SAN MIGUEL BREWERY HONG KONG LTD.

香港生力啤酒廠有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 236)

ANNOUNCEMENT OF THE 2019 INTERIM RESULTS

INTERIM RESULTS

The board of directors (the "Board") of San Miguel Brewery Hong Kong Limited (the "Company") submit herewith the unaudited consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2019. The interim results are unaudited, but have been reviewed by the Company's Audit Committee.

CONSOLIDATED INCOME STATEMENT — UNAUDITED

(Expressed in Hong Kong dollars)

		Six months ended 30 June	
		2019	2018
	Note	***$'000***	*$'000*
Revenue	*3*	**266,490**	265,945
Cost of sales		**(145,958)**	(150,022)
Gross profit		**120,532**	115,923
Other net income		**13,019**	19,753
Selling and distribution expenses		**(95,528)**	(94,670)
Administrative expenses		**(40,090)**	(39,683)
Other operating expenses		**(3,736)**	(3,883)
Loss from operations		**(5,803)**	(2,560)
Finance costs	*4(a)*	**(2,498)**	(3,155)
Loss before taxation	*4*	**(8,301)**	(5,715)
Income tax charge	*5*	**—**	—
Loss for the period		**(8,301)**	(5,715)
Attributable to:			
Equity shareholders of the Company		**(6,579)**	(5,541)
Non-controlling interests		**(1,722)**	(174)
Loss for the period		**(8,301)**	(5,715)
Loss per share			
— Basic (cents)	*7(a)*	**(1.8)**	(1.5)
— Diluted (cents)	*7(b)*	**N/A**	N/A

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME — UNAUDITED

(Expressed in Hong Kong dollars)

	Six months ended 30 June	
	2019	2018
	$'000	*$'000*
Loss for the period	**(8,301)**	(5,715)
Other comprehensive income for the period (after tax):		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong and monetary items that form part of the net investment in subsidiaries outside Hong Kong	**(222)**	(491)
Total comprehensive income for the period	**(8,523)**	(6,206)
Attributable to:		
Equity shareholders of the Company	**(6,923)**	(6,273)
Non-controlling interests	**(1,600)**	67
Total comprehensive income for the period	**(8,523)**	(6,206)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION — UNAUDITED

(Expressed in Hong Kong dollars)

		At 30 June	At 31 December
		2019	2018
	Note	***$'000***	*$'000*
Non-current assets			
— Property, plant and equipment		**358,809**	362,211
— Investment properties		**123,996**	125,497
		482,805	487,708
Intangible assets		**4,771**	4,771
Other tangible assets		**215**	—
		487,791	492,479
Current assets			
Inventories		**46,354**	42,209
Trade and other receivables	*8*	**51,174**	50,866
Amounts due from holding companies and fellow subsidiaries		**13,643**	24,087
Amount due from a related company		**508**	3,661
Bank deposits		**21,918**	36,718
Cash and cash equivalents		**99,256**	81,091
		232,853	238,632
Current liabilities			
Trade and other payables	*9*	**(83,671)**	(77,515)
Lease liabilities		**(943)**	—
Loan from an intermediate holding company		**(25,643)**	(51,394)
Amounts due to holding companies and fellow subsidiaries		**(9,105)**	(7,878)
Amounts due to related companies		**(8,240)**	(7,037)
Current tax payable		**(313)**	(313)
		(127,915)	(144,137)
Net current assets		**104,938**	94,495

CONSOLIDATED STATEMENT OF FINANCIAL POSITION — UNAUDITED *(Continued)*
(Expressed in Hong Kong dollars)

	Note	**At 30 June 2019** **$'000**	At 31 December 2018 $'000
Total assets less current liabilities		**592,729**	586,974
Non-current liabilities			
Loan from an intermediate holding company		**(76,929)**	(64,243)
Retirement benefit liabilities		**(18,900)**	(17,697)
Lease liabilities		**(469)**	—
Deferred tax liabilities		**(4,366)**	(4,366)
		(100,664)	(86,306)
NET ASSETS		**492,065**	500,668
CAPITAL AND RESERVES			
Share capital		**252,524**	252,524
Other reserves		**266,631**	273,634
Total equity attributable to equity shareholders of the Company		**519,155**	526,158
Non-controlling interests		**(27,090)**	(25,490)
TOTAL EQUITY		**492,065**	500,668

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT:

(Expressed in Hong Kong dollars)

1 BASIS OF PREPARATION

The interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), including compliance with Hong Kong Accounting Standard ("HKAS") 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). It was authorised for issue on 26 July 2019.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2018 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2019 annual financial statements. Details of these changes in accounting policies are set out in note 2.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2018 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

The interim financial report is unaudited but has been reviewed by the Company's Audit Committee.

