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 2011 INTERIM RESULTS

INTERIM RESULTS

The Board of Directors of San Miguel Brewery Hong Kong Limited (the "Company") submit herewith the unaudited consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2011. 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	
		2011	2010
	Note	***$'000***	*$'000*
Turnover	*3, 4*	**305,181**	288,145
Cost of sales		**(167,776)**	(160,040)
Gross profit		**137,405**	128,105
Other revenue		**6,520**	4,567
Other net income/(expenses)		**1,062**	(40)
Selling and distribution expenses		**(124,131)**	(124,754)
Administrative expenses		**(37,372)**	(35,360)
Other operating expenses		**(4,042)**	(4,812)
Loss from operations		**(20,558)**	(32,294)
Finance costs	*5(a)*	**(9,392)**	(5,480)
Loss before taxation	*5*	**(29,950)**	(37,774)
Income tax charge	*6*	**(96)**	—
Loss for the period		**(30,046)**	(37,774)
Attributable to:			
Equity shareholders of the Company		**(24,576)**	(33,149)
Non-controlling interests		**(5,470)**	(4,625)
Loss for the period		**(30,046)**	(37,774)
Loss per share			
— Basic (cents)	*8(a)*	**(7)**	(9)
— Diluted (cents)	*8(b)*	**N/A**	N/A

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME — UNAUDITED

(Expressed in Hong Kong dollars)

	Six months ended 30 June	
	2011	2010
	$'000	*$'000*
Loss for the period	**(30,046)**	(37,774)
Other comprehensive income for the period (after tax):		
Exchange differences on translation of:		
— financial statements of subsidiaries outside Hong Kong	**(14,440)**	(2,686)
— monetary items that form part of the net investment in subsidiaries outside Hong Kong	**8,506**	3,454
	(5,934)	768
Total comprehensive income for the period	**(35,980)**	(37,006)
Attributable to:		
Equity shareholders of the Company	**(29,704)**	(32,690)
Non-controlling interests	**(6,276)**	(4,316)
Total comprehensive income for the period	**(35,980)**	(37,006)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION — UNAUDITED

(Expressed in Hong Kong dollars)

	Note	At 30 June 2011 $'000	At 31 December 2010 $'000
Non-current assets			
Fixed assets			
— Property, plant and equipment		**216,075**	218,426
— Investment properties		**81,623**	82,884
— Interests in leasehold land held for own use under operating leases		**95,877**	96,701
		393,575	398,011
Intangible assets		**5,693**	5,678
Other tangible assets		**6,700**	—
		405,968	403,689
Current assets			
Inventories		**60,402**	49,772
Trade and other receivables	*9*	**96,164**	70,656
Amounts due from holding companies and fellow subsidiaries		**11,485**	15,928
Pledged deposits		**128,000**	60,000
Bank deposits		**—**	5,876
Cash and cash equivalents		**153,465**	220,556
		449,516	422,788
Current liabilities			
Bank loans		**(313,326)**	(249,206)
Trade and other payables	*10*	**(155,929)**	(150,203)
Amounts due to holding companies and fellow subsidiaries		**(14,688)**	(10,995)
Amounts due to related companies		**(1,272)**	(2,396)
		(485,215)	(412,800)
Net current (liabilities)/assets		**(35,699)**	9,988
Total assets less current liabilities		**370,269**	413,677
Non-current liabilities			
Retirement benefit liabilities		**(10,715)**	(18,143)
Deferred tax liabilities		**(4,060)**	(4,060)
		(14,775)	(22,203)
NET ASSETS		**355,494**	391,474
CAPITAL AND RESERVES			
Share capital		**186,785**	186,785
Reserves		**175,781**	205,485
Total equity attributable to equity shareholders of the Company		**362,566**	392,270
Non-controlling interests		**(7,072)**	(796)
TOTAL EQUITY		**355,494**	391,474

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 16 August 2011.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2010 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2011 annual financial statements. Details of these changes in accounting policies are set out in note 2.

Notwithstanding the net current liabilities and negative net cash balances position of the Group, its holding company, San Miguel Brewery Inc., has confirmed that it will provide such financial assistance as is necessary to maintain the Group as a going concern. On the strength of this assurance, the financial statements have been prepared on a going concern basis.

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 2010 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 2010 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 2010 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 11 March 2011.

