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 2010 INTERIM RESULTS

INTERIM RESULTS

The Board of Directors of San Miguel Brewery Hong Kong Limited (the "Company") submits herewith the unaudited consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2010. 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	
		2010	2009
	Note	***$'000***	*$'000*
Turnover	*3,4*	**288,145**	327,082
Cost of sales		**(160,040)**	(172,226)
Gross profit		**128,105**	154,856
Other revenue		**4,567**	5,174
Other net (expenses)/income		**(40)**	499
Selling and distribution expenses		**(124,754)**	(140,584)
Administrative expenses		**(35,360)**	(38,747)
Other operating expenses		**(4,812)**	(4,958)
Loss from operations		**(32,294)**	(23,760)
Finance costs	*5(a)*	**(5,480)**	(6,593)
Loss before taxation	*5*	**(37,774)**	(30,353)
Income tax charge	*6*	**—**	(1,493)
Loss for the period		**(37,774)**	(31,846)
Attributable to:			
Equity shareholders of the Company		**(33,149)**	(29,321)
Minority interests		**(4,625)**	(2,525)
Loss for the period		**(37,774)**	(31,846)
Loss per share			
— Basic (cents)	*8(a)*	**(9)**	(8)
— Diluted (cents)	*8(b)*	**N/A**	N/A

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME — UNAUDITED

(Expressed in Hong Kong dollars)

	Six months ended 30 June	
	2010	2009
	$'000	*$'000*
Loss for the period	**(37,774)**	(31,846)
Other comprehensive income for the period (after tax):		
Exchange differences on translation of the financial statements of subsidiaries outside Hong Kong	**(2,686)**	104
Exchange differences on monetary items that form part of the net investment in subsidiaries outside Hong Kong	**3,454**	110
	768	214
Total comprehensive income for the period	**(37,006)**	(31,632)
Attributable to:		
Equity shareholders of the Company	**(32,690)**	(29,130)
Minority interests	**(4,316)**	(2,502)
Total comprehensive income for the period	**(37,006)**	(31,632)

CONSOLIDATED BALANCE SHEET — UNAUDITED

(Expressed in Hong Kong dollars)

	Note	At 30 June 2010 $'000	At 31 December 2009 $'000
Non-current assets			
Fixed assets			
— Property, plant and equipment		**930,069**	946,321
— Investment properties		**83,804**	85,085
— Interest in leasehold land held for own use under operating leases		**54,968**	55,792
		1,068,841	1,087,198
Intangible assets		**17,128**	17,122
Other tangible assets		**21,258**	18,565
		1,107,227	1,122,885
Current assets			
Non-current assets held for sale		**—**	6,997
Inventories		**52,365**	60,673
Trade and other receivables	*9*	**86,469**	73,941
Amounts due from holding companies and fellow subsidiaries		**14,627**	12,460
Pledged deposits		**—**	60,000
Cash and cash equivalents		**302,371**	285,902
		455,832	499,973
Current liabilities			
Bank loans		**(244,350)**	(242,343)
Trade and other payables	*10*	**(150,101)**	(168,467)
Amounts due to holding companies and fellow subsidiaries		**(5,359)**	(11,793)
		(399,810)	(422,603)
Net current assets		**56,022**	77,370
Total assets less current liabilities		**1,163,249**	1,200,255
Non-current liabilities			
Retirement benefit liabilities		**(18,089)**	(18,089)
Deferred tax liabilities		**(12,682)**	(12,682)
		(30,771)	(30,771)
NET ASSETS		**1,132,478**	1,169,484
CAPITAL AND RESERVES			
Share capital		**186,785**	186,785
Reserves		**913,115**	945,805
Total equity attributable to equity shareholders of the Company		**1,099,900**	1,132,590
Minority interests		**32,578**	36,894
TOTAL EQUITY		**1,132,478**	1,169,484

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 27 August 2010.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2009 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2010 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 2009 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 2009 that is included in the interim financial report as being previously reported information does not constitute the Company's statutory financial statements for the financial year but is derived from those financial statements. Statutory audited financial statements for the year ended 31 December 2009 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 12 March 2010.

2 CHANGES IN ACCOUNTING POLICIES

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

- HKFRS 3 (revised 2008), *Business combinations*
- Amendments to HKAS 27, *Consolidated and separate financial statements*
- Amendment to HKAS 39, *Financial instruments: Recognition and measurement — eligible hedged items*
- Improvements to HKFRSs (2009)

The adoption of these amendments to standards has no material financial effect on the Group's results and financial position for the current or prior periods.

