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 2011

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 2011, 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 2011
(Expressed in Hong Kong dollars)

	Note	**2011** **$'000**	2010 $'000
Turnover	3	**683,879**	589,322
Cost of sales		**(387,062)**	(333,715)
Gross profit		**296,817**	255,607
Other revenue	4	**14,939**	13,841
Other net income	4	**3,319**	1,975
Selling and distribution expenses		**(270,251)**	(270,487)
Administrative expenses		**(80,586)**	(78,162)
Other operating expenses		**(7,106)**	(9,096)
Impairment losses of non-current assets	5	**(5,497)**	(684,283)
Loss from operations		**(48,365)**	(770,605)
Finance costs	6(a)	**(20,662)**	(11,904)
Loss before taxation	3,6	**(69,027)**	(782,509)
Income tax credit	7	**389**	8,522
Loss for the year		**(68,638)**	(773,987)
Attributable to:			
Equity shareholders of the Company		**(53,464)**	(736,984)
Non-controlling interests		**(15,174)**	(37,003)
Loss for the year		**(68,638)**	(773,987)
Loss per share			
— Basic (cents)	8(a)	**(14)**	(197)
— Diluted (cents)	8(b)	**N/A**	N/A

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2011

(Expressed in Hong Kong dollars)

	2011	2010
	$'000	*$'000*
Loss for the year	**(68,638)**	(773,987)
Other comprehensive income for the year (after tax)		
Exchange differences on translation of:		
— financial statements of subsidiaries outside Hong Kong	**(31,863)**	(17,088)
— monetary items that form part of the net investment in subsidiaries outside Hong Kong	**17,973**	12,577
	(13,890)	(4,511)
Actuarial gains and losses of defined benefit retirement plan	**(11,723)**	488
	(25,613)	(4,023)
Total comprehensive income for the year	**(94,251)**	(778,010)
Attributable to:		
Equity shareholders of the Company	**(77,119)**	(740,320)
Non-controlling interests	**(17,132)**	(37,690)
Total comprehensive income for the year	**(94,251)**	(778,010)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
at 31 December 2011
(Expressed in Hong Kong dollars)

	Note	**2011** **$'000**	2010 $'000
Non-current assets			
Fixed assets			
— Property, plant and equipment		**216,440**	218,426
— Investment properties		**80,138**	82,884
— Interests in leasehold land held for own use under operating leases		**93,093**	96,701
		389,671	398,011
Intangible assets		**5,709**	5,678
Other tangible assets		**—**	—
		395,380	403,689
Current assets			
Inventories		**65,166**	49,772
Trade and other receivables	*9*	**88,603**	70,656
Amounts due from holding companies and fellow subsidiaries		**12,331**	15,928
Pledged deposits		**198,000**	60,000
Bank deposits		**—**	5,876
Cash and cash equivalents		**45,586**	220,556
		409,686	422,788
Current liabilities			
Bank loans		**(313,734)**	(249,206)
Trade and other payables	*10*	**(148,917)**	(150,203)
Amounts due to holding companies and fellow subsidiaries		**(18,440)**	(10,995)
Amounts due to related companies		**(2,324)**	(2,396)
		(483,415)	(412,800)
Net current (liabilities)/assets		**(73,729)**	9,988

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*
at 31 December 2011
(Expressed in Hong Kong dollars)

	2011	2010
	$'000	*$'000*
Total assets less current liabilities	**321,651**	413,677
Non-current liabilities		
Retirement benefit liabilities	**(20,975)**	(18,143)
Deferred tax liabilities	**(3,453)**	(4,060)
	(24,428)	(22,203)
NET ASSETS	**297,223**	391,474
CAPITAL AND RESERVES		
Share capital	**186,785**	186,785
Reserves	**128,366**	205,485
Total equity attributable to equity shareholders of the Company	**315,151**	392,270
Non-controlling interests	**(17,928)**	(796)
TOTAL EQUITY	**297,223**	391,474

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 2011 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.