The financial information relating to the financial year ended 31 December 2018 that is included in the interim financial report as being previously reported information does not constitute the Company's statutory financial statements for the financial year but is derived from those financial statements. Further information relating to these statutory financial statements disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The company has delivered the financial statements for the year ended 31 December 2018 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance. The company's auditor has reported on those financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under section 406(2), 407(2) or (3) of the Companies Ordinance.

2 CHANGES IN ACCOUNTING POLICIES

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

- HKFRS 16, *Leases*
- HK(IFRIC) 23, *Uncertainty over income tax treatments*
- Annual Improvements to HKFRSs 2015-2017 Cycle

Except for HKFRS 16, Leases, none of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

HKFRS 16, Leases

HKFRS 16 replaces HKAS 17, *Leases*, and the related interpretations, HK(IFRIC) 4, *Determining whether an arrangement contains a lease*, HK(SIC) 15, *Operating leases — incentives*, and HK(SIC) 27, *Evaluating the substance of transactions involving the legal form of a lease*. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less ("short-term leases") and leases of low value assets. The lessor accounting requirements are brought forward from HKAS 17 substantially unchanged.

The Group has initially applied HKFRS 16 as from 1 January 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019. Comparative information has not been restated and continues to be reported under HKAS 17.

Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below:

2 CHANGES IN ACCOUNTING POLICIES *(Continued)*

HKFRS 16, Leases *(Continued)*

(a) Changes in the accounting policies

(i) New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. HKFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in HKFRS 16 only to contracts that were entered into or changed on or after 1 January 2019. For contracts entered into before 1 January 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases.

Accordingly, contracts that were previously assessed as leases under HKAS 17 continue to be accounted for as leases under HKFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

(ii) Lessee accounting

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17, other than those short-term leases and leases of low-value assets.

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. For the Group, low-value assets are typically laptops or office furniture. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

2 CHANGES IN ACCOUNTING POLICIES *(Continued)*

HKFRS 16, Leases *(Continued)*

(a) Changes in the accounting policies *(Continued)*

(ii) Lessee accounting *(Continued)*

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received.

The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right of-use asset has been reduced to zero.

2 CHANGES IN ACCOUNTING POLICIES *(Continued)*

HKFRS 16, Leases *(Continued)*

(a) Changes in the accounting policies *(Continued)*

(iii) Leasehold investment property

Under HKFRS 16, the Group is required to account for all leasehold properties as investment properties when these properties are held to earn rental income and/or for capital appreciation ("leasehold investment properties"). The adoption of HKFRS 16 does not have a significant impact on the Group's financial statements as the Group previously elected to apply HKAS 40, Investment properties, to account for all of its leasehold properties that were held for investment purposes as at 31 December 2018. Consequentially, these leasehold investment properties continue to be carried at cost less accumulated amortization and impairment.

(b) Critical accounting judgements and sources of estimation uncertainty in applying the above accounting policies

(i) Determining the lease term

As explained in the above accounting policies, the lease liability is initially recognised at the present value of the lease payments payable over the lease term. In determining the lease term at the commencement date for leases that include renewal options exercisable by the Group, the Group evaluates the likelihood of exercising the renewal options taking into account all relevant facts and circumstances that create an economic incentive for the Group to exercise the option, including favourable terms, leasehold improvements undertaken and the importance of that underlying asset to the Group's operation. The lease term is reassessed when there is a significant event or significant change in circumstance that is within the Group's control. Any increase or decrease in the lease term would affect the amount of lease liabilities and right-of-use assets recognised in future years.

2 CHANGES IN ACCOUNTING POLICIES *(Continued)*

HKFRS 16, Leases *(Continued)*

(c) Transitional impact

At the date of transition to HKFRS 16 (i.e. 1 January 2019), the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at 1 January 2019.

