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 2013

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 2013, 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 2013
(Expressed in Hong Kong dollars)

	Note	**2013** **\$'000**	2012 *\$'000* Restated
Turnover	*3*	**687,093**	686,362
Cost of sales		**(396,798)**	(392,455)
Gross profit		**290,295**	293,907
Other revenue	*4*	**42,654**	35,671
Other net income	*4*	**396**	11,473
Selling and distribution expenses		**(212,303)**	(278,885)
Administrative expenses		**(83,241)**	(79,095)
Other operating expenses		**(9,127)**	(9,559)
Reversal of impairment losses for non-current assets	*5*	**—**	269,916
Profit from operations		**28,674**	243,428
Finance costs	*6(a)*	**(6,391)**	(13,419)
Profit before taxation	*3,6*	**22,283**	230,009
Income tax credit/(charge)	*7*	**3,541**	(3,033)
Profit for the year		**25,824**	226,976
Attributable to:			
Equity shareholders of the Company		**26,010**	237,655
Non-controlling interests		**(186)**	(10,679)
Profit for the year		**25,824**	226,976
Earnings per share			
— Basic (cents)	*8(a)*	**7**	64
— Diluted (cents)	*8(b)*	**N/A**	N/A

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2013

(Expressed in Hong Kong dollars)

	2013	2012
	$'000	*$'000*
		Restated
Profit for the year	**25,824**	226,976
Other comprehensive income for the year (after tax)		
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation of:		
— financial statements of subsidiaries outside Hong Kong	**(11,505)**	245
— monetary items that form part of the net investment in subsidiaries outside Hong Kong	**11,387**	(84)
	(118)	161
Items that will not be reclassified to profit or loss		
Actuarial gains and losses of defined benefit retirement plan	**6,136**	(12,524)
	6,018	(12,363)
Total comprehensive income for the year	**31,842**	214,613
Attributable to:		
Equity shareholders of the Company	**32,971**	225,299
Non-controlling interests	**(1,129)**	(10,686)
Total comprehensive income for the year	**31,842**	214,613

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
at 31 December 2013
(Expressed in Hong Kong dollars)

	Note	2013 $'000	2012 $'000
Non-current assets			
Fixed assets			
— Property, plant and equipment		**461,316**	475,861
— Investment properties		**85,356**	87,978
— Interests in leasehold land held for own use under operating leases		**89,221**	90,839
		635,893	654,678
Intangible assets		**5,188**	5,426
		641,081	660,104
Current assets			
Inventories		**58,787**	56,062
Trade and other receivables	*9*	**87,172**	82,726
Amounts due from holding companies and fellow subsidiaries		**8,702**	9,340
Amount due from a related company		**—**	829
Bank deposits		**20,168**	—
Cash and cash equivalents		**112,746**	100,904
		287,575	249,861
Current liabilities			
Bank loan		**—**	(86,713)
Trade and other payables	*10*	**(138,446)**	(120,005)
Loan from an intermediate holding company		**(12,723)**	—
Amounts due to holding companies and fellow subsidiaries		**(17,235)**	(3,767)
Amounts due to related companies		**(5,139)**	(4,423)
		(173,543)	(214,908)
Net current assets		**114,032**	34,953

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*
at 31 December 2013
(Expressed in Hong Kong dollars)

	2013	2012
	$'000	*$'000*
Total assets less current liabilities	**755,113**	695,057
Non-current liabilities		
Bank loan	**—**	(145,092)
Loan from an intermediate holding company	**(190,837)**	—
Retirement benefit liabilities	**(17,660)**	(34,534)
Deferred tax liabilities	**(2,938)**	(3,595)
	(211,435)	(183,221)
NET ASSETS	**543,678**	511,836
CAPITAL AND RESERVES		
Share capital	**186,785**	186,785
Reserves	**386,636**	353,665
Total equity attributable to equity shareholders of the Company	**573,421**	540,450
Non-controlling interests	**(29,743)**	(28,614)
TOTAL EQUITY	**543,678**	511,836

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 2013 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.