The Group sustained a consolidated net loss from continuing operations attributable to equity shareholders of the Company of $53,464,000 for the year ended 31 December 2011 and, as of that date, the Group's current liabilities exceeded its current assets by $73,729,000. The directors consider that these conditions were caused mainly by the Group's deteriorating performance in mainland China over the last few years.

These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business. Nevertheless, the directors are of the opinion that the Group will be able to finance its future working capital and financial requirements given that:

(i) the Group restructured its mainland China operations comprising two subsidiaries, San Miguel (Guangdong) Brewery Company Limited ("SMGB") and Guangzhou San Miguel Brewery Company Limited ("GSMB") in October 2011 with a view to streamlining its operations and improving financial performance. Under this restructuring, the Group integrated the sales and distribution function of SMGB into GSMB so that SMGB now concentrates on brewing operations;

(ii) the directors are reviewing the Group's longer term business strategy and have identified various initiatives which could turn around the Group's business performance. As a result, SMGB started export production for its holding company in the last quarter of 2011 and the Company obtained the distribution rights for certain beer brands in Hong Kong in mid 2011. The directors will continue to review and implement other initiatives;

(iii) as at 31 December 2011, all of the Group's short term bank loans were borrowed by SMGB mostly in Renminbi in mainland China. The Company is negotiating with certain banks in Hong Kong for long term loans totalling $250,000,000 as at the date of the financial statements. The Company plans to inject the proceeds from these long term loans and its surplus cash into SMGB in the form of registered capital in two batches subject to the approval of the relevant Chinese government authority, so that SMGB can repay all its current bank loans in mainland China by the end of the first half of 2012. As SMGB repays its current bank loans, the Company's pledged deposits which amounted to $198,000,000 as at 31 December 2011 will be gradually released and become available for the Company's use, including to finance a further injection into SMGB;

    SMGB submitted an application for an increase of its registered capital by US$46,000,000, from US$39,933,000 to US$85,933,000, to the local government authority on 18 January 2012 for its approval.

1. BASIS OF PREPARATION *(Continued)*

(iii) *(Continued)*

The directors believe that this refinancing will turn around the Group's net current liabilities into net current assets as the long term loans would be classified as non-current liabilities. Also, the directors expect that this initiative can reduce the Group's finance costs as the loans to be borrowed by the Company in Hong Kong are expected to bear lower interest rates than the current loans as the Hong Kong dollar interest rate is generally lower than Renminbi interest rate.

Until the completion of the above refinancing plan, the Group will continue to roll-over the existing short term bank loans. In January 2012, the Group has successfully rolled-over a loan of $12,336,000 to 18 May 2012 upon maturity on 18 January 2012. There are two loans totalling $104,023,000 which mature in February 2012 and management is negotiating with the relevant bank for a roll-over of these loans for another three to six months as at the date of the financial statements. Further, there are three loans totalling $74,016,000 which mature in March 2012 and management will start negotiating with the relevant banks for a roll-over for another three to six months in February 2012; and

(iv) 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 directors are of the opinion that it is appropriate to prepare the Group's financial statements for the year ended 31 December 2011 on a going concern basis. Should the Group be unable to continue to operate as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amounts, to provide for further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effect of these adjustments has not been reflected in the financial statements.

2. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of amendments to HKFRSs and one new Interpretation 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:

— HKAS 24 (revised 2009), *Related party disclosures*
— Improvements to HKFRSs (2010)
— HK(IFRIC) 19, *Extinguishing financial liabilities with equity instruments*
— Amendments to HK(IFRIC) 14, *HKAS 19 — The limit on a defined benefit asset, minimum funding requirements and their interaction — Prepayments of a minimum funding equipment*

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

2. CHANGES IN ACCOUNTING POLICIES *(Continued)*

The amendments to HK(IFRIC) 14 have had no material impact on the Group's financial statements as they were consistent with policies already adopted by the Group. HK(IFRIC) 19 has not yet had a material impact on the Group's financial statements as these changes will first be effective as and when the Group enters a relevant transaction (for example, a debt for equity swap).