To ease the transition to HKFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of HKFRS 16:

(i) the Group elected not to apply the requirements of HKFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of HKFRS 16, i.e. where the lease term ends on or before 31 December 2019;

(ii) when measuring the lease liabilities at the date of initial application of HKFRS 16, the Group applied a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment);

The following table summarises the impacts of the adoption of HKFRS 16 on the Group's consolidated statement of financial position:

Line items in the consolidated statement of financial position impacted by the adoption of HKFRS 16:	**Carrying amount as at 31 Dec 2018** *$'000*	**Capitalisation of operating leases contracts** *$'000*	**Carrying amount as at 1 Jan 2019** *$'000*
Assets			
Property, plant and equipment	487,707	1,958	489,665
Liabilities			
Leases liabilities	—	(2,038)	(2,038)
Equity			
Reserves	(273,634)	80	(273,554)

2 CHANGES IN ACCOUNTING POLICIES *(Continued)*

HKFRS 16, Leases *(Continued)*

(c) Transitional impact *(Continued)*

(ii) (Continued)

The analysis of the net book value of the Group's right-of-use assets by class of underlying asset at the end of the reporting period and at the date of transition to HKFRS 16 is as follows:

	At 30 Jun 2019	At 1 Jan 2019
	$'000	*$'000*
Interest in leasehold land held for own use, carried at depreciated cost	**60,743**	61,885
Other properties leased for own use, carried at depreciated cost	**1,332**	1,792
Machinery and equipment leased for own use, carried at depreciated cost	**91**	166
	62,166	63,843

The remaining contractual maturities of the Group's lease liabilities at the end of the reporting period and at the date of transition to HKFRS 16 are as follows:

	At 30 Jun 2019	At 1 Jan 2019
	$'000	*$'000*
Within 1 year	**943**	1,072
After 1 year but within 5 years	**469**	966
	1,412	2,038

2 CHANGES IN ACCOUNTING POLICIES *(Continued)*

HKFRS 16, Leases *(Continued)*

(c) Transitional impact *(Continued)*

(iii) Impact on the financial result

After the initial recognition of right-of-use assets and lease liabilities as at 1 January 2019, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the amortisation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. This results in a positive impact on the reported loss from operations in the Group's consolidated income statement, as compared to the results if HKAS 17 had been applied during the year

The following tables may give an indication of the estimated impact of adoption of HKFRS 16 on the Group's financial result for the six months ended 30 June 2019, by adjusting the amounts reported under HKFRS 16 in these interim financial statements to compute estimates of the hypothetical amounts that would have been recognised under HKAS 17 if this superseded standard had continued to apply to 2019 instead of HKFRS 16, and by comparing these hypothetical amounts for 2019 with the actual 2018 corresponding amounts which were prepared under HKAS 17.

Financial results for the six months ended 30 Jun 2019 impacted by the adoption of HKFRS 16	**Amounts reported under HKFRS 16**	**Add back amortisation and interest expenses under HKFRS 16**	**Less estimated amounts relating to operating lease as if under HKAS 17**	**Hypothetical amounts for 2019 as if under HKAS 17**	**Amounts reported for 2018 under HKAS 17**
	$'000	*$'000*	*$'000*	*$'000*	*$'000*
Loss from operation	(5,803)	1,589	(1,614)	(5,828)	(2,560)
Finance cost	(2,498)	19	—	(2,479)	(3,155)
Loss before taxation	(8,301)	1,608	(1,614)	(8,307)	(5,715)

3 REVENUE AND SEGMENT REPORTING

(a) Revenue

The principal activities of the Group are the manufacture and distribution of bottled, canned and draught beers.

As the Group's revenue is entirely attributable to these activities, no analysis by activity is provided.