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

(a) Segment results, assets and liabilities

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the periods ended 30 June 2010 and 2009 is set out below:

	Six months ended 30 June					
	Hong Kong		Mainland China		Total	
	2010	2009	**2010**	2009	**2010**	2009
	$'000	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*
		(restated)		(restated)		(restated)
Revenue from external customers	**197,133**	179,259	**91,012**	147,823	**288,145**	327,082
Inter-segment revenues	**—**	—	**367**	72,721	**367**	72,721
Reportable segment revenue	**197,133**	179,259	**91,379**	220,544	**288,512**	399,803
Reportable segment loss from operations	**(2,795)**	(8,824)	**(34,979)**	(21,529)	**(37,774)**	(30,353)

	Hong Kong		Mainland China		Total	
	At 30 June 2010	At 31 December 2009	**At 30 June 2010**	At 31 December 2009	**At 30 June 2010**	At 31 December 2009
	$'000	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*
Reportable segment assets	**1,507,718**	1,536,093	**438,396**	466,689	**1,946,114**	2,002,782
Reportable segment liabilities	**56,293**	78,146	**744,661**	742,470	**800,954**	820,616

4 SEGMENT REPORTING *(Continued)*

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

	Six months ended 30 June	
	2010	2009
	$'000	*$'000*
		(restated)
Revenue		
Reportable segment revenue	**288,512**	399,803
Elimination of inter-segment revenue	**(367)**	(72,721)
Consolidated turnover	**288,145**	327,082
Loss		
Reportable segment loss from operations	**(37,774)**	(30,353)
Elimination of inter-segment loss	**—**	—
Reportable segment loss delivered from Group's external customer and consolidated loss before taxation	**(37,774)**	(30,353)

	At 30 June	At 31 December
	2010	2010
	$'000	*$'000*
Assets		
Reportable segment assets	**1,946,114**	2,002,782
Elimination of inter-segment receivables	**(383,055)**	(379,924)
Consolidated total assets	**1,563,059**	1,622,858
Liabilities		
Reportable segment liabilities	**800,954**	820,616
Elimination of inter-segment payables	**(383,055)**	(379,924)
	417,899	440,692
Deferred tax liabilities	**12,682**	12,682
Consolidated total liabilities	**430,581**	453,374

5 LOSS BEFORE TAXATION

	Six months ended 30 June	
	2010	2009
	$'000	*$'000*
Loss before taxation is arrived at after charging/(crediting):		
(a) Finance costs		
Interest expense on bank loans wholly repayable within five years	**4,832**	6,022
Bank charges	**648**	571
	5,480	6,593
(b) Staff costs		
Retirement costs	**4,658**	4,485
Salaries, wages and other benefits	**49,323**	50,715
	53,981	55,200
(c) Other items:		
Amortisation		
— Land lease premium	**964**	1,108
— Other tangible assets	**2,438**	5,352
Depreciation		
— Property, plant and equipment	**21,245**	24,292
— Investment properties	**1,358**	1,570
Cost of inventories	**158,032**	172,221
Provision for impairment loss on trade receivables	**238**	499

6 INCOME TAX

Taxation in the consolidated income statement represents:

	Six months ended 30 June	
	2010	2009
	$'000	*$'000*
Deferred tax		
— Origination and reversal of temporary differences	**—**	1,493

The statutory tax rate applicable to the Company and other Hong Kong subsidiaries was 16.5% (2009: 16.5%). No provision for Hong Kong Profits Tax for the six months ended 30 June 2010 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.

The statutory tax rate applicable to the subsidiaries established in the PRC was 25% (2009: 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.

7 DIVIDENDS

Directors have resolved that no interim dividends will be declared for 2010. No dividends have been declared or paid during 2009.

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 six months ended 30 June 2010 of $33,149,000 (six months ended 30 June 2009: $29,321,000) and on 373,570,560 ordinary shares (at 30 June 2009: 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 2010 *$'000*	At 31 December 2009 *$'000*
Current	**63,102**	53,645
Less than 1 month past due	**6,389**	8,603
1 to 3 months past due	**1,624**	1,205
More than 3 months but less than 12 months past due	**238**	190
More than 12 months past due	**1,886**	1,914
	73,239	65,557

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 2010 *$'000*	At 31 December 2009 *$'000*
Due within 1 month or on demand	**30,228**	46,559
Due after 1 month but within 3 months	**19**	1,863
Due after 3 months but within 6 months	**19**	86
	30,266	48,508

INTERIM RESULTS

The Group's Hong Kong operations posted a 19.5% volume growth in the first six months of the year on the back of the significant increase in exports volumes complemented by the improvement in the sales of our imported premium brands. However, this was overshadowed by the lackluster performance of our South China operations as the business faced an extremely difficult first six months with domestic volumes still weighed down by competitors aggressively vying for market share amidst tough market conditions.