As disclosed in the Group's statutory financial statements for the year ended 31 December 2012, there were conditions as at 31 December 2012 that indicated the existence of a material uncertainty which may have cast significant doubt on the Group's ability to continue as a going concern and, therefore, it may have been unable to realise its assets and discharge its liabilities in the normal course of business.

The directors are of the opinion that such conditions did not exist as at 31 December 2013 on the basis that;

(i) The Group generated a consolidated net profit from continuing operations of $28,674,000 and a net cash inflow of cash and cash equivalents of $67,231,000 in respect of operating activities for the year ended 31 December 2013 through the following:

   (a) For the Hong Kong operations, the Company continued its efforts in exerting a disciplined approach over discounts and promotional spending. As a result, a significant reduction in discounts and promotional spending was registered across all business channels. The Company also refined sales incentive schemes to be more flexible and achievable for the front-line sales account executives.

   (b) For the mainland China operations, an expanded distributor and wholesaler network in the core markets was achieved in 2013 as per the target set out at the beginning of the year. This strategy will continue in 2014 whereby the Group will recruit more qualified distributors in all selling markets within Guangdong province.

(ii) The Group refinanced its external bank loan with a five-year inter-company loan from an intermediate holding company in September 2013 at a lower interest rate. The principal amount of the inter-company loan is due and payable in sixteen equal quarterly instalments with the first quarterly instalment due and payable on the fifth quarter after the date of the first drawdown. As a result, the Group's finance costs decreased from $13,419,000 in 2012 to $6,391,000 in 2013 and the Group's net current assets increased from $34,953,000 at 31 December 2012 to $114,032,000 at 31 December 2013.

2 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

- Amendments to HKAS 1, *Presentation of financial statements — Presentation of items of other comprehensive income*
- HKFRS 10, *Consolidated financial statements*
- HKFRS 12, *Disclosure of interests in other entities*
- Revised HKAS 19, *Employee benefits*
- Amendments to HKFRS 7 — *Disclosures — Offsetting financial assets and financial liabilities*

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

Amendments to HKAS 1, Presentation of financial statements — Presentation of items of other comprehensive income

The amendments require entities to present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss. The presentation of other comprehensive income in the consolidated statement of comprehensive income in the Group's financial statements has been modified accordingly.

HKFRS 10, Consolidated financial statements

HKFRS 10 replaces the requirements in HKAS 27, *Consolidated and separate financial statements* relating to the preparation of consolidated financial statements and HK-SIC 12 *Consolidation — Special purpose entities*. It introduces a single control model to determine whether an investee should be consolidated, by focusing on whether the entity has power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect the amount of those returns.

As a result of the adoption of HKFRS 10, the Group has changed its accounting policy with respect to determining whether it has control over an investee. The adoption does not change any of the control conclusions reached by the Group in respect of its involvement with other entities as at 1 January 2013.

HKFRS 12, Disclosure of interests in other entities

HKFRS 12 brings together into a single standard all the disclosure requirements relevant to an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The disclosures required by HKFRS 12 are generally more extensive than those previously required by the respective standards.

Revised HKAS 19, Employee benefits

Revised HKAS 19 introduces a number of amendments to the accounting for defined benefit retirement plans. Among them, revised HKAS 19 changed the basis for determining income from plan assets from an expected return to interest income calculated at the liability discount rate, and requires immediate recognition of past service cost, whether vested or not.

2 CHANGES IN ACCOUNTING POLICIES *(Continued)*

This change in accounting policy has been applied retrospectively by restating the results for the year ended 31 December 2012 as follows:

	As previously reported *$'000*	*Effect of adoption of revised HKAS 19* *$'000*	*As restated* *$'000*
Consolidated income statement for the year ended 31 December 2012:			
Defined benefit retirement plan expense	3,340	2,634	5,974
Income tax charge	3,468	(435)	3,033
Profit for the year	229,175	(2,199)	226,976
Consolidated statement of comprehensive income for the year ended 31 December 2012:			
Other comprehensive income for the year	14,562	(2,199)	12,363

This change in accounting policy did not have a material impact on the items of the consolidated statement of financial position and earnings per share.