3 REVENUE AND SEGMENT REPORTING *(Continued)*

(a) Revenue *(Continued)*

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

(b) Segment reporting

(i) Segment results, assets and liabilities

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the periods ended 30 June 2019 and 2018 is set out below:

	Six months ended 30 June					
	Hong Kong		Mainland China		Total	
	2019	2018	**2019**	2018	**2019**	2018
	$'000	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*
Revenue from external customers	**179,274**	178,629	**87,216**	87,316	**266,490**	265,945
Inter-segment revenue	**237**	241	**—**	—	**237**	241
Reportable segment revenue	**179,511**	178,870	**87,216**	87,316	**266,727**	266,186
Reportable segment (loss)/profit from operations (adjusted EBIT)	**(5,501)**	(6,242)	**(1,097)**	2,855	**(6,598)**	(3,387)

	Hong Kong		Mainland China		Total	
	At 30 June 2019	At 31 December 2018	**At 30 June 2019**	At 31 December 2018	**At 30 June 2019**	At 31 December 2018
	$'000	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*
Reportable segment assets	**999,490**	1,012,981	**106,092**	103,271	**1,105,582**	1,116,252
Reportable segment liabilities	**183,116**	188,432	**426,035**	422,786	**609,151**	611,218

3 REVENUE AND SEGMENT REPORTING *(Continued)*

(b) Segment reporting *(Continued)*

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

	Six months ended 30 June	
	2019	2018
	$'000	*$'000*
Revenue		
Reportable segment revenue	**266,727**	266,186
Elimination of inter-segment revenue	**(237)**	(241)
Consolidated revenue	**266,490**	265,945
Loss		
Reportable segment loss from operations	**(6,598)**	(3,387)
Interest income from bank deposits	**745**	863
Interest expense on loan from an intermediate holding company	**(2,400)**	(3,087)
Interest expense lease liabilities	**(19)**	—
Gain on disposal of fixed assets	**16**	1
Net foreign exchange losses	**(45)**	(105)
Consolidated loss before taxation	**(8,301)**	(5,715)

	At 30 June	At 31 December
	2019	2018
	$'000	*$'000*
Assets		
Reportable segment assets	**1,105,582**	1,116,252
Elimination of inter-segment receivables	**(384,938)**	(385,141)
Consolidated total assets	**720,644**	731,111
Liabilities		
Reportable segment liabilities	**609,151**	611,218
Elimination of inter-segment payables	**(384,938)**	(385,141)
	224,213	226,077
Deferred tax liabilities	**4,366**	4,366
Consolidated total liabilities	**228,579**	230,443

3 REVENUE AND SEGMENT REPORTING *(Continued)*

(b) Segment reporting *(Continued)*

(iii) Geographic information

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

	Revenue from external customers		**Specified non-current assets**	
	Six months ended 30 June		**At 30 June**	**At 31 December**
	2019	2018	**2019**	2018
	$'000	*$'000*	***$'000***	*$'000*
Hong Kong (place of domicile)	**130,308**	132,707	**455,987**	462,456
Mainland China	**47,860**	50,439	**31,804**	30,023
Philippines	**85,487**	80,031	**—**	—
Others	**2,835**	2,768	**—**	—
	136,182	133,238	**31,804**	30,023
	266,490	265,945	**487,791**	492,479

4 LOSS BEFORE TAXATION

	Six months ended 30 June	
	2019	2018
	$'000	*$'000*
Loss before taxation is arrived at after charging/(crediting):		
(a) **Finance costs**		
Interest expense on loan from an intermediate holding company wholly repayable within five years	**2,400**	3,087
Interest expense on lease liabilities	**19**	—
Bank charges	**79**	68
	2,498	3,155
(b) **Staff costs**		
Retirement costs	**5,775**	5,889
Salaries, wages and other benefits	**60,949**	61,610
	66,724	67,499
(c) **Other items:**		
Amortization		
— Land lease premium	**—**	1,289
— Right-of-use assets — leasehold land and properties	**1,053**	—
— Right-of-use assets — machinery	**536**	—
Depreciation		
— Property, plant and equipment	**7,557**	9,070
— Investment properties	**2,356**	2,359
Cost of inventories	**144,486**	148,958
Provision for impairment losses on trade and other receivables	**32**	210

5 INCOME TAX

Taxation in the consolidated income statement represents:

	Six months ended 30 June	
	2019	2018
	$'000	*$'000*
Current tax — Outside Hong Kong		
— Provision for the period	—	—
Deferred tax		
— Origination and reversal of temporary differences	—	—
Income tax charge	—	—

In March 2018, the Hong Kong Government introduced a two-tiered profits tax rate regime by enacting the Inland Revenue (Amendment) (No. 3) Ordinance 2018 (the "Ordinance"). Under the two-tiered profits tax rate regime, the first $2 million of assessable profits of qualifying corporations is taxed at 8.25% and the remaining assessable profits at 16.5%. The Ordinance is effective from the year of assessment 2018-2019.

