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 2012

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 2012, 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 2012
(Expressed in Hong Kong dollars)

	Note	**2012** **$'000**	2011 $'000
Turnover	*3*	**686,362**	683,879
Cost of sales		**(392,442)**	(387,062)
Gross profit		**293,920**	296,817
Other revenue	*4*	**35,671**	14,939
Other net income	*4*	**11,473**	3,319
Selling and distribution expenses		**(277,645)**	(270,251)
Administrative expenses		**(77,714)**	(80,586)
Other operating expenses		**(9,559)**	(7,106)
Reversal of impairment losses/(impairment losses) for non-current assets	*5*	**269,916**	(5,497)
Profit/(loss) from operations		**246,062**	(48,365)
Finance costs	*6(a)*	**(13,419)**	(20,662)
Profit/(loss) before taxation	*3,6*	**232,643**	(69,027)
Income tax (charge)/credit	*7*	**(3,468)**	389
Profit/(loss) for the year		**229,175**	(68,638)
Attributable to:			
Equity shareholders of the Company		**239,854**	(53,464)
Non-controlling interests		**(10,679)**	(15,174)
Profit/(loss) for the year		**229,175**	(68,638)
Earnings/(loss) per share			
— Basic (cents)	*8(a)*	**64**	(14)
— Diluted (cents)	*8(b)*	**N/A**	N/A

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2012

(Expressed in Hong Kong dollars)

	2012	2011
	$'000	*$'000*
Profit/(loss) for the year	**229,175**	(68,638)
Other comprehensive income for the year (after tax)		
Exchange differences on translation of:		
— financial statements of subsidiaries outside Hong Kong	**245**	(31,863)
— monetary items that form part of the net investment in subsidiaries outside Hong Kong	**(84)**	17,973
	161	(13,890)
Actuarial gains and losses of defined benefit retirement plan	**(14,723)**	(11,723)
	(14,562)	(25,613)
Total comprehensive income for the year	**214,613**	(94,251)
Attributable to:		
Equity shareholders of the Company	**225,299**	(77,119)
Non-controlling interests	**(10,686)**	(17,132)
Total comprehensive income for the year	**214,613**	(94,251)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
at 31 December 2012
(Expressed in Hong Kong dollars)

	Note	**2012** **\$'000**	2011 *\$'000*
Non-current assets			
Fixed assets			
— Property, plant and equipment		**475,861**	216,440
— Investment properties		**87,978**	80,138
— Interests in leasehold land held for own use under operating leases		**90,839**	93,093
		654,678	389,671
Intangible assets		**5,426**	5,709
		660,104	395,380
Current assets			
Inventories		**56,062**	65,166
Trade and other receivables	*9*	**82,726**	88,603
Amounts due from holding companies and fellow subsidiaries		**9,340**	12,331
Amount due from a related company		**829**	—
Pledged deposits		**—**	198,000
Cash and cash equivalents		**100,904**	45,586
		249,861	409,686
Current liabilities			
Bank loans		**(86,713)**	(313,734)
Trade and other payables	*10*	**(120,005)**	(148,917)
Amounts due to holding companies and fellow subsidiaries		**(3,767)**	(18,440)
Amounts due to related companies		**(4,423)**	(2,324)
		(214,908)	(483,415)
Net current assets/(liabilities)		**34,953**	(73,729)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*
at 31 December 2012
(Expressed in Hong Kong dollars)

	2012	2011
	$'000	*$'000*
Total assets less current liabilities	**695,057**	321,651
Non-current liabilities		
Bank loan	**(145,092)**	—
Retirement benefit liabilities	**(34,534)**	(20,975)
Deferred tax liabilities	**(3,595)**	(3,453)
	(183,221)	(24,428)
NET ASSETS	**511,836**	297,223
CAPITAL AND RESERVES		
Share capital	**186,785**	186,785
Reserves	**353,665**	128,366
Total equity attributable to equity shareholders of the Company	**540,450**	315,151
Non-controlling interests	**(28,614)**	(17,928)
TOTAL EQUITY	**511,836**	297,223

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 2012 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 before net reversal of impairment losses for non-current assets, of $40,741,000 and experienced a net outflow of cash and cash equivalents of $40,065,000 in respect of operating activities for the year ended 31 December 2012. The Group's cash and cash equivalents exceeded current bank loans by only $14,191,000 as at 31 December 2012, which may not be sufficient to fund the Group's operations in 2013 in view of the net outflow of cash and cash equivalents in respect of operating activities for the year ended 31 December 2012.