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:

- Revised HKAS 24, *Related party disclosures*
- Amendments to HK(IFRIC) 14, *HKAS 19 — The limit on a defined benefit asset, minimum funding requirements and their interaction*
- Improvements to HKFRSs 2010

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, value added tax 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 2011 and 2010 is set out below:

	Six months ended 30 June					
	Hong Kong		Mainland China		Total	
	2011	2010	**2011**	2010	**2011**	2010
	$'000	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*
Revenue from external customers	**230,413**	197,133	**74,768**	91,012	**305,181**	288,145
Inter-segment revenue	**—**	—	**92**	367	**92**	367
Reportable segment revenue	**230,413**	197,133	**74,860**	91,379	**305,273**	288,512
Reportable segment profit/(loss) from operations	**5,968**	(2,795)	**(35,918)**	(34,979)	**(29,950)**	(37,774)

	Hong Kong		Mainland China		Total	
	At 30 June	At 31 December	**At 30 June**	At 31 December	**At 30 June**	At 31 December
	2011	2010	**2011**	2010	**2011**	2010
	$'000	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*
Reportable segment assets	**1,104,124**	1,098,617	**139,077**	113,196	**1,243,201**	1,211,813
Reportable segment liabilities	**91,324**	90,280	**792,323**	725,999	**883,647**	816,279

4 SEGMENT REPORTING *(Continued)*

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

	Six months ended 30 June 2011 $'000	Six months ended 30 June 2010 $'000
Revenue		
Reportable segment revenue	**305,273**	288,512
Elimination of inter-segment revenue	**(92)**	(367)
Consolidated turnover	**305,181**	288,145
Loss		
Reportable segment loss from operations	**(29,950)**	(37,774)
Elimination of inter-segment loss	**—**	—
Reportable segment loss delivered from Group's external customer and consolidated loss before taxation	**(29,950)**	(37,774)

	At 30 June 2011 $'000	At 31 December 2010 $'000
Assets		
Reportable segment assets	**1,243,201**	1,211,813
Elimination of inter-segment receivables	**(387,717)**	(385,336)
Consolidated total assets	**855,484**	826,477
Liabilities		
Reportable segment liabilities	**883,647**	816,279
Elimination of inter-segment payables	**(387,717)**	(385,336)
	495,930	430,943
Deferred tax liabilities	**4,060**	4,060
Consolidated total liabilities	**499,990**	435,003

5 LOSS BEFORE TAXATION

	Six months ended 30 June	
	2011	2010
	$'000	*$'000*
Loss before taxation is arrived at after charging/(crediting):		
(a) Finance costs		
Interest expense on bank loans wholly repayable within five years	**7,907**	4,832
Bank charges	**1,485**	648
	9,392	5,480
(b) Staff costs		
Retirement costs	**5,349**	4,658
Salaries, wages and other benefits	**51,779**	49,323
	57,128	53,981
(c) Other items:		
Amortisation		
— Land lease premium	**1,629**	964
— Other tangible assets	**2,560**	2,438
Depreciation		
— Property, plant and equipment	**4,646**	21,245
— Investment properties	**1,351**	1,358
Cost of inventories	**165,943**	158,032
Provision for impairment losses on trade and other receivables	**95**	238

6 INCOME TAX

Taxation in the consolidated income statement represents:

	Six months ended 30 June	
	2011	2010
	$'000	*$'000*
Current tax — Outside Hong Kong		
— Provision for the period	**(96)**	—
Deferred tax		
— Origination and reversal of temporary differences	**—**	—
Income tax charge	**(96)**	—

6 INCOME TAX *(Continued)*

The statutory tax rate applicable to the Company and other Hong Kong subsidiaries was 16.5% (2010: 16.5%). No provision for Hong Kong Profits Tax for the six months ended 30 June 2011 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% (2010: 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 the six months ended 30 June 2011 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.

7 DIVIDENDS

Directors have resolved that no interim dividends will be declared for 2011. No dividends have been declared or paid during 2010.

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 2011 of $24,576,000 (six months ended 30 June 2010: $33,149,000) and on 373,570,560 ordinary shares (at 30 June 2010: 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 at the end of the reporting period is as follows:

	At 30 June 2011	At 31 December 2010
	$'000	*$'000*
Current	**67,861**	46,701
Less than 1 month past due	**8,550**	8,047
1 to 3 months past due	**1,609**	1,149
More than 3 months but less than 12 months past due	**864**	536
More than 12 months past due	**2,068**	2,131
	80,952	58,564

9 TRADE AND OTHER RECEIVABLES *(Continued)*

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 at the end of the reporting period is as follows:

	At 30 June 2011 *$'000*	At 31 December 2010 *$'000*
Due within 1 month or on demand	**53,841**	51,410
Due after 1 month but within 3 months	**2,064**	2,456
Due after 3 months but within 6 months	**630**	—
Due over 6 months	**—**	19
	56,535	53,885

INTERIM RESULTS

The Group's Hong Kong operations significantly turned around its profitability, reversing its loss before taxation last year to a profit before taxation for the six months ended 30 June 2011. Riding on the momentum of the last quarter of 2010, the Company sustained its expansion in the first semester of 2011. However, the positive results in our Hong Kong operation were not yet sufficient to offset the first semester losses in the Group's South China operations, which continued to face challenges. Nevertheless, Guangzhou San Miguel Brewery Company Limited ("GSMB") showed some improvement in its sales performance and profitability in the recent months.

Consolidated turnover grew by 5.9% to HK$305.2 million over the same period in 2010. As a result, consolidated loss attributable to equity shareholders for the first semester of 2011 improved to HK$24.6 million, from the HK$33.1 million posted last year.