The statutory tax rate applicable to the subsidiaries established in the People's Republic of China ("PRC") was 25% (2018: 25%). No provision for current taxation has been made for the subsidiaries established in the PRC because the entities sustained losses for taxation purposes.

6 DIVIDENDS

The Board resolved that no dividends will be declared for the six months ended 30 June 2019 (2018: Nil).

7 LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to equity shareholders of the Company for the six months ended 30 June 2019 of $6,579,000 (six months ended 30 June 2018: $5,541,000) and on 373,570,560 ordinary shares (at 30 June 2018: 373,570,560 ordinary shares), being the number of ordinary shares in issue throughout the period.

(b) Diluted loss per share

The diluted loss per share is not presented as the Company does not have dilutive potential ordinary share for both periods presented.

8 TRADE AND OTHER RECEIVABLES

The ageing of trade receivables (net of loss allowance) as at the end of the reporting period is as follows:

	At 30 June 2019	At 31 December 2018
	$'000	*$'000*
Current	**32,422**	32,964
Less than 1 month past due	**7,860**	5,140
1 to 3 months past due	**1,209**	1,095
More than 3 months but less than 12 months past due	**957**	910
More than 12 months past due	**336**	252
	42,784	40,361

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.

Management has a credit policy in place and the exposure to this credit risk is monitored on an ongoing basis.

The credit terms given to the customers vary and are generally based on the financial strength of the individual customer. In order to effectively manage the credit risks associated with trade debtors, credit evaluations of customers are performed periodically.

9 TRADE AND OTHER PAYABLES

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

	At 30 June 2019	At 31 December 2018
	$'000	*$'000*
Current and less than 1 month past due	**38,058**	32,200
1 to 3 months past due	**441**	984
3 to 6 months past due	**38**	43
More than 6 months past due	**33**	200
	38,570	33,427

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.

FINANCIAL RESULTS

The Group registered a consolidated loss of HK$8.3 million in the first semester of 2019, compared to the consolidated loss of HK$5.7 million for the same period in 2018. Due to a scheduled reduction of advertising and promotion support for the South China operations as its performance continues to improve, net loss attributable to equity shareholders for 2019 was HK$6.6 million, compared to a loss of HK$5.5 million the previous year.

The Group's consolidated revenue was HK$266.5 million, 0.2% higher than the same period in 2018. Gross profit reached HK$120.5 million, a 4.0% increase versus 2018, with a gross profit margin of 45.2%.

As of 30 June 2019, cash and cash equivalents and bank deposits improved to HK$121.2 million (HK$117.8 million as of 31 December 2018).

Loans as of 30 June 2019 was lower at HK$102.6 million (HK$115.6 million as of 31 December 2018). Total net assets stood at HK$492.1 million (HK$500.7 million as of 31 December 2018), with a loan-to-equity ratio of 0.21 (31 December 2018: 0.23).

DIVIDENDS

The Board resolved that no dividends will be declared for the six months ended 30 June 2019.

BUSINESS REVIEW

Hong Kong Operations

Our Hong Kong operations achieved a 2% improvement in sales volume in the first six months of the year. Operating losses decreased by 12% as a result of the reduction in cost-of-sales and effective management of fixed expenses. Given the overall slowing of Hong Kong's economy, we view this result as encouraging, particularly since the total beer industry contracted by 3% during this period.

The Company continued to maintain and strengthen its diversified portfolio, ensuring its brands' presence in different market segments.

In the mainstream segment, San Mig Light remained popular in both on-premise and off-premise markets in Hong Kong, registering double-digit volume and revenue growth. San Miguel Pale Pilsen, together with San Mig Light, implemented the co-brand, market-wide promotion, 輕鬆系大放送, which ran from May to June. Supported by tactical advertising on television and on the internet, the promotion was successful in generating consumption and goodwill from both the trade and consumers. A series of premium redemption promotions in convenience stores was also in place throughout the first half of the year.

Meanwhile, due to the recent situation in the districts of Central and Admiralty, the Hong Kong Tourism Board decided to cancel this year's Hong Kong Dragon Boat Carnival, of which the San Miguel brand is the exclusive beer sponsor.