Amendments to HKFRS 7 - Disclosures — Offsetting financial assets and financial liabilities

The amendments introduce new disclosures in respect of offsetting financial assets and financial liabilities. Those new disclosures are required for all recognised financial instruments that are set off in accordance with HKAS 32, *Financial instruments: Presentation* and those that are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments and transactions, irrespective of whether the financial instruments are set off in accordance with HKAS 32.

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 operations mainly comprise the manufacture and distribution of own brewed beer products and distribution of imported beer products in Hong Kong and overseas.

— The mainland China operations mainly comprise 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 loan 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 2013 and 2012 is set out below:

	Hong Kong		**Mainland China**		**Total**	
	2013	2012	**2013**	2012	**2013**	2012
	$'000	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*
		(restated)				(restated)
Revenue from external customers	**539,670**	537,243	**147,423**	149,119	**687,093**	686,362
Inter-segment revenue	**329**	—	**—**	4,839	**329**	4,839
Reportable segment revenue	**539,999**	537,243	**147,423**	153,958	**687,422**	691,201
Reportable segment profit/(loss) from operations	**27,598**	274,931	**(5,315)**	(44,922)	**22,283**	230,009
Interest income from bank deposits	**632**	1,127	**133**	244	**765**	1,371
Interest expense on loans	**(5,494)**	(5,185)	**—**	(7,561)	**(5,494)**	(12,746)
Depreciation and amortisation for the year	**(22,784)**	(15,324)	**(1,775)**	(1,980)	**(24,559)**	(17,304)
Reversal of/(provision for) impairment losses recognised in profit or loss in respect of						
— non-current assets	**—**	272,344	**—**	(2,428)	**—**	269,916
— trade and other receivables	**(1,049)**	(351)	**10**	371	**(1,039)**	20
Reportable segment assets	**1,225,441**	1,223,173	**83,560**	66,548	**1,309,001**	1,289,721
Additions to non-current segment assets during the year	**3,884**	9,095	**1,056**	3,667	**4,940**	12,762
Reportable segment liabilities	**300,710**	335,057	**461,675**	439,233	**762,385**	774,290

3 TURNOVER AND SEGMENT REPORTING *(Continued)*

(b) Segment reporting *(Continued)*

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

	2013	2012
	$'000	*$'000*
		(restated)
Revenue		
Reportable segment revenue	**687,422**	691,201
Elimination of inter-segment revenue	**(329)**	(4,839)
Consolidated turnover	**687,093**	686,362
Profit		
Reportable segment profit from operations	**22,283**	230,009
Elimination of inter-segment profits	**—**	—
Reportable segment profit derived from Group's external customers and consolidated profit before taxation	**22,283**	230,009
Assets		
Reportable segment assets	**1,309,001**	1,289,721
Elimination of inter-segment receivables	**(380,345)**	(379,756)
Consolidated total assets	**928,656**	909,965
Liabilities		
Reportable segment liabilities	**762,385**	774,290
Elimination of inter-segment payables	**(380,345)**	(379,756)
	382,040	394,534
Deferred tax liabilities	**2,938**	3,595
Consolidated total liabilities	**384,978**	398,129

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 and intangible 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 the location of the operation to which they are allocated, in the case of intangible assets.

	Revenue from external customers		**Specified non-current assets**	
	2013	2012	**2013**	2012
	$'000	*$'000*	***$'000***	*$'000*
Hong Kong (place of domicile)	**444,214**	463,588	**609,887**	629,049
Mainland China	**94,220**	119,876	**31,194**	31,055
Philippines	**136,233**	92,176	**—**	—
Others	**12,426**	10,722	**—**	—
	242,879	222,774	**31,194**	31,055
	687,093	686,362	**641,081**	660,104

(c) Major customers

In 2013, the revenue from the Group's largest customer which was served both by the Hong Kong segment and the mainland China segment amounted to 137,605,000 or 20% of the Group's total revenue (2012: $93,144,000 or 14%). The revenue from the Group's five largest customers amounted to 43% (2012: 39%) of the Group's total revenue.

