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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 2012 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 2012. 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	
		2012	2011
	<i>Note</i>	\$'000	\$'000
Turnover	3	331,121	305,181
Cost of sales		(184,850)	(167,776)
Gross profit		146,271	137,405
Other revenue		5,440	6,520
Other net income		993	1,062
Selling and distribution expenses		(117,444)	(124,131)
Administrative expenses		(38,135)	(37,372)
Other operating expenses		(4,127)	(4,042)
Loss from operations		(7,002)	(20,558)
Finance costs	4(a)	(9,649)	(9,392)
Loss before taxation	4	(16,651)	(29,950)
Income tax charge	5	(6)	(96)
Loss for the period		(16,657)	(30,046)
Attributable to:			
Equity shareholders of the Company		(10,814)	(24,576)
Non-controlling interests		(5,843)	(5,470)
Loss for the period		(16,657)	(30,046)
Loss per share			
— Basic (cents)	7(a)	(3)	(7)
— Diluted (cents)	7(b)	N/A	N/A

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

	Six months ended 30 June	
	2012	2011
	\$'000	\$'000
Loss for the period	(16,657)	(30,046)
Other comprehensive income for the period (after tax):		
Exchange differences on translation of:		
— financial statements of subsidiaries outside Hong Kong	2,238	(14,440)
— monetary items that form part of the net investment in subsidiaries outside Hong Kong	(2,061)	8,506
	177	(5,934)
Total comprehensive income for the period	(16,480)	(35,980)
Attributable to:		
Equity shareholders of the Company	(10,789)	(29,704)
Non-controlling interests	(5,691)	(6,276)
Total comprehensive income for the period	(16,480)	(35,980)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION — UNAUDITED

(Expressed in Hong Kong dollars)

	<i>Note</i>	At 30 June 2012 \$'000	At 31 December 2011 \$'000
Non-current assets			
Fixed assets			
— Property, plant and equipment		215,535	216,440
— Investment properties		78,841	80,138
— Interests in leasehold land held for own use under operating leases		91,262	93,093
		385,638	389,671
Intangible assets		5,706	5,709
Other tangible assets		1,885	—
		393,229	395,380
Current assets			
Inventories		50,919	65,166
Trade and other receivables	8	118,354	88,603
Amounts due from holding companies and fellow subsidiaries		3,857	12,331
Pledged deposits		—	198,000
Cash and cash equivalents		121,784	45,586
		294,914	409,686
Current liabilities			
Bank loans		—	(313,734)
Trade and other payables	9	(135,407)	(148,917)
Amounts due to holding companies and fellow subsidiaries		(13,789)	(18,440)
Amounts due to related companies		(4,320)	(2,324)
		(153,516)	(483,415)
Net current assets/(liabilities)		141,398	(73,729)
Total assets less current liabilities		534,627	321,651
Non-current liabilities			
Bank loans		(231,702)	—
Retirement benefit liabilities		(18,729)	(20,975)
Deferred tax liabilities		(3,453)	(3,453)
		(253,884)	(24,428)
NET ASSETS		280,743	297,223
CAPITAL AND RESERVES			
Share capital		186,785	186,785
Reserves		117,577	128,366
Total equity attributable to equity shareholders of the Company		304,362	315,151
Non-controlling interests		(23,619)	(17,928)
TOTAL EQUITY		280,743	297,223

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 7 August 2012.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2011 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2012 annual financial statements. Details of these changes in accounting policies are set out in note 2.

Notwithstanding the negative net cash balances position of the Group, the Company’s intermediate holding company, namely San Miguel Brewery Inc., a listed company in the Republic of the Philippines, has committed to provide continuing support to enable the Group to operate as a going concern and meet its liabilities as they fall due for the foreseeable future. Accordingly, 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 2011 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 2011 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 2011 are available from the Company’s registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 2 February 2012.

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:

- Amendments to HKFRS 7, *Financial instruments: Disclosures — Transfers of financial assets*
- Amendments to HKAS 12, *Income taxes — Deferred tax: Recovery of underlying assets*
- Amendments to HKAS 1, *Presentation of financial statements — Presentation of items of other comprehensive income*

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 AND SEGMENT REPORTING

(a) 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.