As a result, consolidated loss attributable to equity shareholders for the first semester of 2010 was HK$33.1 million, from HK$29.3 million posted last year. Meanwhile, our balance sheet continued to be healthy with total net assets maintained at HK$1,132.5 million, along with a low debt-to-equity ratio of 0.22 and current ratio of 1.1 times.

Dividends

The Board has resolved that no dividends will be declared for the first six months of 2010.

Business Review

Hong Kong Operations

Following the resumption of our brewing operations in Yuen Long Brewery last year, efficiency improvements over the first half of 2010 contributed to the reduction in variable cost of locally produced products.

The Hong Kong operations posted a 19.5% increase in sales volume over the same period in 2009. Both the export business and the imported premium brands exhibited double-digit growth rates.

In the local market, the Company continued to be the No. 1 beer company in Hong Kong as it benefited from the strength of its wide portfolio of brands that cater to the different market niches. By building our brand portfolio through strategic marketing and distribution programs, we hope to win new consumers to our brands. We have gained significant inroads in image driven outlets such as bars, pubs, karaoke bars and other night outlets.

To promote our flagship brand, San Miguel Pale Pilsen, we continued to air the "Cheers" TV ad and likewise launched the new "Soccer Fans" ad to leverage on the popularity of the 2010 World Cup. The Company, with its "San Miguel Soccer Union", has designed the perfect environment for consumers to view the World Cup and the Premier League soccer matches in bars and be part of live feeds from these viewing venues aired during a Hong Kong sports channel's broadcast of the games.

The Company was also the exclusive sponsor of the San Miguel Beer Garden during the Hong Kong Dragon Boat Carnival 2010 organized by the Hong Kong Tourism Board. For the remainder of 2010, the Company will continue to hold "San Miguel Soccer Union" parties with new and exciting Premier League matches. Promotional activities tied up with special events and holidays such as Halloween and Christmas are also in the pipeline. Channel-specific initiatives to grow volumes will also be sustained. The implementation of these activities as well as focused monitoring to ensure optimum efficiency will continue to contribute to the Group's leadership position in Hong Kong.

To enhance brand presence & uplift overall San Miguel image, a lower calorie San Mig Light in the new long neck bottle was launched in mid-June targeting strategic high-end outlets. The initial response has been very favorable and the Company will further grow volumes by continuously expanding its outlet base to cover a wider range of mainstream local bars and pubs to be supported by a series of "Lighten Up" parties to build on its growing popularity.

South China Operations

Trading conditions in South China for the first six months of 2010 were extremely difficult. Guangzhou San Miguel Brewery Company Limited ("GSMB") and San Miguel (Guangdong) Brewery Company Limited ("SMGB") both operate in cities where the local economy is highly dependent on the export and manufacturing industries. Factory closures adversely affected industry sales in these areas.

GSMB posted sales volume decline versus the previous year. Nevertheless, Shenzhen and the retail chains sustained their growth momentum posting a 6% and 14% improvement, respectively, compared to the same period last year.

In response to the intense competition in the region, the Company recalibrated its trade pricing and distribution strategies complemented with enhanced servicing and support to wholesalers and jobbers. Aside from the regular brand-building programs, San Miguel brand launched soccer-themed consumer activities in various channels in the core markets in line with the staging of the World Cup. As a result of the trade and consumer initiatives, the volume decline has been narrowing down in the second quarter and significant improvement is expected in the third quarter.

Facing the challenges head-on, the Company will have a series of volume-generating and brand-building activities in the second half of the year. The Company will implement a market-wide consumer promotion for brand San Miguel supported by a television commercial and outdoor advertising; it will expand draught beer in Shenzhen and sustain outlet coverage expansion.

SMGB likewise posted a volume decline during the first six months of 2010 compared to the same period last year. For the first half of the year, a significant portion was spent in re-assessing and re-engineering the Company's business model. As a result of this, the Company implemented route-selling in select areas to achieve a more extensive coverage, introduced a new incentive program for the trade partners as well for the sales force; and rationalized manning in the brewery through enhanced production efficiencies. At the brand level, "Shoot for Million", a Dragon Beer consumer-wide promotion was launched, supported with television commercial, billboards and point-of-purchase merchandising. The benefits of the above initiatives are expected in the 2nd semester.

Outlook

Despite the continuing challenges, the Group maintain a positive outlook for the rest of the year. Our continuing re-engineering efforts should help create a solid foundation for the Company's future growth. We are aware that there are still improvements that need to be made in order to drive the Company toward profitability.

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.

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 2010.

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 2010, 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, 27 August 2010

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. Carlos Antonio M. Berba (Deputy Chairman), Mr. Cheung Yuen Tak, Mr. Thelmo Luis O. Cunanan, Jr., General Benjamin P Defensor, Jr., Mr. Motoyasu Ishihara, Mr. Taro Matsunaga 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.