Cash and deposits at 30 June 2011 were HK$281.5 million, a decline of HK$4.9 million from the ending balance of HK$286.4 million as of 31 December 2010.

Total debt at 30 June 2011 was HK$313.3 million compared with HK$249.2 million as of 31 December 2010.

DIVIDENDS

The Board has resolved that no dividends will be declared for the first six months of 2011.

BUSINESS REVIEW

Hong Kong Operations

The Hong Kong operations was able to achieve an 18.9% growth in sales volume over the same period in 2010. The growth of the export business and the domestic sales contributed to the volume improvement.

With its wide portfolio of brands, the Company continued to be the No. 1 beer company in Hong Kong in terms of sales volume. Last year, the Company launched a lower calorie San Mig Light in small bottles in high-end outlets to strengthen brand presence and boost the San Miguel image overall. This year, the focus was to continue building its growing presence in the market, as such San Mig Light grew by more than two-fold in the first semester of 2011 over the same period in 2010. The success of the small bottle paved the way for the launch of its new large bottles in June, which allows us to further aggressively grow San Mig Light volumes in Chinese restaurants and Daipaidongs. To ensure the success of this initiative, a new marketing campaign was launched, together with a new television ad.

To promote our flagship, San Miguel Pale Pilsen, we continued to build our brand's association with soccer through a newly developed "Super Fans" ad. Complementing it is our "San Miguel Soccer Union", a series of viewing parties, designed to provide an exhilarating environment for consumers to view Premier League soccer matches in bars and to participate in live feeds from these viewing venues. On the music front, a new initiative called "Music Battle" was organized with TVB.com as the major media partner. The "Music Battle" captures live performances in bars and makes them available to viewers via the internet; and so far, this new marketing initiative has generated high interest levels among young consumers.

The Company also continued its exclusive presence in the Hong Kong Dragon Boat Carnival 2011 organized by the Hong Kong Tourism Board. This year, the San Miguel Beer Garden also featured a 30-meter long San Miguel Dragon Boat that proved popular with the crowd. For the remainder of 2011, the Company will continue to hold "San Miguel Soccer Union" parties with new and exciting Premier League matches; and we look forward to the second season of the "Music Battle".

The Company is poised to further dominate the market after clinching a distributorship for two major brands, Budweiser and Harbin in Hong Kong beginning May. As we further strengthen our brand portfolio, we hope to win new consumers, as well as meet the evolving needs of the modern Hong Kong beer drinkers.

South China Operations

Market conditions in our South China operations continue to be difficult. Aggressive trade offers from competitors, especially in the wholesaler channel, have not let up. GSMB has taken a more measured position in balancing the need to protect our position in the market and our bottom line.

GSMB launched the new San Mig Light with an enhanced formula, new packaging design and new positioning in the market in April, with a new marketing campaign "Fun Drinking Moment". The new campaign was launched via a refreshing and exciting television commercial, "Release"; and so far, initial research shows a favorable response to the ad. The centerpiece of a wider marketing program aimed at brand activation and product availability, the "Fun Drinking Moment" campaign included outdoor advertising, point-of-sales visibility blitz and continuous consumer promotions. The new SML is showing encouraging trade acceptance particularly in the wholesaler channel and night outlets.

Another area of success for GSMB is in the retail chains where it continues to enjoy double-digit growth. However, GSMB's total sales volume still registered a decline over the same period last year. The areas of improvements, together with more prudent spending, has significantly trimmed down GSMB's operating losses versus the previous year, reducing losses by 22%. In the second semester, GSMB is expected to reap the full benefits from the programs implemented for SML in the second quarter of this year.

To further take advantage of the growing acceptance for the new SML, GSMB will have a series of volume generating and brand-building activities in the second half of the year. GSMB will also implement consumer promotions for San Mig Light and outlet coverage expansion for the promising San Miguel draught beer.

San Miguel (Guangdong) Brewery Company Limited ("SMGB") recorded a double-digit volume decline during the first six months of 2011 compared to the same period last year. Intense competition in the wholesaler segment due to aggressive trade offers adversely affected SMGB. To improve brand image, SMGB launched the new Dragon Regular with a new formulation and new packaging design in April. This was supported with advertising and a market-wide promotion. To build SMGB's wholesaler channel, we implemented several strategic wholesaler management initiatives and likewise rationalized the selling organization in the effort to improve efficiency of the whole selling system.

OUTLOOK

The Group maintains a positive outlook for the second half of the year despite with the turnaround of its Hong Kong operations despite the many challenges confronting the Group in China. Various new product launches, as well as an expanded product portfolio should help profitability and volumes moving forward. We are also addressing improvements that need to be made in both people and systems in order to drive the Group 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. Also, our thanks to our customers and business associates for their continued patronage and trust.

Above all, I would like to take this opportunity to reiterate our commitment to our shareholders and to work toward a more rewarding future for your Company.

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 2011.

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 2011, 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, 16 August 2011

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., Mr. Teruyuki Daino, General Benjamin P. Defensor, Jr., 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.