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 2010

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 2010, 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 2010
(Expressed in Hong Kong dollars)

	Note	**2010** **$'000**	2009 $'000
Turnover	3, 4	**589,322**	696,824
Cost of sales		**(333,715)**	(335,051)
Gross profit		**255,607**	361,773
Other revenue	5	**13,841**	10,372
Other net income/(expenses)	5	**1,975**	(8,933)
Selling and distribution expenses		**(270,487)**	(302,960)
Administrative expenses		**(78,162)**	(70,077)
Other operating expenses		**(9,096)**	(19,761)
Impairment losses of non-current assets	6	**(684,283)**	(302,293)
Loss from operations		**(770,605)**	(331,879)
Finance costs	7(a)	**(11,904)**	(13,445)
Loss before taxation	4, 7	**(782,509)**	(345,324)
Income tax credit	8	**8,522**	2,272
Loss for the year		**(773,987)**	(343,052)
Attributable to:			
Equity shareholders of the Company		**(736,984)**	(334,856)
Non-controlling interests		**(37,003)**	(8,196)
Loss for the year		**(773,987)**	(343,052)
Loss per share			
— Basic (cents)	9(a)	**(197)**	(90)
— Diluted (cents)	9(b)	**N/A**	N/A

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2010
(Expressed in Hong Kong dollars)

	2010	2009
	$'000	*$'000*
Loss for the year	**(773,987)**	(343,052)
Other comprehensive income for the year (after tax)		
Exchange differences on translation of:		
— financial statements of subsidiaries outside Hong Kong	**(17,088)**	76
— monetary items that form part of the net investment in subsidiaries outside Hong Kong	**12,577**	336
	(4,511)	412
Actuarial gains and losses of defined benefit retirement plan	**488**	21,199
	(4,023)	21,611
Total comprehensive income for the year	**(778,010)**	(321,441)
Attributable to:		
Equity shareholders of the Company	**(740,320)**	(313,315)
Non-controlling interests	**(37,690)**	(8,126)
Total comprehensive income for the year	**(778,010)**	(321,441)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 December 2010

(Expressed in Hong Kong dollars)

	Note	2010 $'000	2009 $'000
Non-current assets			
Fixed assets			
— Property, plant and equipment		**218,426**	946,321
— Investment properties		**82,884**	85,085
— Interests in leasehold land held for own use under operating leases		**96,701**	55,792
		398,011	1,087,198
Intangible assets		**5,678**	17,122
Other tangible assets		**—**	18,565
		403,689	1,122,885
Current assets			
Non-current assets held for sale		**—**	6,997
Inventories		**49,772**	60,673
Trade and other receivables	*10*	**70,656**	73,941
Amounts due from holding companies and fellow subsidiaries		**15,928**	12,460
Pledged deposits		**60,000**	60,000
Bank deposits		**5,876**	—
Cash and cash equivalents		**220,556**	285,902
		422,788	499,973
Current liabilities			
Bank loans		**(249,206)**	(242,343)
Trade and other payables	*11*	**(150,203)**	(166,536)
Amounts due to holding companies and fellow subsidiaries		**(10,995)**	(11,793)
Amounts due to related companies		**(2,396)**	(1,931)
		(412,800)	(422,603)
Net current assets		**9,988**	77,370

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*
at 31 December 2010
(Expressed in Hong Kong dollars)

	Note	**2010**	2009
		$'000	*$'000*
Total assets less current liabilities		**413,677**	1,200,255
Non-current liabilities			
Retirement benefit liabilities		**(18,143)**	(18,089)
Deferred tax liabilities		**(4,060)**	(12,682)
		(22,203)	(30,771)
NET ASSETS		**391,474**	1,169,484
CAPITAL AND RESERVES			
Share capital		**186,785**	186,785
Reserves		**205,485**	945,805
Total equity attributable to equity shareholders of the Company		**392,270**	1,132,590
Non-controlling interests		**(796)**	36,894
TOTAL EQUITY		**391,474**	1,169,484

NOTES TO THE ANNUAL RESULTS

(Expressed in Hong Kong dollars)