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. However, 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 Company's bank loans are repayable in eight equal quarterly instalments from June 2013. The directors are considering re-financing these loans so that part of current bank loans becomes repayable after 31 December 2013.

(ii) The directors have reviewed the Group's future plans strategy and have identified various initiatives which could turn around the Group's business performance, which include the following:

  (a) For Hong Kong operations, the directors consider that the decline in profitability is principally due to the heavy discounts offered to customers and they have implemented stronger controls over discounts since late 2012. Also, the directors are conducting a holistic review of sales incentive schemes with a view to changing them to be more efficient and effective.

  (b) For mainland China operations, the directors have reinvigorated certain sales channels by obtaining new distributors and also are searching for opportunities to obtain new customers who may be interested in subcontracting beer production to the Group.

(iii) 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 2012 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 several amendments to HKFRSs that are first effective for the current accounting period of the Group and the Company. Of these, Amendments to HKFRS 7, *Financial instruments: Disclosures - Transfers of financial assets* are relevant to the Group's financial statements.

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

Amendments to HKFRS 7, *Financial instruments: Disclosures*

The amendments to HKFRS 7 require certain disclosures to be included in the financial statements in respect of transferred financial assets that are not derecognised in their entirety and for any continuing involvement in transferred financial assets that are derecognised in their entirety, irrespective of when the related transfer transaction occurred. However, an entity need not provide the disclosures for the comparative period in the first year of adoption. The Group did not have any significant transfers of financial assets in previous periods or the current period which require disclosure in the current accounting period under the amendments.

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 comprises 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 comprises 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 2012 and 2011 is set out below:

	Hong Kong		**Mainland China**		**Total**	
	2012	2011	**2012**	2011	**2012**	2011
	$'000	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*
Revenue from external customers	**537,243**	515,726	**149,119**	168,153	**686,362**	683,879
Inter-segment revenue	**—**	—	**4,839**	93	**4,839**	93
Reportable segment revenue	**537,243**	515,726	**153,958**	168,246	**691,201**	683,972
Reportable segment profit/(loss) from operations	**277,565**	9,298	**(44,922)**	(78,325)	**232,643**	(69,027)
Interest income from bank deposits	**1,127**	2,884	**244**	887	**1,371**	3,771
Interest expense on bank loans	**(5,185)**	—	**(7,561)**	(18,551)	**(12,746)**	(18,551)
Depreciation and amortisation for the year	**(15,324)**	(14,808)	**(1,980)**	(3,114)	**(17,304)**	(17,922)
Reversal of/(provision for) impairment losses recognised in profit or loss in respect of						
— non-current assets	**272,344**	—	**(2,428)**	(5,497)	**269,916**	(5,497)
— trade and other receivables	**(351)**	351	**371**	10	**20**	361
Reportable segment assets	**1,223,173**	1,102,230	**66,548**	82,906	**1,289,721**	1,185,136
Additions to non-current segment assets during the year	**9,095**	7,927	**3,667**	7,894	**12,762**	15,821
Reportable segment liabilities	**335,057**	96,631	**439,233**	787,829	**774,290**	884,460

3. TURNOVER AND SEGMENT REPORTING *(Continued)*

(b) Segment reporting *(Continued)*

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

	2012	2011
	$'000	*$'000*
Revenue		
Reportable segment revenue	**691,201**	683,972
Elimination of inter-segment revenue	**(4,839)**	(93)
Consolidated turnover	**686,362**	683,879
Profit/(loss)		
Reportable segment profit/(loss) from operations	**232,643**	(69,027)
Elimination of inter-segment profits	**—**	—
Reportable segment profit/(loss) derived from Group's external customers and consolidated profit/(loss) before taxation	**232,643**	(69,027)
Assets		
Reportable segment assets	**1,289,721**	1,185,136
Elimination of inter-segment receivables	**(379,756)**	(380,070)
Consolidated total assets	**909,965**	805,066
Liabilities		
Reportable segment liabilities	**774,290**	884,460
Elimination of inter-segment payables	**(379,756)**	(380,070)
	394,534	504,390
Deferred tax liabilities	**3,595**	3,453
Consolidated total liabilities	**398,129**	507,843