(b) Segment Reporting

(i) 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 2012 and 2011 is set out below:

	Six months ended 30 June																																						
	Hong Kong		Mainland China		Total																																		
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000																																	
Revenue from external customers	250,626	230,413	80,495	74,768	331,121	305,181																																	
Inter-segment revenue	—	—	1,991	92	1,991	92																																	
Reportable segment revenue	250,626	230,413	82,486	74,860	333,112	305,273																																	
Reportable segment profit/(loss) from operations	12,745	5,968	(29,396)	(35,918)	(16,651)	(29,950)																																	
	<table border="1"> <thead> <tr> <th rowspan="3"></th> <th colspan="2">Hong Kong</th> <th colspan="2">Mainland China</th> <th colspan="2">Total</th> </tr> <tr> <th>At 30 June</th> <th>At 31 December</th> <th>At 30 June</th> <th>At 31 December</th> <th>At 30 June</th> <th>At 31 December</th> </tr> <tr> <th>2012 \$'000</th> <th>2011 \$'000</th> <th>2012 \$'000</th> <th>2011 \$'000</th> <th>2012 \$'000</th> <th>2011 \$'000</th> </tr> </thead> <tbody> <tr> <td>Reportable segment assets</td> <td>948,049</td> <td>1,102,230</td> <td>122,824</td> <td>82,906</td> <td>1,070,873</td> <td>1,185,136</td> </tr> <tr> <td>Reportable segment liabilities</td> <td>304,592</td> <td>96,631</td> <td>482,085</td> <td>787,829</td> <td>786,677</td> <td>884,460</td> </tr> </tbody> </table>							Hong Kong		Mainland China		Total		At 30 June	At 31 December	At 30 June	At 31 December	At 30 June	At 31 December	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000	Reportable segment assets	948,049	1,102,230	122,824	82,906	1,070,873	1,185,136	Reportable segment liabilities	304,592	96,631	482,085	787,829	786,677	884,460
	Hong Kong		Mainland China		Total																																		
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3 TURNOVER AND SEGMENT REPORTING (Continued)

(b) Segment Reporting (Continued)

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

	Six months ended 30 June	
	2012	2011
	\$'000	\$'000
Revenue		
Reportable segment revenue	333,112	305,273
Elimination of inter-segment revenue	<u>(1,991)</u>	<u>(92)</u>
Consolidated turnover	<u>331,121</u>	<u>305,181</u>
Loss		
Reportable segment loss from operations	(16,651)	(29,950)
Elimination of inter-segment profits	<u>—</u>	<u>—</u>
Reportable segment loss derived from Group's external customers and consolidated loss before taxation	<u>(16,651)</u>	<u>(29,950)</u>
	At 30 June	At 31 December
	2012	2011
	\$'000	\$'000
Assets		
Reportable segment assets	1,070,873	1,185,136
Elimination of inter-segment receivables	<u>(382,730)</u>	<u>(380,070)</u>
Consolidated total assets	<u>688,143</u>	<u>805,066</u>
Liabilities		
Reportable segment liabilities	786,677	884,460
Elimination of inter-segment payables	<u>(382,730)</u>	<u>(380,070)</u>
	403,947	504,390
Deferred tax liabilities	<u>3,453</u>	<u>3,453</u>
Consolidated total liabilities	<u>407,400</u>	<u>507,843</u>

3 TURNOVER AND SEGMENT REPORTING (Continued)

(b) Segment Reporting (Continued)

(iii) Geographic information

The following table sets out information about the geographic location of (i) the Group's revenue from external customers and (ii) the Group's fixed assets, intangible assets and other tangible assets ("specified non-current assets"). The geographic location of customers is based on the country of establishment of each customer. 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.