1. BASIS OF PREPARATION

The annual results set out in this announcement do not constitute the Group's statutory financial statements for the year ended 31 December 2010 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 two revised HKFRSs, a number of amendments to HKFRSs and two 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 3 (revised 2008), *Business combinations*
— Amendments to HKAS 27, *Consolidated and separate financial statements*
— Amendments to HKFRS 5, *Non-current assets held for sale and discontinued operations - plan to sell the controlling interest in a subsidiary*
— Improvements to HKFRSs (2009)
— HK(IFRIC) 17, *Distributions of non-cash assets to owners*
— HK(Int) 5, *Presentation of financial statements - classification by the borrower of a term loan that contains a repayment on demand clause*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

As a result of the amendments to HKAS 27, as from 1 January 2010 any losses incurred by a non-wholly owned subsidiary will be allocated between the controlling and non-controlling interests (previously known as the "minority interests") in proportion to their interests in that entity, even if this results in a deficit balance within consolidated equity being attributed to the non-controlling interests.

Previously, if the allocation of losses to the non-controlling interests would have resulted in a deficit balance, the losses were only allocated to the non-controlling interests if the non-controlling interests were under a binding obligation to make good the losses.

In accordance with the transitional provisions in HKAS 27, this new accounting policy is being applied prospectively and therefore previous periods have not been restated.

2. CHANGES IN ACCOUNTING POLICIES *(continued)*

The adjustments for each financial statement line items affected for the year ended 31 December 2010 were as follows:

((Increase)/Decrease)

	$'000
Consolidated income statement	
Attributable to:	
Equity shareholders of the Company	21,490
Non-controlling interests	(21,490)
Loss per share:	
Basic (cents)	6
Consolidated statement of comprehensive income	
Attributable to:	
Equity shareholders of the Company	23,060
Non-controlling interests	(23,060)
Consolidated statement of financial position	
Non-controlling interests	23,060

The amendment introduced by the *Improvements to HKFRSs (2009)* omnibus standard in respect of HKAS 17, *Leases*, and the issuance of HK(Int) 5 have had no material impact on the Group's financial statements as the amendment and the interpretation's conclusions were consistent with the policies already adopted by the Group. The other developments resulted in changes in accounting policy but none of these changes in policy have a material impact on the current or comparative periods, for the following reasons:

— The impact of the majority of the revisions to HKFRS 3, HKAS 27, HKFRS 5 and HK(IFRIC) 17 have not yet had a material effect on the Group's financial statements as these changes will first be effective as and when the Group enters into a relevant transaction (for example, a business combination, a disposal of a subsidiary or a non-cash distribution) and there is no requirement to restate the amounts recorded in respect of previous such transactions.

— The impact of the amendments to HKFRS 3 (in respect of recognition of acquiree's deferred tax assets) has had no material impact as there is no requirement to restate amounts recorded in previous periods and no such deferred tax assets arose in the current period.

2. CHANGES IN ACCOUNTING POLICIES *(continued)*

Further details of these changes in accounting policy are as follows:

— As a result of the adoption of HKFRS 3 (revised 2008), any business combination acquired on or after 1 January 2010 will be recognised in accordance with the new requirements and detailed guidance contained in HKFRS 3 (revised 2008). These include the following changes in accounting policies:

  — Transaction costs that the Group incurs in connection with a business combination, such as finder's fees, legal fees, due dilligence fees, and other professional and consulting fees, will be expensed as incurred, whereas previously they were accounted for as part of the cost of the business combination and therefore impacted the amount of goodwill recognized.

  — If the Group holds interests in the acquiree immediately prior to obtaining control, these interests will be treated as if disposed of and re-acquired at fair value on the date of obtaining control. Previously, the step-up approach would have been applied, whereby goodwill was computed as if accumulated at each stage of the acquisition.

  — Contingent consideration will be measured at fair value at the acquisition date. Subsequent changes in the measurement of that contingent consideration unrelated to facts and circumstances that existed at the acquisition date will be recognised in profit or loss, whereas previously these changes were recognised as an adjustment to the cost of the business combination and therefore impacted the amount of goodwill recognized.

  — If the acquiree has accumulated tax losses or other temporary deductible differences and these fail to meet the recognition criteria for deferred tax assets at the date of acquisition, then any subsequent recognition of these assets will be recognised in profit or loss, rather than as an adjustment to goodwill as was previously the policy.