The impacts of other developments are discussed below:

— HKAS 24 (revised 2009) revises the definition of a related party. As a result, the Group has re-assessed the identification of related parties and concluded that the revised definition does not have any material impact on the Group's related party disclosures for the current and previous period. HKAS 24 (revised 2009) also introduces modified disclosure requirements for government-related entities. This does not impact the Group because the Group is not a government-related entity.

— Improvements to HKFRSs (2010) omnibus standard introduces a number of amendments to the disclosure requirements in HKFRS 7, *Financial instruments: Disclosures*. The disclosures about the Group's financial instruments are consistent with the amended disclosure requirements. These amendments do not have any material impact on the classification, recognition and measurement of the amounts recognised in the financial statements in the current and previous 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.

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

(b) 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 beer products and distribution of imported beer products in Hong Kong and overseas.

— 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") and overseas.

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

3. TURNOVER AND SEGMENT REPORTING *(Continued)*

(b) Segment reporting *(Continued)*

(i) 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 other 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 is not allocated to reportable segments. Inter-segment sales are priced at cost plus profit margin.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2011 and 2010 is set out below:

	Hong Kong		Mainland China		Total	
	2011	2010	**2011**	2010	**2011**	2010
	$'000	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*
Revenue from external customers	**515,726**	410,673	**168,153**	178,649	**683,879**	589,322
Inter-segment revenue	**—**	—	**93**	751	**93**	751
Reportable segment revenue	**515,726**	410,673	**168,246**	179,400	**683,972**	590,073
Reportable segment profit/(loss) from operations	**9,298**	(444,181)	**(78,325)**	(338,328)	**(69,027)**	(782,509)
Interest income from bank deposits	**2,884**	1,268	**887**	1,316	**3,771**	2,584
Interest expense on bank loans	**—**	—	**(18,551)**	(10,532)	**(18,551)**	(10,532)
Depreciation and amortisation for the year	**(14,808)**	(34,402)	**(3,114)**	(18,463)	**(17,922)**	(52,865)
Reversal of/(provision for) impairment losses recognised in profit or loss in respect of						
— non-current assets	**—**	(442,633)	**(5,497)**	(241,650)	**(5,497)**	(684,283)
— trade and other receivables	**351**	(1,511)	**10**	(7)	**361**	(1,518)
Reportable segment assets	**1,102,230**	1,098,617	**82,906**	113,196	**1,185,136**	1,211,813
Additions to non-current segment assets during the year	**7,927**	5,784	**7,894**	9,306	**15,821**	15,090
Reportable segment liabilities	**96,631**	90,280	**787,829**	725,999	**884,460**	816,279

3. TURNOVER AND SEGMENT REPORTING *(Continued)*

(b) Segment reporting *(Continued)*

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

	2011	2010
	$'000	*$'000*
Revenue		
Reportable segment revenue	**683,972**	590,073
Elimination of inter-segment revenue	**(93)**	(751)
Consolidated turnover	**683,879**	589,322
Loss		
Reportable segment loss from operations	**(69,027)**	(782,509)
Elimination of inter-segment profits	**—**	—
Reportable segment loss derived from Group's external customers and consolidated loss before taxation	**(69,027)**	(782,509)
Assets		
Reportable segment assets	**1,185,136**	1,211,813
Elimination of inter-segment receivables	**(380,070)**	(385,336)
Consolidated total assets	**805,066**	826,477
Liabilities		
Reportable segment liabilities	**884,460**	816,279
Elimination of inter-segment payables	**(380,070)**	(385,336)
	504,390	430,943
Deferred tax liabilities	**3,453**	4,060
Consolidated total liabilities	**507,843**	435,003