	Revenue from external customers		Specified non-current assets	
	Six months ended 30 June		At 30 June	At 31 December
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Hong Kong (place of domicile)	<u>220,241</u>	<u>181,830</u>	<u>357,783</u>	<u>363,030</u>
Mainland China	69,506	74,329	35,446	32,350
Philippines	36,535	44,988	—	—
Others	4,839	4,034	—	—
	<u>110,880</u>	<u>123,351</u>	<u>35,446</u>	<u>32,350</u>
	<u>331,121</u>	<u>305,181</u>	<u>393,229</u>	<u>395,380</u>

4 LOSS BEFORE TAXATION

	Six months ended 30 June	
	2012	2011
	\$'000	\$'000
Loss before taxation is arrived at after charging/(crediting):		
(a) Finance costs		
Interest expense on bank loans wholly repayable within five years	9,450	7,907
Bank charges	199	1,485
	<u>9,649</u>	<u>9,392</u>
(b) Staff costs		
Retirement costs	4,944	5,349
Salaries, wages and other benefits	52,151	51,779
	<u>57,095</u>	<u>57,128</u>
(c) Other items:		
Amortisation		
— Land lease premium	1,646	1,629
— Other tangible assets	468	2,560
Depreciation		
— Property, plant and equipment	5,468	4,646
— Investment properties	1,357	1,351
Cost of inventories	183,213	165,943
Provision for impairment losses on trade and other receivables	135	95
	<u>183,213</u>	<u>165,943</u>

5 INCOME TAX

Taxation in the consolidated income statement represents:

	Six months ended 30 June	
	2012	2011
	\$'000	\$'000
Current tax — Outside Hong Kong		
— Provision for the period	(6)	(96)
Deferred tax		
— Origination and reversal of temporary differences	—	—
Income tax charge	<u>(6)</u>	<u>(96)</u>

5 INCOME TAX (Continued)

The statutory tax rate applicable to the Company and other Hong Kong subsidiaries was 16.5% (2011: 16.5%). No provision for Hong Kong Profits Tax for the six months ended 30 June 2012 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 People's Republic of China ("PRC") was 25% (2011: 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 2012 and 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.

6 DIVIDENDS

Directors have resolved that no interim dividends will be declared for 2012. No dividends have been declared or paid during 2011.

7 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 2012 of \$10,814,000 (six months ended 30 June 2011: \$24,576,000) and on 373,570,560 ordinary shares (at 30 June 2011: 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 shares for both periods presented.

8 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 2012 \$'000	At 31 December 2011 \$'000
Current	67,545	56,054
Less than 1 month past due	11,977	11,128
1 to 3 months past due	1,306	4,147
More than 3 months but less than 12 months past due	3,605	849
More than 12 months past due	2,235	2,159
	<u>86,668</u>	<u>74,337</u>

8 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.

9 TRADE AND OTHER PAYABLES

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

	At 30 June 2012 \$'000	At 31 December 2011 \$'000
Due within 1 month or on demand	50,446	62,142
Due after 1 month but within 3 months	2,558	6,405
Due after 3 months but within 6 months	780	468
	<u>53,784</u>	<u>69,015</u>

INTERIM RESULTS

The Company posted strong results in the first half of the year buoyed by higher domestic sales and growing demand for premium products.

Consolidated turnover reached HK\$331.1 million, a 9% increase over the same period in 2011. As a result, consolidated loss attributable to equity shareholders for the first semester posted a 56% improvement, to settle at HK\$10.8 million from HK\$24.6 million last year.

As of 30 June 2012, cash and cash equivalents, as well as bank deposits (excluding bank loans) totaled HK\$121.8 million (at 31 December 2011: HK\$243.6 million). Total debt at the end of the period now stand at HK\$231.7 million, 26% lower than the HK\$313.7 million debt reported at the end of last year.

Our Hong Kong operations posted a 214% profit growth in the first semester, and both Guangzhou San Miguel Brewery Company Limited (“GSMB”) and San Miguel (Guangdong) Brewery Company Limited (“SMGB”) chalked up better results in the first six months of 2012, compared to the same period in 2011. However, the improvements in South China were not yet sufficient to bring consolidated total to a positive profit position.

DIVIDENDS

The Board has resolved that no dividends will be declared for the first six months of 2012.