  — In addition to the Group's existing policy of measuring the non-controlling interests in the acquiree at the non-controlling interest's proportionate share of the acquiree's net identifiable assets, in future the group may elect, on a transaction by transaction basis, to measure the non-controlling interest at fair value.

  In accordance with the transitional provisions in HKFRS 3 (revised 2008), these new accounting policies will be applied prospectively to any business combinations in the current or future periods. The new policy in respect of recognition in the movement of deferred tax assets will also be applied prospectively to accumulated tax losses and other temporary deductible differences acquired in previous business combinations. No adjustments have been made to the carrying values of assets and liabilities that arose from business combinations whose acquisition dates preceded the application of this revised standard.

— As a result of the adoption of HKAS 27 (amended 2008), the following changes in policies will be applied as from 1 January 2010:

  — If the Group acquires an additional interest in a non-wholly owned subsidiary, the transaction will be accounted for as a transaction with equity shareholders (the non-controlling interests) in their capacity as owners and therefore no goodwill will be recognised as a result of such transactions. Similarly, if the Group disposes of part of its interest in a subsidiary but still retains control, this transaction will also be accounted for as a transaction with equity shareholders (the non-controlling interests) in their capacity as owners and therefore no profit or loss will be recognised as a result of such transactions. Previously the Group treated such acquisition of additional interests as step-up transactions. The Group did not have partial disposals in the past.

2. CHANGES IN ACCOUNTING POLICIES *(continued)*

Further details of these changes in accounting policy are as follows: *(continued)*

— If the Group loses control of a subsidiary, the transaction will be accounted for as a disposal of the entire interest in that subsidiary, with any remaining interest retained by the Group being recognised at fair value as if reacquired. In addition, as a result of the adoption of the amendment to HKFRS 5, if at the end of reporting period the Group has the intention to dispose of a controlling interest in a subsidiary, the entire interest in that subsidiary will be classified as held for sale (assuming that the held for sale criteria in HKFRS 5 are met) irrespective of the extent to which the Group will retain an interest. Previously such transactions were treated as partial disposals.

In accordance with the transitional provisions in HKAS 27, these new accounting policies will be applied prospectively to transactions in current or future periods and therefore previous periods have not been restated.

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, value added tax 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 overseas. In the first quarter of 2009, the Hong Kong operation solely distributed imported beer products in Hong Kong as its production 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 business until late 2009.

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

(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 or loss before taxation. Taxation credit is not allocated to reportable segments. Inter-segment sales are priced at cost plus profit margin.

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

(a) **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 2010 and 2009 is set out below:

	Hong Kong		**Mainland China**		**Total**	
	2010	2009	**2010**	2009	**2010**	2009
	$'000	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*
Revenue from external customers	**410,673**	416,478	**178,649**	280,346	**589,322**	696,824
Inter-segment revenue	**—**	—	**751**	84,581	**751**	84,581
Reportable segment revenue	**410,673**	416,478	**179,400**	364,927	**590,073**	781,405
Reportable segment (loss)/profit from operations	**(444,181)**	69,777	**(338,328)**	(415,101)	**(782,509)**	(345,324)
Interest income from bank deposits	**1,268**	1,227	**1,316**	1,722	**2,584**	2,949
Interest expense on bank loans	**—**	—	**(10,532)**	(10,915)	**(10,532)**	(10,915)
Depreciation and amortisation for the year	**(34,402)**	(34,475)	**(18,463)**	(30,500)	**(52,865)**	(64,975)
(Provision for)/reversal of impairment losses of						
— non-current assets	**(442,633)**	(11,000)	**(241,650)**	(291,293)	**(684,283)**	(302,293)
— trade and other receivables	**(1,511)**	664	**(7)**	131	**(1,518)**	795
Reportable segment assets	**1,098,617**	1,520,583	**113,196**	482,199	**1,211,813**	2,002,782
Additions to non-current segment assets during the year	**5,784**	3,239	**9,306**	50,219	**15,090**	53,458
Non-current assets held for sale	**—**	6,997	**—**	—	**—**	6,997
Reportable segment liabilities	**90,280**	82,656	**725,999**	737,960	**816,279**	820,616