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**	
	2011	2010	**2011**	2010
	$'000	*$'000*	***$'000***	*$'000*
Hong Kong (place of domicile)	**425,577**	349,625	**363,030**	370,009
Mainland China	**156,290**	177,532	**32,350**	33,680
Philippines	**93,253**	55,893	**—**	—
Others	**8,759**	6,272	**—**	—
	258,302	239,697	**32,350**	33,680
	683,879	589,322	**395,380**	403,689

(c) Major customers

In 2011, the revenue from the Group's largest customer which was served both by Hong Kong segment and mainland China segment amounted to $93,706,000 or 14% of the Group's total revenue (2010: $59,575,000 or 10%). The revenue from the Group's five largest customers amounted to 39% (2010: 39%) of the Group's total revenue.

4 **OTHER REVENUE AND OTHER NET INCOME**

	2011	2010
	$'000	*$'000*
Other revenue		
Interest income from bank deposits	**3,771**	2,584
Rental income from investment properties	**5,808**	8,273
Rental income from property, plant and equipment	**3,134**	2,984
Others	**2,226**	—
	14,939	13,841
Other net income		
Net gain on disposal of fixed assets	**761**	87
Net loss on disposal of other tangible assets	**(447)**	(923)
Net foreign exchange gains	**2,979**	1,623
Gain on disposal of non-current assets held for sale	**—**	1,180
Others	**26**	8
	3,319	1,975

5 IMPAIRMENT LOSSES OF NON-CURRENT ASSETS

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

	2011	2010
	$'000	*$'000*
Non-current assets relating to mainland China operation *(note 5(a))*	**5,497**	254,621
Non-current assets relating to Hong Kong manufacturing operation *(note 5(b))*	**—**	431,167
Other tangible assets	**—**	(1,505)
	5,497	684,283

The above impairment losses are further analysed as follows:

	2011	2010
	$'000	*$'000*
Provision for impairment losses:		
Fixed assets	**1,631**	695,942
Intangible assets — trademarks	**—**	11,466
Other tangible assets	**3,866**	20,218
	5,497	727,626
Reversal of impairment losses:		
Fixed assets	**—**	(41,838)
Other tangible assets	**—**	(1,505)
	—	(43,343)
	5,497	684,283

(a) Mainland China operation

During 2011 and 2010, 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 the 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 ("the China cash-generating unit") and as a result the carrying amount of the assets in the China cash-generating unit was written down by $5,497,000 (2010: $254,621,000), details of which are as follows:

5 IMPAIRMENT LOSSES OF NON-CURRENT ASSETS *(Continued)*

(a) Mainland China operation *(Continued)*

	2011	2010
	$'000	*$'000*
Provision for impairment losses:		
Fixed assets	**1,631**	245,257
Intangible assets — trademarks	**—**	11,466
Other tangible assets	**3,866**	20,218
	5,497	276,941
Reversal of impairment losses:		
Fixed assets	**—**	(22,320)
Total	**5,497**	254,621

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 in 2010 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 had been a favourable change in the estimates used to determine the recoverable amount.

5 IMPAIRMENT LOSSES OF NON-CURRENT ASSETS *(Continued)*

(b) Hong Kong manufacturing operation

In 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 might be impaired. The Group assessed the recoverable amounts of the cash-generating unit to which these assets belong ("the 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, details of which are 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 had been determined based on a value-in-use calculation. That calculation used 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 were extrapolated using a steady growth rate of 2%. This growth rate did 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 had been a favourable 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%

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

In 2011, the Group's results in Hong Kong were fairly consistent with the forecasts made in 2010. The Group assessed the recoverable amounts of Hong Kong cash-generating unit as at 31 December 2011 and determined that neither further impairment losses nor a reversal of previous impairment losses is necessary.