4 OTHER REVENUE AND OTHER NET INCOME

	2013	2012
	$'000	*$'000*
Other revenue		
Interest income from bank deposits	**765**	1,371
Rental income from investment properties	**6,206**	5,872
Rental income from property, plant and equipment	**—**	3,099
Advertising and promotion subsidy	**32,382**	23,240
Subsidy from local government in mainland China	**3,005**	—
Others	**296**	2,089
	42,654	35,671
Other net income		
Net gain/(loss) on disposal of fixed assets	**697**	(36)
Net gain on disposal of other tangible assets		
— to a customer *(note)*	**—**	6,894
— to fellow subsidiaries	**—**	2,835
— others	**—**	1,116
Net foreign exchange (losses)/gains	**(556)**	641
Net gain on disposal of intangible assets	**255**	4
Others	**—**	19
	396	11,473

Note: Other tangible assets represent returnable bottles and crates used by subsidiaries in the PRC. All of the other tangible assets were fully impaired prior to 2012 and the carrying amount was nil. In 2012, some of these assets were disposed of 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 FOR NON-CURRENT ASSETS

Reversal of impairment losses for non-current assets represents:

	2013	2012
	$'000	*$'000*
Non-current assets relating to mainland China operations *(note 5(a))*	—	(2,428)
Non-current assets relating to Hong Kong manufacturing operations *(note 5(b))*	—	262,206
Investment properties *(note 5(c))*	—	10,138
	—	269,916

The above reversal of impairment losses is further analysed as follows:

	2013	2012
	$'000	*$'000*
Provision for impairment losses:		
Fixed assets	—	(2,284)
Other tangible assets	—	(144)
	—	(2,428)
Reversal of impairment losses:		
Fixed assets	—	272,344
	—	269,916

(a) Mainland China operations

The Group noted a 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, which were indications that non-current assets of the operations in mainland China, comprising mainly the production plant located in Shunde, Guangdong Province 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 in 2012, details of which are as follows:

	2012
	$'000
Provision for impairment losses:	
Fixed assets	(2,284)
Other tangible assets	(144)
	(2,428)

In 2013, the Group assessed the recoverable amounts and concluded that no further impairment losses nor reversal of previously recognised impairment losses are required as at 31 December 2013.

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.

(b) Hong Kong manufacturing operations

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 prior to 2012 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 of disposal 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 of disposal 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 Group determined the recoverable amount based on the fair value less costs of disposal 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 did not exceed the smaller of respective fair value less costs of disposal 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 of disposal 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

In 2013, the Group assessed the recoverable amount and concluded that no further impairment losses nor reversal of previously recognised impairment losses are required as at 31 December 2013.

(c) Investment Properties

The Group had recognised impairment losses of $12,000,000 in respect of its investment properties prior to 2012 in order to reduce their carrying amount to the recoverable amount which had been determined based on fair value less costs of disposal.

In 2012, the Group noted an increase in the investment properties' recoverable amount, mainly arising from an increase in the fair value less costs of disposal, 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 did not exceed the smaller of the fair value less costs of disposal 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 of disposal 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 BEFORE TAXATION