4. SEGMENT REPORTING *(continued)*

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

	2010	2009
	$'000	*$'000*
Revenue		
Reportable segment revenue	**590,073**	781,405
Elimination of inter-segment revenue	**(751)**	(84,581)
Consolidated turnover	**589,322**	696,824
Loss		
Reportable segment loss from operations	**(782,509)**	(345,324)
Elimination of inter-segment profits	**—**	—
Reportable segment loss derived from Group's external customers and consolidated loss before taxation	**(782,509)**	(345,324)
Assets		
Reportable segment assets	**1,211,813**	2,002,782
Elimination of inter-segment receivables	**(385,336)**	(379,924)
Consolidated total assets	**826,477**	1,622,858
Liabilities		
Reportable segment liabilities	**816,279**	820,616
Elimination of inter-segment payables	**(385,336)**	(379,924)
	430,943	440,692
Deferred tax liabilities	**4,060**	12,682
Consolidated total liabilities	**435,003**	453,374

(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	
	2010	2009
	$'000	*$'000*
Hong Kong	**370,009**	829,633
Mainland China	**33,680**	293,252
	403,689	1,122,885

(d) Major customers

In 2010, the revenue from the Group's largest customer and five largest customers amounted to 10% (2009: 17%) and 39% (2009: 52%) of the Group's total revenue respectively.

5. OTHER REVENUE AND OTHER NET INCOME/(EXPENSES)

	2010	2009
	$'000	*$'000*
Other revenue		
Interest income from bank deposits	**2,584**	2,949
Rental income from investment properties	**8,273**	7,423
Rental income from property, plant and equipment	**2,984**	—
	13,841	10,372
Other net income/(expenses)		
Net gain/(loss) on disposal of property, plant and equipment	**87**	(6,570)
Net loss on disposal of other tangible assets	**(923)**	(2,842)
Net foreign exchange gains/(losses)	**1,623**	(75)
Gain on disposal of non-current assets held for sale	**1,180**	—
Others	**8**	554
	1,975	(8,933)

6. IMPAIRMENT LOSSES OF NON-CURRENT ASSETS

Impairment losses/(reversal of impairment losses) of non-current assets represent:

	2010	2009
	$'000	*$'000*
Non-current assets relating to mainland China operations *(note)*	**254,621**	300,000
Non-current assets relating to Hong Kong manufacturing operations *(note)*	**431,167**	—
Other tangible assets	**(1,505)**	1,691
Intangible assets — club debentures	**—**	602
	684,283	302,293

The above impairment losses are further analysed as follows:

	2010	2009
	$'000	*$'000*
Provision for impairment losses:		
Fixed assets	**695,942**	271,200
Intangible assets — trademarks	**11,466**	11,000
Intangible assets — club debentures	**—**	602
Other tangible assets	**20,218**	19,491
	727,626	302,293
Reversal of impairment losses:		
Fixed assets	**(41,838)**	—
Other tangible assets	**(1,505)**	—
	(43,343)	—
	684,283	302,293

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

(a) Mainland China operation

During 2010 and 2009, the Group noted that the decline in demand for its products in mainland China, compared to previous forecasts in sales, as a result of fierce market competition 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 and other tangible assets may be impaired. The Group assessed the recoverable amounts of the cash-generating unit to which these assets belong ("China cash-generating unit") and as a result the carrying amount of the assets in the China cash-generating unit was written down by $254,621,000 (2009: $300,000,000), with details as follows:

	2010	2009
	$'000	*$'000*
Provision for impairment losses:		
Fixed assets	**245,257**	271,200
Intangible assets — trademarks	**11,466**	11,000
Other tangible assets	**20,218**	17,800
	276,941	300,000
Reversal of impairment losses:		
Fixed assets	**(22,320)**	—
Total	**254,621**	300,000

In 2010, the estimates of recoverable amount were based on the assets' fair values less costs to sell, determined by reference to the observable market prices for similar assets. In estimating this amount, the Group engaged an independent firm of surveyors, LCH (Asia-Pacific) Surveyors Limited, who have among their staff Members of the Hong Kong Institute of Surveyors. A reversal of an impairment loss was made in respect of interests in leasehold land held for own use under operating leases to the carrying amount that would have been determined had no impairment loss been recognised in prior years, as there has been a favorable change in the estimates used to determine the recoverable amount.