6 LOSS BEFORE TAXATION

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

		2011 *$'000*	2010 *$'000*
(a)	**Finance costs**		
	Interest expense on bank loans wholly repayable within five years	**18,551**	10,532
	Bank charges	**2,111**	1,372
		20,662	11,904
(b)	**Staff costs**		
	Retirement costs		
	— Defined contribution retirement plans	**6,723**	6,090
	— Defined benefit retirement plan	**4,340**	4,058
		11,063	10,148
	Salaries, wages and other benefits	**101,023**	96,719
		112,086	106,867
(c)	**Other items**		
	Amortisation		
	— Land lease premium	**4,473**	1,877
	— Other tangible assets	**823**	5,905
	Depreciation		
	— Property, plant and equipment	**9,747**	42,804
	— Investment properties	**2,879**	2,279
	Cost of inventories	**383,523**	329,795
	Operating lease charges: minimum lease payments		
	— Land and buildings	**2,812**	2,971
	— Plant and machinery	**—**	15
	Rental receivable from investment properties less direct outgoings of $2,932,000 (2010: $2,420,000)	**(2,876)**	(5,853)
	Auditors' remuneration		
	— Provision for the year	**3,156**	2,801
	— Under-provision in respect of prior year	**282**	155
	(Reversal of)/provision for impairment losses on trade and other receivables	**(361)**	1,518

7 TAXATION IN THE CONSOLIDATED INCOME STATEMENT

Taxation in the consolidated income statement represents:

	2011	2010
	$'000	*$'000*
Current tax — Outside Hong Kong		
Provision for the year	**(123)**	(57)
Deferred tax		
Origination and reversal of temporary differences	**512**	8,579
Income tax credit	**389**	8,522

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 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% (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 2011 and 2010 represented a withholding tax levied at 10% on interest income earned in the PRC by a subsidiary which is a non-PRC resident according to the relevant rules and regulations of the PRC.

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 of $53,464,000 (2010: $736,984,000) and on 373,570,560 (2010: 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 presented.

9 TRADE AND OTHER RECEIVABLES

Credit limits are offered to customers following a financial assessment and an established payment record. The 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.

9 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:

	2011	2010
	$'000	*$'000*
Current	**56,054**	46,701
Less than 1 month past due	**11,128**	8,047
1 to 3 months past due	**4,147**	1,149
More than 3 months but less than 12 months past due	**849**	536
More than 12 months past due	**2,159**	2,131
	74,337	58,564

10 TRADE AND OTHER PAYABLES

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

	2011	2010
	$'000	*$'000*
Due within 1 month or on demand	**62,142**	51,410
Due after 1 month but within 3 months	**6,405**	2,456
Due after 3 months but within 6 months	**468**	—
Due over 6 months	**—**	19
	69,015	53,885

EXTRACT OF THE INDEPENDENT AUDITOR'S REPORT

The auditor expresses an unqualified opinion in the auditor's report, but wishes to draw attention to the readers of the financial statements by adding an emphasis of matter paragraph as follows:

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2011 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

Emphasis of matter

Without qualifying our opinion, we draw attention to note 1(b) to the consolidated financial statements which indicates that the Group sustained a consolidated net loss from continuing operations attributable to the equity shareholders of the Company of HK$53,464,000 for the year ended 31 December 2011 and, as of that date, the Group's current liabilities exceeded its current assets by HK$73,729,000. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. As further detailed in note 1(b) to the consolidated financial statements, the Group has identified measures to improve its performance and financial position and is in the process of implementing them as at the date of this report. The consolidated financial statements have been prepared on a going concern basis, the validity of which is dependent on the successful implementation of these measures and the commitment of the Group's holding company 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. The consolidated financial statements do not include any adjustments that would result should the Group be unable to continue to operate as a going concern.

CLOSURE OF REGISTER OF MEMBERS

The transfer of books and register of members of the Company will be closed from Wednesday, 25 April 2012 to Friday, 27 April 2012, both days inclusive. To qualify for attending the forthcoming Annual General Meeting of the Company to be held on Friday, 27 April 2012, 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, 24 April 2012.