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

		2013	2012
		$'000	*$'000*
			(restated)
(a)	**Finance costs**		
	Interest expense on bank loan wholly repayable within five years	**4,205**	12,746
	Interest expense on loan from an intermediate holding company wholly repayable within five years	**1,289**	—
	Amortisation of transaction costs for bank loan	**755**	410
	Bank charges	**142**	263
		6,391	13,419
(b)	**Staff costs**		
	Retirement costs		
	— Defined contribution retirement plans	**6,362**	6,782
	— Defined benefit retirement plan	**6,769**	5,974
		13,131	12,756
	Salaries, wages and other benefits	**106,631**	104,724
		119,762	117,480
(c)	**Other items**		
	Amortisation		
	— Land lease premium	**2,624**	3,277
	— Other tangible assets	**—**	888
	Depreciation		
	— Property, plant and equipment	**19,210**	10,730
	— Investment properties	**2,725**	2,409
	Cost of inventories	**394,540**	390,219
	Operating lease charges: minimum lease payments		
	— Land and buildings	**1,958**	2,830
	— Other assets	**254**	—
	Rental receivable from investment properties less direct outgoings of $2,976,000 (2012: $2,949,000)	**(3,230)**	(2,923)
	Auditors' remuneration		
	— Provision for the year	**3,353**	3,314
	— Under-provision in respect of prior year	**140**	343
	Impairment losses/(reversal of impairment losses) for trade and other receivables	**1,039**	(20)

7 TAXATION IN THE CONSOLIDATED INCOME STATEMENT

Taxation in the consolidated income statement represents:

	2013	2012
	$'000	*$'000*
		(restated)
Current tax — Outside Hong Kong		
Provision for the year	**(31)**	(20)
Deferred tax		
Origination and reversal of temporary differences	**3,572**	(3,013)
Income tax credit/(charge)	**3,541**	(3,033)

The statutory tax rate applicable to the Company and other Hong Kong subsidiaries was 16.5% (2012: 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% (2012: 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 2013 and 2012 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 PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of $26,010,000 (2012 (restated): $237,655,000) and on 373,570,560 (2012: 373,570,560) ordinary shares, being the number of ordinary shares in issue throughout the year.

(b) Diluted earnings per share

Diluted earnings 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:

	2013	2012
	$'000	*$'000*
Current	**52,104**	51,234
Less than 1 month past due	**9,152**	9,361
1 to 3 months past due	**2,702**	1,980
More than 3 months but less than 12 months past due	**2,940**	2,668
More than 12 months past due	**3,822**	2,224
	70,720	67,467

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:

	2013	2012
	$'000	*$'000*
Current and less than 1 month past due	**48,067**	43,372
1 to 3 months past due	**3,163**	6,965
3 to 6 months past due	**1,395**	479
More than 6 months past due	**289**	204
	52,914	51,020

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.

11 DIVIDENDS

Dividends payable to equity shareholders of the Company attributable to the year

	2013	2012
	$'000	*$'000*
Final dividend proposed after the end of the reporting period of $0.01 per ordinary share (2012: Nil per ordinary share)	**3,736**	—

The above has not been recognised as a liability at the end of the reporting period.

CLOSURE OF REGISTER OF MEMBERS

(a) For the purpose of determining shareholders who are entitled to attend and vote at the AGM, the register of members of the Company will be closed from Wednesday, 23 April 2014 to Friday, 25 April 2014, both days inclusive. To qualify for attending and voting at the forthcoming AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 22 April 2014.

(b) For the purpose of determining shareholders who qualify for the final dividend, the register of members of the Company will be closed from Thursday, 1 May 2014 to Wednesday, 7 May 2014, both days inclusive. To qualify for the final dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 30 April 2014.

FINANCIAL RESULTS

The Group registered a consolidated profit of HK$25.8 million in 2013, on the back of moderate growth in domestic demand and the implementation of strategic cost management strategies. Excluding the effect of the reversal of impairment losses on our non-current assets amounting to HK$269.9 million which pushed last year's profit to HK$227.0 million-this is a significant turnaround from the consolidated loss of HK$42.9 million in 2012. As a result, net profit attributable to equity shareholders for 2013 was HK$26.0 million, compared to HK$237.7 million in the previous year.

The Group's consolidated turnover was at HK$687.1 million, same level as last year. Gross profit reached HK$290.3 million, with gross profit margin of 42.2%.