In 2009, the recoverable amount of China cash-generating unit was determined based on a value-in-use calculation. That calculation used cash flow projections based on business forecasts approved by the management covering a period of six years as management expected that a longer time is required for the Group to cope with the adverse business environment. Cash flows beyond the six-year period were extrapolated using a steady growth rate of 4%. This growth rate did not exceed the long-term average growth rate for the PRC.

Key assumptions used for value-in-use calculation:

	2009
Sales volume growth rate	5.5 - 7.3%
Gross contribution rate	39 - 40%
Pre-tax discount rate	3.17%

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

(a) Mainland China operation *(continued)*

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

As the cash-generating unit has been reduced to its recoverable amount, any adverse change in the assumptions used in the calculation of recoverable amount would result in further impairment losses.

(b) Hong Kong manufacturing operation

During 2010, the Group noted that the decline in demand for its own brewed products and shrinking profitability in Hong Kong, compared to previous forecasts, as a result of fierce market competition and the operating losses that consequently arose were indications that non-current assets of manufacturing operations in Hong Kong, comprising mainly the production plant, an office building and a warehouse may be impaired. The Group assessed the recoverable amounts of the cash-generating unit to which these assets belong ("Hong Kong cash-generating unit") and as a result the carrying amount of the assets in the Hong Kong cash-generating unit was written down by $431,167,000, with details as follows:

	2010 ***$'000***
Provision for impairment losses:	
Fixed assets	**450,685**
Reversal of impairment losses:	
Fixed assets	**(19,518)**
Total	**431,167**

The recoverable amount of Hong Kong cash-generating unit has been determined based on a value-in-use calculation. That calculation uses cash flow projections based on the business forecasts approved by the management covering a period of five years. Cash flows beyond the five-year period are extrapolated using a steady growth rate of 2%. This growth rate does not exceed the long-term average growth rate for Hong Kong.

A reversal of an impairment loss was made in respect of interests in leasehold land held for own use under operating leases to the carrying amount that would have been determined had no impairment loss been recognised in prior years, as there has been a favorable change in the estimates used to determine the recoverable amount.

Key assumptions used for value-in-use calculation:

	2010
Sales volume growth rate	**1.7-12.6%**
Gross contribution rate	**40-43%**
Pre-tax discount rate	**9.85%**

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

(b) **Hong Kong manufacturing operation** *(continued)*

Management determined the growth rate and gross contribution rate based on past experience, future expected market trends and an intermediate holding company's import plan of beer brewed by the Group.

As the cash-generating unit has been reduced to its recoverable amount, any adverse change in the assumptions used in the calculation of recoverable amount would result in further impairment losses.

7. **LOSS BEFORE TAXATION**

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

		2010	2009
		$'000	*$'000*
(a)	**Finance costs**		
	Interest expense on bank loans wholly repayable within five years	**10,532**	10,915
	Bank charges	**1,372**	2,530
		11,904	13,445
(b)	**Staff costs**		
	Retirement costs		
	— Defined contribution retirement plans	**6,090**	6,631
	— Defined benefit retirement plan	**4,058**	4,875
		10,148	11,506
	Salaries, wages and other benefits	**96,719**	99,341
		106,867	110,847
(c)	**Other items**		
	Amortisation	**1,877**	2,217
	— Land lease premium	**5,905**	9,771
	— Other tangible assets		
	Depreciation		
	— Property, plant and equipment	**42,804**	50,717
	— Investment properties	**2,279**	2,270
	Cost of inventories	**329,795**	330,710
	Operating lease charges: minimum lease payments		
	— Land and buildings	**2,971**	2,891
	— Plant and machinery	**15**	232
	Rental receivable from investment properties less direct outgoings of $2,420,000 (2009: $2,393,000)	**(5,853)**	(5,030)
	Auditors' remuneration	**2,956**	3,737
	Provision for/(reversal of) impairment losses on trade and other receivables	**1,518**	(795

8. INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

Taxation in the consolidated income statement represents:

	2010	2009
	$'000	*$'000*
Current tax — Outside Hong Kong		
Provision for the year	**(57)**	—
Deferred tax		
Origination and reversal of temporary differences	**8,579**	2,272
Income tax credit	**8,522**	2,272

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 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% (2009: 25%). No provision for current taxation has been made for the subsidiaries established in the PRC because the entities sustained losses for taxation purposes.