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**	
	2012	2011	**2012**	2011
	$'000	*$'000*	***$'000***	*$'000*
Hong Kong (place of domicile)	**463,588**	425,577	**629,049**	363,030
Mainland China	**119,876**	156,290	**31,055**	32,350
Philippines	**92,176**	93,253	**—**	—
Others	**10,722**	8,759	**—**	—
	222,774	258,302	**31,055**	32,350
	686,362	683,879	**660,104**	395,380

(c) Major customers

In 2012, the revenue from the Group's largest customer which was served both by Hong Kong segment and the mainland China segment amounted to $93,144,000 or 14% of the Group's total revenue (2011: $93,706,000 or 14%). The revenue from the Group's five largest customers amounted to 39% (2011: 39%) of the Group's total revenue.

4 **OTHER REVENUE AND OTHER NET INCOME**

	2012	2011
	$'000	*$'000*
Other revenue		
Interest income from bank deposits	**1,371**	3,771
Rental income from investment properties	**5,872**	5,808
Rental income from property, plant and equipment	**3,099**	3,134
Advertising and promotion subsidy	**23,240**	—
Others	**2,089**	2,226
	35,671	14,939
Other net income		
Net (loss)/gain on disposal of fixed assets	**(36)**	761
Net gain/(loss) on disposal of other tangible assets		
— to a customer *(note)*	**6,894**	—
— to fellow subsidiaries	**2,835**	—
— others	**1,116**	(447)
Net foreign exchange gains	**641**	2,979
Net gain on disposal of intangible assets	**4**	—
Others	**19**	26
	11,473	3,319

Note: All of the other tangible assets were fully impaired in prior years and the carrying amount was nil. Some of these assets were disposed of during the year to a customer who in return agreed to extinguish the Group's payables to it. The gain represents the amount of trade payables derecognised.

5 REVERSAL OF IMPAIRMENT LOSSES/(IMPAIRMENT LOSSES) FOR NON-CURRENT ASSETS

Reversal of impairment losses/(impairment losses) for non-current assets represent:

	2012	2011
	$'000	*$'000*
Non-current assets relating to mainland China operation *(note 5(a))*	**(2,428)**	(5,497)
Non-current assets relating to Hong Kong manufacturing operation *(note 5(b))*	**262,206**	—
Investment properties *(note 5(c))*	**10,138**	—
	269,916	(5,497)

The above reversal of impairment losses/(impairment losses) are further analysed as follows:

	2012	2011
	$'000	*$'000*
Provision for impairment losses:		
Fixed assets	**(2,284)**	(1,631)
Other tangible assets	**(144)**	(3,866)
	(2,428)	(5,497)
Reversal of impairment losses:		
Fixed assets	**272,344**	—
	269,916	(5,497)

(a) Mainland China operation

During 2012 and 2011, the Group noted that the decline in demand for its products in mainland China compared to previous sales forecasts, 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 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 $2,428,000 (2011: $5,497,000), details of which are as follows:

	2012	2011
	$'000	*$'000*
Provision for impairment losses:		
Fixed assets	**(2,284)**	(1,631)
Other tangible assets	**(144)**	(3,866)
	(2,428)	(5,497)

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.

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

(b) Hong Kong manufacturing operation

The Group's non-current assets relating to the manufacturing operations in Hong Kong comprise mainly the production plant, an office building and a warehouse in Hong Kong ("the HK cash-generating unit"). The Group had recognised impairment losses of $716,167,000 in respect of the HK cash-generating unit in prior years in order to reduce its carrying amount to the recoverable amount, which had been determined based on value-in-use calculations, as the Group could not determine fair value less costs to sell reliably because there was no basis for making a reliable estimate of the amount obtainable from the sale of certain assets belonging to the HK cash-generating unit in an arm's length transaction between knowledgeable and willing parties.

