,001

(c) Geographic information

The following table sets out information about the geographic location of the Group's fixed assets, intangible assets and other tangible assets ("specified non-current assets"). 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.

	Specified non-current assets	
	2009	2008
	$'000	*$'000*
Hong Kong	**829,633**	860,853
Mainland China	**293,252**	588,622
	1,122,885	1,499,475

(d) Major customers

In 2009, the revenue from the Group's largest customer and five largest customers amounted to 17% (2008: 18%) and 52% (2008: 50%) of the Group's total revenue respectively.

5. OTHER REVENUE AND OTHER NET EXPENSES

	2009	2008
	$'000	*$'000*
Other revenue		
Interest income from bank deposits	**2,949**	9,460
Rental income	**7,423**	5,506
	10,372	14,966
Other net expenses		
Net loss on disposal of property, plant and equipment	**(6,570)**	(375)
Net loss on disposal of other tangible assets	**(2,842)**	(4,182)
Net foreign exchange (losses)/gains	**(75)**	1,655
Others	**554**	1,709
	(8,933)	(1,193)

6. IMPAIRMENT LOSSES OF NON-CURRENT ASSETS

Impairment losses of non-current assets represent:

	2009	2008
	$'000	*$'000*
Non-current assets relating to mainland China operations *(note)*	**300,000**	290,000
Other tangible assets	**1,691**	1,959
Intangible assets — club debentures	**602**	—
	302,293	291,959

Note: During 2009 and 2008, the directors noted that the decline in demand for the Group's products in mainland China, compared to previous forecasts in sales and the operating losses that consequently arose were indications that non-current assets of operations in mainland China, comprising mainly the production plant located in Shunde, Guangdong Province, trademarks, other tangible assets and goodwill, may be impaired. Over the past two years, the Group's business performance in mainland China had been adversely affected by factors including economic downturn, fierce market competition, counterfeit products and poor weather conditions. In view of this, the directors prepared a cash flow projection to estimate the recoverable amount of the cash-generating unit to which these assets belong ("the cash-generating unit"). The directors concluded that it is appropriate to recognise an impairment loss of $300,000,000 (2008: $290,000,000), with details as follows:

	2009	2008
	$'000	*$'000*
Fixed assets	**271,200**	264,284
Intangible assets — trademarks	**11,000**	10,992
Goodwill	**—**	5,044
Other tangible assets	**17,800**	9,680
	300,000	290,000

6. IMPAIRMENT LOSSES OF NON-CURRENT ASSETS *(continued)*

Note: (continued)

The recoverable amount of the cash-generating unit has been determined based on a value-in-use calculation. That calculation uses cash flow projections based on business forecasts approved by the management covering a period of six years (2008: seven years) as management expect that a longer time is required for the Group to cope with the aforementioned adverse factors. Cash flows beyond the six-year (2008: seven-year) period are extrapolated using a steady growth rate of 4% (2008: 3%). This growth rate does not exceed the long-term average growth rate for the PRC.

Key assumptions used for value-in-use calculation:

	2009	2008
Sales volume growth rate	**5.5 - 7.3%**	0 - 6%
Gross contribution rate	**39 - 40%**	36 - 46%
Pre-tax discount rate	**13.17%**	11.45%

Management determined the growth rate and gross contribution rate based on past experience as well as future expected market trends.

7. LOSS BEFORE TAXATION

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

		2009	2008
		$'000	*$'000*
(a)	**Finance costs**		
	Interest expense on bank loans wholly repayable within five years	**10,915**	14,739
	Bank charges	**2,530**	920
		13,445	15,659
(b)	**Staff costs**		
	Retirement costs		
	— Defined contribution retirement plans	**6,631**	6,027
	— Defined benefit retirement plan	**4,875**	3,558
		11,506	9,585
	Salaries, wages and other benefits	**99,341**	91,656
		110,847	101,241
(c)	**Other items**		
	Amortisation		
	— Land lease premium	**2,217**	2,459
	— Other tangible assets	**9,771**	14,945
	Depreciation		
	— Property, plant and equipment	**50,717**	55,764
	— Investment properties	**2,270**	2,219
	Cost of inventories	**330,710**	320,320
	Operating lease charges: minimum lease payments		
	— Land and buildings	**2,891**	3,044
	— Plant and machinery	**232**	432
	Rental receivable from investment properties less direct outgoings of $2,393,000 (2008: $2,327,000)	**(5,030)**	(3,179)
	Auditors' remuneration	**3,737**	3,640
	(Reversal of)/provision for impairment loss on trade receivables	**(795)**	2,989

8. INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

Taxation in the consolidated income statement represents:

	2009	2008
	$'000	*$'000*
		(restated)
Current tax — Hong Kong Profits Tax		
Over-provision in respect of prior years	—	25
Deferred tax		
Origination and reversal of temporary differences	**2,272**	58,073
Effect of decrease in tax rate on deferred tax balance	—	439
	2,272	58,512
Income tax credit	**2,272**	58,537

The statutory tax rate applicable to the Company and other Hong Kong subsidiaries was 16.5% (2008: 16.5%). No provision for Hong Kong Profits Tax 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 year or the entities sustained losses for taxation purposes.

The statutory tax rate applicable to the subsidiaries established in the PRC was 25% (2008: 25%). No provision for overseas taxation has been made for the subsidiaries established outside Hong Kong either because the entities sustained losses for taxation purposes or the entities were under tax holidays granted in the relevant tax jurisdictions.

Change in tax rate

In February 2008, the Hong Kong Government announced a decrease in the Hong Kong Profits Tax rate from 17.5% to 16.5% applicable to the Group's operations in Hong Kong as from the year ended 31 December 2008. This decrease was taken into account in the preparation of the Group's 2008 financial statements. Accordingly, the 2008 opening balances of deferred tax relating to the Group's operations in Hong Kong have been re-estimated.

9. 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 of 334,856,000 (2008 (restated): $259,907,000) and on 373,570,560 ordinary shares (2008: 373,570,560 ordinary shares), being the number of ordinary shares in issue throughout the year.

(b) Diluted loss per share

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

10. TRADE AND OTHER RECEIVABLES

Credit limit is offered to customers following financial assessment and an established payment record. General credit period is payment by the end of the month following the month in which sales took place. Security in the form of mortgages, cash deposits or bank guarantees is obtained from certain customers. Customers who are considered to have higher credit risk are traded on a cash basis. Credit control staff monitor trade receivables and follow up collections.

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

	31 December 2009	31 December 2008	1 January 2008
	$'000	*$'000*	*$'000*
Current	**53,645**	58,968	67,840
Less than 1 month past due	**8,603**	11,302	722
1 to 3 months past due	**1,205**	1,279	926
More than 3 months but less than 12 months past due	**190**	1,034	521
More than 12 months past due	**1,914**	8,220	12,237
	65,557	80,803	82,246

11. TRADE AND OTHER PAYABLES

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

	2009	2008
	$'000	*$'000*
Due within 1 month or on demand	**46,559**	96,594
Due after 1 month but within 3 months	**1,863**	459
Due after 3 months but within 6 months	**86**	199
Due over 6 months	**—**	83
	48,508	97,335

CLOSURE OF REGISTER OF MEMBERS

The transfer of books and register of members of the Company will be closed from Friday, 23 April 2010 to Tuesday, 27 April 2010, both days inclusive. To qualify for attending the forthcoming Annual General Meeting of the Company to be held on Tuesday, 27 April 2010, shareholders should ensure that transfers are lodged at the Company's share registrar, Computershare Hong Kong Investor Services Limited at 18th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 pm on Thursday, 22 April 2010.

FINANCIAL RESULTS

With the economic crisis still far from abating, 2009 proved an extremely challenging year for the Group. Macroeconomic factors such as increasing unemployment, tightening credit conditions and stagnant wages weighed down our South China operations. As a result, consolidated turnover of the Group was at HK$696.8 million, 7.5% lower than 2008 (2008: HK$753.4 million). Gross profit for year 2009 was HK$361.8 million (2008: HK$427.3 million). Despite on-going inflationary pressures, gross profit margin was maintained at 51.9% (2008: 56.7%).