Provision for current tax outside Hong Kong for 2010 represented a withholding tax levied at 10% on interest income earned in the PRC by a subsidiary who is a non-PRC resident according to the relevant rules and regulations of the PRC.

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 $736,984,000 (2009: $334,856,000) and on 373,570,560 ordinary shares (2009: 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.

10. TRADE AND OTHER RECEIVABLES *(continued)*

The ageing of trade receivables (net of allowance for doubtful debts) at the end of the reporting period is as follows:

	31 December 2010 *$'000*	31 December 2009 *$'000*
Current	**46,701**	53,645
Less than 1 month past due	**8,047**	8,603
1 to 3 months past due	**1,149**	1,205
More than 3 months but less than 12 months past due	**536**	190
More than 12 months past due	**2,131**	1,914
	58,564	65,557

11. TRADE AND OTHER PAYABLES

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

	2010 *$'000*	2009 *$'000*
Due within 1 month or on demand	**51,410**	46,559
Due after 1 month but within 3 months	**2,456**	1,863
Due after 3 months but within 6 months	**—**	86
Due over 6 months	**19**	—
	53,885	48,508

CLOSURE OF REGISTER OF MEMBERS

The transfer of books and register of members of the Company will be closed from Wednesday, 18 May 2011 to Friday, 20 May 2011, both days inclusive. To qualify for attending the forthcoming Annual General Meeting of the Company to be held on Friday, 20 May 2011, shareholders should ensure that transfers are lodged at the Company's share registrar, Computershare Hong Kong Investor Services Limited at 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 pm on Tuesday, 17 May 2011.

FINANCIAL RESULTS

2010 was another difficult year for the Group as tough market conditions in our South China market continued to weigh down our operating and financial results. Consolidated turnover of the Group was at HK$589.3 million, retreating 15.4% from 2009. (2009: HK$696.8 million) while gross profit stood at HK$255.6 million (2009: HK$361.8 million). The Group's gross profit margin shrank to 43.3% (2009: 51.9%).

Excluding the impairment losses of the Group's Hong Kong and South China operations, net of tax effect, of HK$677.3 million and HK$300.0 million in 2010 and 2009 respectively, the consolidated loss of 2010 would have been HK$96.7 million compared to HK$43.1 million in 2009, mainly stemming from our South China operations. Including the impairment loss, the consolidated loss for 2010 was HK$774.0 million (2009: HK$343.1 million).

Net cash balances as of 31 December 2010 amounted to HK$37.2 million (2009: HK$103.6 million). Total net assets was at HK$391.5 million (2009: HK$1,169.5 million), with a debt-to-equity ratio of 0.64 (2009: 0.21) and current ratio of 1.0 times (2009: 1.2 times).

DIVIDENDS

No dividends will be declared for 2010.

BUSINESS REVIEW

HONG KONG OPERATIONS

2010 saw Hong Kong's economy emerging from the global recession with a GDP growth of 7.8%. Buoyed by the recovery in consumer spending, the territory's total beer industry also grew but at a slower pace of 4%, after posting a 3% decline the previous year. On-premise outlets that suffered the brunt of the global recession have since bounced back and performed better than the off-premise outlets.

Our Company's total volume grew by 11% and revenues by 5% over the prior year, owing to a significant increase in exports, made possible by the re-opening of the brewery in 2009.

The Company continued to be the No. 1 beer company in Hong Kong with our flagship brand San Miguel at the forefront. This is a result of our continuous commitment to offer our customers and consumers a portfolio of brands that correspond to their needs. We continue to provide high levels of service efficiency to our customers just as we also constantly endeavor to make our beer brands more relevant for our consumers.

In June 2010, the Company successfully launched a new line extension of the San Miguel brand, San Mig Light. This new addition offers our consumers a light and refreshing beer that has lower calories. It is also expected to capture a new market segment and expand the brewery's aggregate market share.

Throughout 2010, we defended our leadership position with a broad variety of strategic programs aimed at strengthening and building San Miguel's brand equity and underpinning its bond with customers and consumers. A range of local promotions, events and sponsorship programs were carefully designed and implemented to ensure our brand's broad presence in the market.