In the premium, specialty, and craft beer segment, San Miguel Cerveza Negra registered double-digit volume growth compared to the same period last year.

In the lower-priced segment, which accounts for about 30% of the industry volume, Blue Ice Beer performed favorably, following efforts to further strengthen the brand. The brand revamped its secondary packaging and launched a retail chain-wide lucky draw promotion leveraging on two key messages, "Extremely Refreshing" and "Top 5 Beer Brands in Hong Kong", in April 2019.

The Company also saw growth in sales and revenue in Macau, as well as in other export markets.

During the period under review, the Company completed the vertical amalgamation with its wholly-owned subsidiary Ravelin Limited ("Ravelin") pursuant to Section 680, Part 13 of the Companies Ordinance ("Vertical Amalgamation"). The special resolution for the Vertical Amalgamation set out in the circular of the Company dated 4 April 2019 ("Circular") was approved by the Company's shareholders at the Extraordinary General Meeting of the Company held on 26 April 2019 and a certificate of amalgamation was issued by the Companies Registry on 19 June 2019, as a result of which Ravelin ceased to exist as an entity separate from the Company with effect from such date. As disclosed in the Circular, the Vertical Amalgamation did not have a substantial impact on the profit or loss shown in the consolidated statements of the Group, and did not have a significant effect on the assets and liabilities shown in the consolidated statements of the Group since Ravelin was a wholly-owned subsidiary of the Company.

South China Operations

The consolidated South China operations posted a slight increase in sales volume in the first half of 2019. Gross contribution improved by 4% compared to the same period in the previous year. Much of the improvement in sales volume can be attributed to San Miguel (Guangdong) Brewery Company limited ("SMGB"), which was able to lower costs and grow its exports production. Meanwhile, sales volumes of Guangzhou San Miguel Brewery Company Limited ("GSMB") declined, due to volume loss of low-margin products in very competitive markets, where deep discounts were offered. The higher-margin San Miguel and Dragon brands, however, sustained their growth momentum.

To increase visibility for San Miguel Pale Pilsen, GSMB launched a Chinese New Year merchandising drive across different night outlets as well as in Chinese restaurants and supermarkets. On the other hand, consumer promotions for San Mig Light were implemented to increase volume off-take at the outlet level. San Mig Light also launched three new videos using the campaign "Life. Best Served Light". These were shown on-site and in online advertising platforms.

In order to take advantage of the growth momentum of the Dragon brand, the Company doubled its efforts in Longjiang, launching a major merchandising program to increase visibility and consumption.

As sales volumes of higher-margin products have grown consistently over the last couple of years, we need to work harder to maintain our momentum. As we move forward, we will manage the sales volume of lower-margin products with discipline, and balance sales and profitability in this competitive market.

OUTLOOK

We are confident that the plans and programs we have put in place will position our products in the right places where our target markets are, and result to better distribution and consumption.

We thank our employees for their hard work and perseverance. We would also like to thank the members of the Board for their guidance. Finally, we thank all our customers and business partners for their continued support, patronage, and trust.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SHARES

There was no purchase, sale or redemption by the Company or any of its subsidiaries of its listed shares during the six months ended 30 June 2019.

CORPORATE GOVERNANCE

The Company has applied the principles set out in the Corporate Governance Code and Corporate Governance Report (the "CG Code") as contained in Appendix 14 of the Listing Rules during the six months ended 30 June 2019, save for the deviation discussed below:

- All of the non-executive directors are not appointed for a specific term (Code Provision A.4.1 of the CG Code) but are subject to retirement by rotation once every three years and re-election at the annual general meeting under the Company's Articles of Association.

PUBLICATION OF DETAILED INTERIM RESULTS

A detailed results announcement containing all the information required by the Listing Rules will be published on the website of The Stock Exchange of Hong Kong Limited 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, 26 July 2019

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. May (Michelle) W. M. Chan, Mr. Roberto N. Huang, Mr. Fumiaki Ozawa, Mr. Kenji Uchiyama and Mr. Tomoki Yamauchi; and the independent non-executive directors, Mr. Alonzo Q. Ancheta, Dr. the Hon. Sir David K. P. Li, Mr. Reynato S. Puno and Mr. Carmelo L. Santiago.