Excluding the impairment loss of the Group's South China operations, net of tax effect, of HK$300.0 million and HK$230.0 million in 2009 and 2008 respectively, the consolidated loss for 2009 would have been HK$43.1 million compared to HK$28.2 million in 2008 (restated), mainly from losses of its South China operations. Including the impairment loss, the consolidated loss for 2009 was HK$343.1 million (2008 (restated): HK$258.2 million).

Net cash balances at 31 December 2009 amounted to HK$103.6 million (2008: HK$160.3 million). Total net assets maintained at HK$1,169.5 million (2008 (restated): HK$1,490.9 million) together with a debt-to-equity ratio of 0.21 (2008 (restated): 0.12) and current ratio of 1.2 times (2008 (restated): 1.2 times).

DIVIDENDS

No dividends will be declared for 2009.

BUSINESS REVIEW

HONG KONG OPERATIONS

Our major market of Hong Kong continues to suffer from the global recession. Unemployment has grown and retail sales have declined, unable to weather the effects of weak consumer confidence. The total beer industry suffered a 3% drop in volumes, with reduced consumption in on-premise outlets which posted a double digit drop in beer volumes, Encouragingly, consumption in off-premise outlets remained steady.

Our Company's domestic sales volumes reflected the decline, Nevertheless, the re-opening of the brewery in the early part of 2009 enabled the Company to participate in San Miguel's growing beer export business. As a result, total volumes grew by 11% and revenues by 10% over the prior year.

The Company continued to be the No. 1 beer company in Hong Kong with our flagship brand San Miguel at the forefront. Our continued commitment to provide our customers and consumers a portfolio of quality brands and high levels of service enabled us to safeguard our leading position. To our customers, we offer a wide range of quality products and timely and appropriate service that add value to our products.

Throughout 2009, our Company continued to invest in television and point-of-sales marketing campaigns, we had events and sponsorship programs to strengthen and grow our brands in a lasting and relevant way. To sustain San Miguel's popularity, the Company launched a new marketing campaign, "One Beer, One World of Friends". The campaign was launched via an exciting and contemporary television commercial, "Cheers". The "One Beer, One World of Friends" campaign also extended its reach through point-of-sales visibility blitz, on-line communications and public relation programs.

Building on the success of the San Miguel "WildDayOut Grand Show", the Company presented a Halloween-themed "WildDayOut Grand Show" at the Hong Kong Jockey Club Shatin Racecourse. The nine-hour marathon concert was the culmination of a series of bar shows and promotion programs aimed at strengthening San Miguel's bond with young adults.

January 2009 saw the launch of the San Miguel Soccer Union, an experiential program that combined the excitement of soccer and the joy of drinking San Miguel beer. There were a total of twelve soccer parties in selected pubs and bars and one grand soccer party at the Hong Kong Jockey Club Shatin Racecourse. Some of the parties were also broadcasted live via a local TV station with viewership of about 1 million households.

All these activities, over and above our unwavering commitment to improve excellence in execution and cost management, will provide our Company the ability to maintain market leadership in Hong Kong.

SOUTH CHINA OPERATIONS

2009 was an extremely difficult year for our South China operations with the tough economic and industry conditions adversely affecting our volumes.

With the weak demand for consumer goods due to the financial meltdown in most of the world's developed economies, the Pearl River Delta, where numerous manufacturing facilities catering to exports are located, was worst hit, as it struggles to slowly adapt and re-invent itself to cater to domestic demand.

Competition, meanwhile, intensified as beer companies try to grab volumes in a crowded and shrinking market. The Group took a more cautious stance in balancing efforts between protecting our position in the market and our bottom-line.

Guangzhou San Miguel Brewery Company Limited's ("GSMB's") total sales registered a decline versus the previous year. With the re-introduction of Guang's Pineapple beer in the second half of 2008, sales of our lower-priced agency brands registered a significant increase. Meanwhile, aggressive penetration and promotion activities allowed GSMB in Guangzhou, Shenzhen and Dongguan to stand its ground in non-industrial areas such as Guangzhou as well as grow retail chain volumes by 8%. All these activities, combined with the launch of the San Miguel "One Beer, One World of Friends" campaign sustained San Miguel brand equity in the market.