The San Miguel Soccer Union, our experiential program that combined the excitement of soccer and joy of drinking San Miguel Beer, reached new levels of success with the excitement created by the 2010 World Cup on top of the usual Premier League matches. In April 2010, San Miguel launched the "Soccer Fans" television commercial designed to further associate San Miguel with soccer. The program included point-of-sales visibility blitz, national fans club formation, market-wide promotions, 70 soccer parties in selected pubs and bars and a grand soccer party at the Hong Kong Jockey Club Shatin Racecourse.

To sustain San Miguel's popularity outside the soccer season, our Company continued to invest in its 'Cheers' television commercial and in major events such as the San Miguel Beer Garden during the Hong Kong Dragon Boat Carnival 2010 organized by the Hong Kong Tourism Board.

All these programs and activities, in addition to our firm commitment to excellence in business development and cost management, will provide our Company the impetus to maintain market leadership in Hong Kong.

SOUTH CHINA OPERATIONS

Our South China operations were hard hit by difficult market conditions in 2010 as volumes were hampered by aggressive trade offers from competitors in the wholesaler channel as well as the lingering effect of the reduced consumption in factory areas brought on by the global financial crisis, particularly in Guangzhou San Miguel Brewery Company Limited's ("GSMB's") core market of Dongguan (DG) and San Miguel (Guangdong) Brewery Company Limited's ("SMGB's") core market of Foshan. While we were able to protect the directly-served channels, competitors were able to grab market share in the wholesaler segment through their aggressive trade offers. Thus, the Group took a more measured stance in creating a balance between protecting our position in the market and our bottom-line.

GSMB's total sales registered a double-digit decline versus the previous year. Nevertheless, our lower priced agency brands posted a growth amidst a strong market for economy brands. GSMB also sustained the growth momentum in retail chains with a double-digit volume increase over last year.

To sustain San Miguel brand equity in the market, GSMB launched the "San Miguel x Enjoy Freedom" market-wide consumer campaign; and also extended its reach through a series of themed consumer promotions and event sponsorships.

SMGB registered a double-digit decline in total sales versus the previous year, as its core market of Foshan is still recovering from the adverse effects of the global crisis, compounded by the intense competitive pressure in the trade. In response, SMGB has gone through a major strategy modification that involved improvement of trade margins and product offering. In July, SMGB launched Dragon Ice to directly compete in the lighter-tasting beer segment.

COMMUNITY RELATIONS AND SOCIAL RESPONSIBILITY

The Company continues to be committed to both its commercial and social responsibility to foster goodwill in our local communities with our sponsorship and participation in various local events and regular contributions to charitable 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

We continue to invest in our people by equipping and developing them with needed knowledge and competencies from within the Company and from external training and development organizations.

In a people-intensive business, SMBHK puts great emphasis on team spirit and activities associated with it such as mentorship, direction briefings, team-building workshops and conferences.

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 2010 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

Mr. Cheung Yuen Tak resigned from the Board since we published our interim report on 27 August 2010. We thank Mr. Cheung Yuen Tak for his contribution to the Group over the past years.

With the departure of Mr. Cheung Yuen Tak, Ms. Chan Wen Mee, May (Michelle) was appointed on 11 March 2011.

FUTURE DIRECTION AND CHALLENGES

The objectives of the Company for the year 2011 are:

- In Hong Kong, to turn around the business through new product expansion, channel rationalization and growth, margin improvement and cost rationalization.

- In South China, to significantly turnaround the business through re-launch of San Mig Light, the rejuvenation of Dragon brand, channel expansion, margin improvement and cost rationalization.

Looking ahead, the Company wishes to reiterate our commitment to maximize shareholder value and continue to strengthen our brands. We have a number of dynamic growth strategies that should provide the Company growth opportunities. We will also maintain the discipline of cost management by achieving higher efficiencies, particularly in the areas of production and logistics.

In closing, we wish to convey our heartfelt gratitude to our Board of Directors for their unwavering guidance and support. Thanks also go to our shareholders, customers and consumers for their continued loyalty; 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 2010 ANNUAL REPORT ON THE WEBSITE OF THE STOCK EXCHANGE

The Company's annual report for 2010 will be published on the website of The Stock Exchange 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, 11 March 2011

(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. Carlos Antonio M. Berba (Deputy Chairman), Ms. Chan Wen Mee, May (Michelle), 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.