In 2012, there was a change in the estimates used to determine the HK cash-generating unit's recoverable amount as the Group was able to determine fair value less costs to sell based on a reliable estimate of the amount obtainable from the sale in an arm's length transaction between knowledgeable and willing parties for most of the assets belonging to the HK cash-generating unit, due to recent comparable transaction data becoming available. The fair value less costs to sell of the HK cash-generating unit was greater than the value-in-use at 31 December 2012. Hence, the Group determined the recoverable amount based on the fair value less costs to sell and reversed a part of the previously recognised impairment losses in respect of the HK cash-generating unit to the extent that the revised carrying amount of individual assets does not exceed the smaller of respective fair value less costs to sell as at 31 December 2012 and what would have been determined had no impairment loss been recognised in prior years.

The estimates of the cash-generating unit's fair value less costs to sell were 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.

	2012
	$'000
Reversal of impairment losses:	
Fixed assets	262,206

(c) Investment Properties

The Group had recognised impairment losses of $12,000,000 in respect of its investment properties in prior years in order to reduce its carrying amount to the recoverable amount which had been determined based on fair value less costs to sell.

In 2012, the Group noted an increase in the investment properties' recoverable amount, mainly arising from an increase in the fair value less costs to sell, which exceeded the relevant carrying amount. Hence, the Group reversed previously recognised impairment losses on the investment properties to the extent that the revised carrying amount does not exceed the smaller of the fair value less costs to sell as at 31 December 2012 and what would have been determined had no impairment loss been recognised in prior years.

The estimates of the investment properties' fair value less costs to sell were 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.

6 PROFIT/(LOSS) BEFORE TAXATION

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

		2012	2011
		$'000	*$'000*
(a)	**Finance costs**		
	Interest expense on bank loans wholly repayable within five years	**12,746**	18,551
	Amortisation of transaction costs for bank loans	**410**	—
	Bank charges	**263**	2,111
		13,419	20,662
(b)	**Staff costs**		
	Retirement costs		
	— Defined contribution retirement plans	**6,782**	6,723
	— Defined benefit retirement plan	**3,340**	4,340
		10,122	11,063
	Salaries, wages and other benefits	**104,724**	101,023
		114,846	112,086
(c)	**Other items**		
	Amortisation		
	— Land lease premium	**3,277**	4,473
	— Other tangible assets	**888**	823
	Depreciation		
	— Property, plant and equipment	**10,730**	9,747
	— Investment properties	**2,409**	2,879
	Cost of inventories	**390,206**	383,523
	Operating lease charges: minimum lease payments		
	— Land and buildings	**2,830**	2,812
	Rental receivable from investment properties less direct outgoings of $2,949,000 (2011: $2,932,000)	**(2,923)**	(2,876)
	Auditors' remuneration		
	— Provision for the year	**3,314**	3,156
	— Under-provision in respect of prior year	**343**	282
	Reversal of impairment losses for trade and other receivables	**(20)**	(361)

7 TAXATION IN THE CONSOLIDATED INCOME STATEMENT

Taxation in the consolidated income statement represents:

	2012	2011
	$'000	*$'000*
Current tax — Outside Hong Kong		
Provision for the year	**(20)**	(123)
Deferred tax		
Origination and reversal of temporary differences	**(3,448)**	512
Income tax (charge)/credit	**(3,468)**	389

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 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% (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 2012 and 2011 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 EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the profit/(loss) attributable to equity shareholders of the Company of $239,854,000 (2011: $53,464,000) and on 373,570,560 (2011: 373,570,560) ordinary shares, being the number of ordinary shares in issue throughout the year.

(b) Diluted earnings/(loss) per share

The diluted earnings/(loss) per share is not presented as the Company did 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. 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 required to trade 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:

	2012	2011
	$'000	*$'000*
Current	**51,234**	56,054
Less than 1 month past due	**9,361**	11,128
1 to 3 months past due	**1,980**	4,147
More than 3 months but less than 12 months past due	**2,668**	849
More than 12 months past due	**2,224**	2,159
	67,467	74,337

According to the Group's credit policy, the general credit period is payment by the end of the month following the month in which sales took place. Therefore, all the current balances above are within two months from the invoice date.

10 TRADE AND OTHER PAYABLES

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

	2012	2011
	$'000	*$'000*
Current and less than 1 month past due	**41,800**	62,142
1 to 3 months past due	**8,732**	6,405
3 to 6 months past due	**432**	468
More than 6 months past due	**56**	—
	51,020	69,015

The Group's general payment terms are one to two months from the invoice date. Therefore, the current and less than 1 month past due balances above are mostly within two to three months from the invoice date.