San Miguel (Guangdong) Brewery Company Limited ("SMGB") registered an improvement in operating loss versus the previous year, despite lower sales volumes, through effective cost-management initiatives. Dragon Beer was most affected by the economic downturn as its consumer base, mainly factory workers, suffered massive layoffs. Nevertheless, Dragon Draft, a new premium variant launched in 2008 to improve brand image and enhance total portfolio mix achieved significant growth over last year.

The Company continued to air the successful television commercial "Poolside" and "Bar Restaurant" which raised the brand's profile as shown by various researches conducted.

COMMUNITY RELATIONS AND SOCIAL RESPONSIBILITY

As in past years, the Company continues to sponsor and participate in various local community events and make regular donations to charities and non-profit organizations.

The Company is also committed to protecting the environment where it operates and ensuring that various environmental standards set by government are met or exceeded.

HUMAN RESOURCES

The Company continues to recognize that people play an integral part in the organization's long term goal. We continue to devote resources in training and development to equip them with appropriate knowledge and skill so as to face today and tomorrow's challenges. Team spirit is emphasized and fostered through mentorship, direction briefings and team-building workshops.

The Company continues to offer competitive remuneration packages commensurate with market standards and provides attractive fringe benefits, including medical and insurance coverage and retirement packages to all employees.

CORPORATE GOVERNANCE

The Company continued to apply the principles of the Code Provisions under the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules throughout the year ended 31 December 2008 except for the Code Provision A.4.1. Code Provision A.4.1 sets out that non-executive directors should be appointed for a specific term, subject to re-election. At present, all of the non-executive directors of the Company are not appointed for a specific term but are subject to retirement by rotation at least once every three years and re-election at the Annual General Meeting under the Company's Articles of Association.

DIRECTORS

Ms. Minerva Lourdes B. Bibonia and Ms. Jesusa Victoria Hernandez-Bautista resigned from the Board since we published our interim report on 28 August 2009. We thank Ms. Bibonia and Ms. Hernandez-Bautista for their contributions to the Group over the past years.

With the departure of Ms. Bibonia and Ms. Hernandez-Bautista, Mr. Keisuke Nishimura and Mr. Motoyasu Ishihara were appointed on 12 March 2010.

FUTURE DIRECTION AND CHALLENGES

The objectives of the Company for the year 2010 are:

- In Hong Kong, to continue to improve profitability, increase our market share and reinforce the market leadership of the Company.

- In South China, to turnaround the business by continuing to strengthen San Miguel's brand equity and to grow the Dragon brand.

Moving forward, the Company has a number of dynamic growth strategies in place which should provide a strong foundation that will allow the Company to ride on the expected recovery of the China and Hong Kong economy.

In closing, we wish to reiterate our commitment to maximize shareholder value and strengthen our brands. We are also committed to improve profitability by managing our costs and achieving better efficiencies, particularly in the areas of production and distribution.

We wish to thank the Board of Directors for their continued guidance and support. Thank you also to our shareholders, customers, business partners and consumers for their continued support; and the employees for their dedication and hard work.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SHARES

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

PUBLICATION OF THE 2009 ANNUAL REPORT ON THE WEBSITE OF THE STOCK EXCHANGE

The Company's annual report for 2009 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, 12 March 2010

(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. Peter K. Y. Tam, the non-executive directors, Mr. Ramon S. Ang (Chairman), Mr. Faustino F. Galang (Deputy Chairman), Mr. Carlos Antonio M. Berba, Mr. Cheung Yuen Tak, Mr. Thelmo Luis O. Cunanan Jr., General Benjamin P. Defensor, Jr., Mr. Motoyasu Ishihara and Mr. Keisuke Nishimura; and the independent non-executive directors, Dr. The Hon. Sir. David K.P. Li, Mr. Ng Wai Sun and Mr. Carmelo L. Santiago.