As of year-end, cash and cash equivalents, excluding bank loans, was at HK$132.9 million (HK$100.9 million as of Dec. 31, 2012). Meanwhile, total debt as of the end of 2013 was at HK$203.6 million, 12.2% lower than the HK$231.8 million debt reported at the end of 2012. Total net assets stood at HK$543.7 million (HK$511.8 million as of Dec. 31, 2012), with a debt-to-equity ratio of 0.37 (31 December 2012: 0.45).

DIVIDENDS

Last 7 February, the Board of Directors approved the declaration of a final dividend for the year ending 31 December 2013, of HK$0.01 per share to shareholders on record as of 7 May 2014.

BUSINESS REVIEW

HONG KONG OPERATIONS

Our Hong Kong operations posted a strong profit recovery in 2013, as operating profit considerably improved from the previous year despite lower volumes. This significant turnaround was achieved in large part through disengaging from unprofitable business arrangements in the trade and rationalizing discounts and promotions spending. The price increase implemented for all brands during the year also contributed to our profit recovery.

The local incomes and employment levels remained stable as a result of the 3% moderate growth forecast for the Hong Kong economy. The territory's beer industry mirrored this growth, thus creating the right environment to implement the needed changes for the Company. Our core brands remained strong and the market continues to positively respond to our portfolio of brands, allowing us to remain as the No. 1 beer company in Hong Kong.

In 2013, the Company also took a major step in restructuring its distribution strategy by expanding its sales channels and creating a territory focus in terms of sales management. With this new distribution model, we registered quarter-on-quarter improvements in volume and revenue in 2013 and we will build on this momentum for future growth.

Throughout 2013, we maintained our leadership position by launching strategic programs aimed at enhancing San Miguel's brand equity and reinforcing its bond with customers and consumers. Early in the year, we aired "Meta", a product-focused television commercial that was well-received by viewers. In July, we launched a new TVC, "Real Friends", supported by a marketing campaign that extended to point-of-sales visibility activities, market-wide promotions, online communications, and public relations campaigns.

We also reinforced our brand's strong association with some of Hong Kong's most iconic events. Early 2013, we helped stage the San Miguel-Lan Kwai Fong Rugby Festival, one of the biggest post-rugby parties in the city. We were again the exclusive sponsor of the beer festival in the prestigious Hong Kong Dragon Boat Carnival organized by the Hong Kong Tourism Board. The San Miguel BeerFest featured beer and food booths, live performances and games.

San Mig Light continues to gain popularity in on-premise outlets, particularly in night outlets, where it gained market share. To extend consumer approval among a wider market of drinkers, we launched a celebrity cross-over campaign featuring actress-model Chrissie Chau in April, which culminated in September with the "Fit & Firm Summer Finale". To further push on-premise consumption, we promoted food pairing with San Mig Light in Chinese restaurants and staged dart competitions in various bars.

Our partner brands continue to be among our top performers in terms of both volume and revenue. As part of our exclusive distributorship of all Kirin beer brands within the territory, we launched Kirin Ichiban Frozen Beer, which gained strong acceptance among our trade partners and consumers. With a bigger and more varied portfolio of strong brands, we are confident that we will be able to cater to, and satisfy the needs, of a growing and highly segmented Hong Kong market.

The Company also saw double-digit sales revenue growth in Macau.

SOUTH CHINA OPERATIONS

The performance of our two subsidiaries in South China continued to improve with Guangzhou San Miguel Brewery Company Limited ("GSMB") and San Miguel (Guangdong) Brewery Company Limited ("SMGB") registering a 36% and 54% reduction in their losses respectively, versus the previous year. The improvement was a result of the restructuring of our going-to-market and distribution strategy in GSMB and growth in SMGB's export business.

The new going-to-market and distribution strategy of GSMB involved expanding the network of dealers and wholesalers to maximize breadth and depth in distribution of our products, and the clustering of business areas and activities to increase efficiency. While GSMB's total volumes registered a decline versus the previous year, the company was able to reap the benefits of the sales and distribution restructuring implemented in 2013 with volumes stabilizing and registering an improvement in the last quarter of the year. Progress in GSMB's expansion areas likewise continued to end the year with a positive growth versus last year.