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 2012 and of the Group's profit 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 l(b) to the consolidated financial statements which indicates that the Group sustained a consolidated net loss from continuing operations before net reversal of impairment losses for non-current assets, of HK$40,741,000 and experienced a net outflow of cash and cash equivalents of HK$40,065,000 in respect of its operating activities for the year ended 31 December 2012. The Group's cash and cash equivalents exceeded current bank loans by only HK$14,191,000 as at 31 December 2012, which may not be sufficient to fund the Group's operations in 2013 in view of the net outflow of cash and cash equivalents in respect of operating activities for the year ended 31 December 2012. 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, 17 April 2013 to Friday, 19 April 2013, both days inclusive. To qualify for attending the forthcoming Annual General Meeting of the Company to be held on Friday, 19 April 2013, 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, 16 April 2013.

FINANCIAL RESULTS

Consolidated revenue amounted to HK$686.4 million, a 0.4% increase over the same period in 2011. Gross profit reached HK$293.9 million, with gross profit margin at 42.8%.

Consolidated profit for 2012 was HK$229.2 million, a significant improvement from the HK$68.6 million loss in 2011 due to the net reversal of impairment losses of the Group's non-current assets amounting to HK$269.9 million. Excluding the reversal of impairment losses in 2012 and the impairment losses in 2011, net of tax effect, the consolidated loss for 2012 would have been HK$40.7 million, a considerable improvement from our losses in 2011 of HK$63.1 million due to operating initiatives implemented in our South China operations.

Cash and cash equivalents (excluding bank loans) as of year-end amounted to HK$100.9 million. Total net assets reached HK$511.8 million, a significant improvement over last year's HK$297.2 million, with a debt-to-equity ratio of 0.45.

DIVIDENDS

No dividends will be declared for 2012.

BUSINESS REVIEW

HONG KONG OPERATIONS

Even while the Hong Kong economy has yet to complete its recovery, our beer operations in the territory remained strong, posting a 2% growth in sales in step with the larger beer industry. We continue to be the No. 1 beer company in Hong Kong, largely due to the dominance of our core brands. The domestic market response to our growing portfolio has been favorable. Meanwhile, total sales volumes declined by 6% due to the transfer of some exports volumes to San Miguel (Guangdong) Brewery Company Limited ("SMGB").

San Mig Light remains one of our best performers, registering double-digit growth over the same period in 2011. Over the last year, we have been able to sustain strong on-premise demand for San Mig Light, while at the same time expanding its availability and reach in off-premise outlets. The brand's visibility has been supported by a thematic campaign called "Light and Free", which included the launch of a new TVC and viral online campaign.

Our flagship San Miguel Pale Pilsen continues to maintain its strong position through strategic partnerships with some of 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 territory's biggest post-rugby parties. Other prominent strategic partnerships include the exclusive sponsorship of the highly successful music and arts festival, Clockenflap; and presence of the San Miguel Beer Garden in the 2012 Hong Kong Dragon Boat Carnival organized by the Hong Kong Tourism Board.

Our premium brands continue to be among our top performers, posting significant volume and revenue increases over the same period in 2011. Recognizing opportunities in the up-market segment, we capped the year with the release of San Miguel Premium All-Malt, and exclusive distributorship of all Kirin beer brands within the territory. As a result, we now have a stronger and more diversified portfolio that has us well placed to further dominate the higher end segment of the beer market.

Our market in Macau, while not yet as developed as Hong Kong's, continues to show gains and improvement, posting double-digit growths in volumes and revenues.

SOUTH CHINA OPERATIONS

In South China, much of our efforts over the past year were devoted to restructuring our going-to-market and distribution strategy; particularly in our core markets of Dongguan and Shunde. While we have begun to realize some improvements in our operations, and are confident that our streamlining efforts will yield long-term, strategic benefits for the company; our operations in South China were still unable to turn a profit for 2012. This has resulted in a more measured stance in terms of balancing selling and profitability.

In 2011, the Group began the restructuring of its business model by integrating the sales and distribution of the SMGB-managed Dragon brand into the operations of Guangzhou San Miguel Brewery Company Limited ("GSMB"). As a result, the Group was able to maximize synergies; and, together with other strategic and tactical initiatives, SMGB and GSMB were able to reduce operating losses.