BUSINESS REVIEW

Hong Kong Operations

Our Hong Kong operations was able to strengthen its position as the No. 1 beer company in the territory, posting 9.1% and 20.8% increases in volume and revenue, respectively — easily outperforming industry growth of 3.8%.

This success was driven largely by the three-digit volume and revenue growth rates registered by San Mig Light versus the same period last year. Strong on-premise demand paved the way for the release of 330ml and 500ml canned variants intended for off-premise outlets, expanding the reach of the brand. To build up awareness for this initiative, a new marketing campaign top billed by a television ad was also launched.

Meanwhile, our flagship San Miguel Pale Pilsen continues to enhance its presence in the market through strategic partnerships with Hong Kong’s biggest names in sports and music — including a high-profile alliance with the Lan Kwai Fong Association as the latter’s official beer partner. This partnership was launched through the San Miguel x Lan Kwai Fong Rugby Festival, one of the biggest post-rugby parties to be held in one of the city’s most prominent hot spots.

The Company also continues to support the Hong Kong Tourism Board through exclusively sponsoring the San Miguel Beer Garden at the Hong Kong Dragon Boat Carnival 2012.

The Company’s portfolio of premium brands recorded a significant growth in volume and revenue over the same period in 2011. The Company also made available a new line extension of the San Miguel brand, the San Miguel Premium All-Malt, which further enhanced the image of San Miguel as the premier beer-maker in Hong Kong.

To further establish our dominance in the premium market, in June the brewery signed an exclusive distributorship for all Kirin beer brands within the territory — with Kirin Ichiban and Kirin Lager comprising our first salvo.

As a result, we now have a stronger and more diversified portfolio of brands that can more sufficiently meet the evolving needs of the modern Hong Kong beer drinker.

South China Operations

Our two subsidiaries in South China posted significant improvements in their operations; but were unable to turn in profits by the first half of 2012 as we are currently in the process of restructuring our going-to-market and distribution strategy. This is expected to generate long term benefits and growth for the Group. As a result, we have taken a more calculated approach toward balancing sales and profitability.

Last year, the Group began its restructuring mode with the integration of the sales and distribution of the SMGB-managed Dragon brand into the operations of GSMB. As a result, the Group is now able to maximize synergies between the two; and together with other strategic initiatives, GSMB and SMGB have been able to reduce their operating losses by 3% and 43%, respectively.

GSMB posted an 11% increase in revenue over the same period last year while approximately maintaining the same total volume. We believe our efforts towards modernizing the brand, in part through the launch of the “Release” television commercial, and roll out of a new design for the 330ml San Mig Light can, has helped our profit initiatives and visibility in the market. We have also expanded our reach by promoting our brands more heavily online.

In an effort to enhance brand awareness for Dragon beer in Shunde, GSMB introduced the thematic “Dragon Beer Food Street” promotion in June — a month-long event with specially designed merchandising displays targeting both the trade and consumers. We also launched a 640ml variant of Guang’s Pineapple beer in March, and redesigned the 330ml can as part of our efforts to revitalize the brand.

Following the restructuring, SMGB is now more focused on manufacturing and tolling products for GSMB, and has begun producing beer products for export.

While our South China operations is still a work in progress, we expect that the Group will begin to reap the benefits of our restructuring initiatives by the end of the year, and will also provide the Group with a platform to recover volumes and further improve profitability in the coming years.

OUTLOOK

Overall, we remain very optimistic of our growth prospects for the rest of 2012, and are confident that the programs we have put in place will rebound to better results, and sharper execution in the way in which we bring and market our products to our consumers. I would like to take this opportunity to thank the members of the board 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 2012.

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 2012, 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.
- Terms of reference of the nomination committee (Code provision A.5.1) were uploaded to the Company's and The Stock Exchange of Hong Kong Limited's websites on 27 April 2012 after the formation of the nomination committee.

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, 7 August 2012

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. Shobu Nishitani; and the independent non-executive directors, Dr. the Hon. Sir. David K. P. Li, Mr. Ng Wai Sun and Mr. Carmelo L. Santiago.