FINANCIAL RESULTS

In 2011, the Company managed to turnaround and significantly improve the profitability of its Hong Kong operations, driven by higher domestic sales and the growth of its exports business. While the Group's South China operations continued to face challenges, thus weighing down the Group's consolidated results, 2011 was still an improvement for our operations in South China. Consolidated turnover of the Group was at HK$683.9 million, an increase of 16.0% from 2010 (2010: HK$589.3 million) and gross profit for 2011 was at HK$296.8 million (2010: HK$255.6 million). The Group's gross profit margin was maintained at 43.4% (2010: 43.4%).

Consolidated loss for 2011 was HK$68.6 million mainly due to losses from our South China operations, but this was a considerable improvement from the HK$774.0 million loss in 2010 (2010 included an impairment loss of HK$677.3 million (net of tax effect) and 2011 included an impairment loss of HK$5.5 million (net of tax effect)).

Cash and cash equivalents and bank deposits (excluding bank loans) as of 31 December 2011 amounted to HK$243.6 million (2010: HK$286.4 million) of which HK$198.0 million (2010: HK$60.0 million) was pledged to secure the Group's banking facilities. Total net assets were at HK$297.2 million (2010: HK$391.5 million), with a debt-to-equity ratio of 1.06 (2010: 0.64).

DIVIDENDS

No dividends will be declared for 2011.

BUSINESS REVIEW

HONG KONG OPERATIONS

2011 was a very good year for our Hong Kong operations. Our Company's total volume and revenue grew by 16% and 24%, respectively over the previous year, owing to higher domestic volumes, further supported by higher exports sales.

After a strong start, Hong Kong's economy slowed down toward the end of the year, with the government projecting 5% full year growth. The territory's total beer industry took its cue from the overall economy and posted a moderate 2% growth for 2011. Yet while this was the case for the beer industry, the Company's sales volume in the domestic market finished the year with a 9% growth, further strengthening the Company's position as the No. 1 beer company in Hong Kong with our flagship brand San Miguel at the forefront.

This marked improvement stems from our commitment to maximise shareholder value through continuously strengthening our portfolio of brands, and providing a high level of service to our customers and maintaining strict cost management measures.

In 2010, the Company launched the lower calorie San Mig Light small bottle in high-end outlets to strengthen the overall San Miguel image and presence. For 2011, the Company is pleased to report that sales volume of San Mig Light grew by 356% over the previous year, with the launch of the big bottles in Chinese restaurants and Daipaidongs in June 2011. To support San Mig Light's aggressive expansion, a new television advertisement entitled "Release" and a highly-publicised promotion, "Caribbean Sea Cruise," was launched. This new advertisement campaign received a high approval rating and further ensured the success of the new San Mig Light.

The second half of 2011 saw the introduction of a new line extension of the San Miguel brand, San Miguel Premium All Malt, providing the consumers a fresh alternative among the portfolio of brands competing in the premium segment. While distribution is limited and exclusive to the higher-end market, it aims to enhance the overall San Miguel brand image.

For our flagship San Miguel Pale Pilsen, we continue to build our brand's association with sports and music. On the sports front, the brand sustained its association with soccer through the "San Miguel Soccer Union", a series of enhanced 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. The brand also continued to be the exclusive sponsor of San Miguel Beer Garden of the Hong Kong Dragon Boat Carnival 2011 organised by the Hong Kong Tourism Board. On the music front, San Miguel Pale Pilsen, with TVB.com as the major media partner, organised the "Music Battle". It was also the exclusive beer sponsor of the much talked-about music and arts festival, Clockenflap 2011.

After securing the exclusive distributorship of Budweiser and Harbin in Hong Kong and Macau beginning May 2011, the Company was able to further strengthen its portfolio of brands, and is poised to further dominate the market.