To enhance the overall brand image of San Miguel Pale Pilsen, a new packaging design was launched for its canned variants. At the same time, the Group launched the 500ml can to increase both distribution and consumption. A new series of thematic print ads under the slogan "Just Between Friends" were also introduced to sustain brand familiarity in the market. A new program designed to raise visibility for the brand with the theme "Life, Best Served Light" was also launched for San Mig Light. A series of channel-based promotions in Chinese restaurants and night outlets provided on-premise support for the campaign.

Similarly, a revamp of the packaging of Dragon brand variants was introduced to create a more cohesive look while at the same time responding to the challenges of market segmentation. The new packaging underscores the long history and association of the brand with the district of Shunde. To strengthen the Group's position in the premium segment of the beer market in South China, we expanded our brand portfolio and launched a made-in-Hong Kong Red Horse beer in June.

With the restructuring in 2011, SMGB was able to focus on its tolling business and to provide not only quality products, but also quality services to GSMB and San Miguel Brewing International's export markets. In 2013, SMGB's total export volume increased 52% over the same period in 2012.

Much work has been done in our South China operations to provide the Group with the springboard for more profitable volume in the long term. We will continue to persevere as we gradually reap the benefits of these initiatives. A calculated approach of balancing sales and profitability will continue to guide our operations as we move forward in 2014.

COMMUNITY RELATIONS AND SOCIAL RESPONSIBILITY

Our Company continues to endeavor not just to be commercially successful, but also to be socially responsible in the way we do business. We are committed to foster goodwill and work closely with our local communities to ensure a harmonious co-existence.

We are also committed to actively promote responsible drinking not only within the organization, but also with our stakeholders. We 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 where it operates, ensuring that various environmental standards set by government are consistently met or exceeded.

HUMAN RESOURCES

SMBHK has always recognized the role the workforce plays in its overall success, and as such, we invest in our people by ensuring that they are equipped with the necessary knowledge, skills and experiences. We believe in investing resources in training, seminars, mentorship, and team-building workshops, to develop our employees, support their professional growth, and foster harmony in the organization.

We offer competitive remuneration packages commensurate with industry standards as well as provide attractive benefits, including medical and insurance coverage and retirement packages.

CORPORATE GOVERNANCE

The Company continued to apply the principles of the Corporate Governance Code and Corporate Governance Report contained in Appendix 14 of the Listing Rules throughout the year, with the except of Code Provision A.4.1, which states 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

There was no change in directors since we published our interim report on 2 August 2013.

FUTURE DIRECTION AND CHALLENGES

The following are the objectives of the Company for the year 2014:

- In Hong Kong, we will ensure that the initiatives we have put in place will generate greater profitability and increase our share of the market. We will invest further in enhancing the brand pull of our key brands and continue to implement cost-containment measures.

- In South China, we intend to turn the business around by growing the yield and coverage of new dealers in our core markets. The clustering initiative in selling will also be replicated in other major markets to maximize efficiencies. At the same time, we will strengthen the brand equity of the San Miguel and Dragon brands. We will likewise continue to seek new areas of growth in our export business and aim to improve margins and rationalize costs.

Looking ahead, the Company is confident that we have put in place a solid foundation that will enable us to accelerate our progress and take full advantage of the growth opportunities in the markets we are in. We wish to reiterate our full commitment to maximize shareholder value and to ensure our beer brands are ever more relevant to our customers and consumers, regardless the occasion, their location and lifestyle. Besides growth strategies in sales and marketing, we also have various new systems and procedures in place to facilitate efficient and effective cost management in all aspects of the operations.

In closing, we wish to express our heartfelt gratitude to our Board of Directors for their unwavering guidance and support; our employees for their dedication and hard work, and most of all, to our shareholders, customers and consumers for their continued patronage.

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 2013 ANNUAL REPORT ON THE WEBSITE OF THE STOCK EXCHANGE

The Company's annual report for 2013 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, 7 February 2014

(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. Shobu Nishitani and Mr. Takeshi Wada; 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.