Our other strategic markets such as Guangzhou, East and West Guangdong all registered total sales volume growths in 2012. This was largely the result of GSMB's efforts to improve distribution in these markets, as well as the introduction of enhancements to its product range, which included the launch of a new look for the San Mig Light 330ml can, and release of the new 500ml can pack-type, which has become very popular in Hong Kong.

Meanwhile, following the restructuring, SMGB is now focused on manufacturing and tolling products for GSMB, as well as producing beer products for export.

These initiatives, and particularly the restructuring efforts in our South China markets will provide the Group with the platform to recover volumes and further improve our profitability in the long term.

COMMUNITY RELATIONS AND SOCIAL RESPONSIBILITY

San Miguel Brewery Hong Kong Limited remains committed to its parent company's philosophy of "profit with honor", and hopes to underscore its commitment to good corporate citizenship through working closely with our local communities to ensure a sustainable co-existence.

We are particularly committed to promoting responsible drinking within our organization and among our stakeholders. We also continue to sponsor and participate in various local events and contribute to charitable and non-profit organizations.

The Company is also committed to protecting the environment and communities within which we operate, chiefly through ensuring that environmental standards set by the government are met or even exceeded.

HUMAN RESOURCES

As a company, we recognize that our people are our greatest resource, and remain committed to upholding the best interests of our people through equipping them with relevant knowledge and skills. We invest in training and seminars; and hold mentorship, partnership and team-building workshops to cultivate employee growth.

We also offer competitive remuneration packages commensurate with industry standards, and provide competitive fringe benefits, including comprehensive medical and insurance coverage, and retirement packages for all our employees.

CORPORATE GOVERNANCE

The Company continues to apply the principles of the Corporate Governance Code and Corporate Governance Report contained in Appendix 14 of the Listing Rules throughout the year ended 31 December 2012, 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. Peter K. Y. Tam, Mr. Thelmo Luis O. Cunanan Jr. and General Benjamin P. Defensor, Jr. resigned from the Board since we published our interim report on 7 August 2012. We thank Mr. Peter K. Y. Tam, Mr. Thelmo Luis O. Cunanan Jr. and General Benjamin P. Defensor, Jr. for their contribution to the Group over the past years.

With the departure of Mr. Thelmo Luis O. Cunanan Jr. and General Benjamin P. Defensor, Jr., Mr. Reynato S. Puno and Mr. Roberto N. Huang were appointed on 8 November 2012.

With the departure of Mr. Peter K. Y. Tam, Mr. Ramon G. Torralba was appointed on 15 January 2013.

FUTURE DIRECTION AND CHALLENGES

The following are the objectives of the Company for the year 2013:

- In Hong Kong, we will rationalize advertising and promotion spending through the implementation of an internal system to ensure a more effective and efficient use of resources. We will also restructure our distribution system to aggressively grow in the channels where we are weak and to maximize opportunities in untapped channels.

- In South China, we intend to turnaround the business through an extensive expansion of the dealership network in our core markets, while strengthening the brand equity of San Miguel and Dragon. We will also continue to focus on margin improvement and cost rationalization.

Moving forward, the Company wishes to reiterate our full commitment to maximizing shareholder value. We have appointed a new Managing Director, and have a number of dynamic growth strategies that should enable us to turn around the business and take full advantage of growth opportunities in the market. Our new initiatives are geared towards enabling our beer brands to become even more relevant. We also have various new systems and procedures in place to facilitate efficient and effective cost management in virtually all aspects of our operations.

In closing, we wish to express our heartfelt gratitude to our Board of Directors for their unwavering guidance and support. Likewise our sincere thanks goes out to our shareholders and customers for their continued loyalty; and our 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 2012 ANNUAL REPORT ON THE WEBSITE OF THE STOCK EXCHANGE

The Company's annual report for 2012 will be published on the website of The Stock Exchange of Hong Kong Limited 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, 8 February 2013

(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. Ramon G. Torralba, the non-executive directors, Mr. Ramon S. Ang (Chairman), Mr. Carlos Antonio M. Berba (Deputy Chairman), Ms. Chan Wen Mee, May (Michelle), Mr. Teruyuki Daino, Mr. Roberto N. Huang, 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, Mr. Reynato S. Puno and Mr. Carmelo L. Santiago.