SOUTH CHINA OPERATIONS

While our two companies in South China posted losses in 2011, there were nevertheless improvements in their operations.

The market conditions in South China continued to be challenging as competitors utilised aggressive trade offers, especially in the wholesaler channel, to grab market share. Given this situation, both companies have been more conscientious in balancing the need to protect our position in the market and our bottom-line.

Total revenues of GSMB registered an improvement, despite the decline in total volume versus last year, due to a favourable product mix. Meanwhile, growth momentum in the retail chains was sustained, with the channel posting a double-digit volume increase over last year. GSMB also grew volume in West and North Guangdong, stemming from its efforts to strengthen distribution coverage in areas outside the core markets of Dongguan.

In April, GSMB launched the new San Mig Light with an enhanced formula, new packaging design and new positioning in the market. The launch was supported with a new marketing campaign, "Fun Drinking Moment", highlighted by the popular "Release" television commercial from Hong Kong.

SMGB recorded a decline in total sales of its local Dragon brand versus the previous year. In response to the intense market competition and to maximise the organisational effectiveness and efficiency of the whole South China Operations, a major business re-structuring was implemented which involved the integration of the sales and distribution function of Dragon into GSMB's operations. Meanwhile, SMGB will concentrate on manufacturing/tolling with focus on improving utilisation, productivity and efficiency. This new strategy hopes to provide GSMB improved leverage to the trade as well as optimised promotion spending both in the trade and outlets, accelerating the turnaround of GSMB and ensuring the long-term viability of SMGB. The Dragon brand will continue to be of great importance to our growth strategy and will truly benefit from this new development.

COMMUNITY RELATIONS AND SOCIAL RESPONSIBILITY

The Company strives to be commercially successful and at the same time socially responsible in the way we do business. We are committed to foster goodwill and work closely with our local communities to ensure mutual benefits are achieved.

We continue to promote responsible drinking and to sponsor and participate in various local events and contribute regularly to charitable and non-profit organisations.

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

In a people-intensive business, the Company believes in ensuring that our people are equipped with the right and time-relevant knowledge, skills and experiences. We continue to develop our employees' growth and foster unity in the organisation by investing resources on training, seminars, mentorship, team-building workshops and direction briefings.

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

CORPORATE GOVERNANCE

The Company continues 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 2011 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. Keisuke Nishimura resigned from the Board since we published our interim report on 16 August 2011. We thank Mr. Keisuke Nishimura for his contribution to the Group over the past years.

With the departure of Mr. Keisuke Nishimura, Mr. Shobu Nishitani was appointed on 4 November 2011.

FUTURE DIRECTION AND CHALLENGES

The following are the objectives of the Company for the year 2012:

- In Hong Kong, we will continue to improve profitability and increase our market share through the strengthening of our brand portfolio, channel rationalisation and growth, margin improvement and cost rationalisation.

- In South China, we intend to turnaround the business through the continued channel and geographic expansion of our San Miguel brands, and take full advantage of the positive consumer and trade acceptance of San Mig Light since its relaunch. We will also continue to give focus on the strengthening of dealer and wholesaler network, as well as on margin improvement and cost rationalisation.

Looking ahead, the Company is confident that we have established a solid foundation for growth that will enable us to continue the turnaround momentum that we have started in 2011. We are committed to maximising shareholder value and making our beer brands ever more relevant to our customers and consumers. We have well-mapped out growth strategies that should facilitate the achievement of the Company's goals. We also have the right company culture and discipline for cost management in all aspects of the operations, but especially in areas of production and logistics.

In closing, we wish to convey our gratitude to our Board of Directors for their unwavering guidance and support. We also wish to thank 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 2011 ANNUAL REPORT ON THE WEBSITE OF THE STOCK EXCHANGE

The Company's annual report for 2011 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, 2 February 2012

(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., 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.