SAN MIGUEL BREWERY HONG KONG LIMITED

(Incorporated in Hong Kong with limited liability)
(Stock Code: 236)

ANNOUNCEMENT OF THE 2006 FINAL RESULTS

GROUP RESULTS

The directors of San Miguel Brewery Hong Kong Limited (the "Company") have announced the annual results of the Company and its subsidiaries (the "Group") for the financial year ended 31 December 2006, 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 2006
(Expressed in Hong Kong dollars)

	Note	2006 $'000	2005 (restated) $'000
Turnover	3,4	**826,817**	806,909
Cost of sales		**(444,311)**	(443,559)
Gross profit		**382,506**	363,350
Other revenue	5	**17,455**	15,065
Other net (expenses)/income	5	**(915)**	431
Selling and distribution expenses		**(286,873)**	(253,054)
Administrative expenses		**(104,343)**	(105,226)
Other operating expenses		**(19,437)**	(9,401)
(Loss)/profit from operations		**(11,607)**	11,165
Finance costs	6(a)	**(8,105)**	(6,163)
Restructuring costs	7	**(93,159)**	(63,295)
Loss before taxation	6	**(112,871)**	(58,293)
Income tax credit/(charge)	8	**6,549**	(7,113)
Loss for the year	4	**(106,322)**	(65,406)
Attributable to:			
Equity shareholders of the Company		**(70,144)**	(35,010)
Minority interests		**(36,178)**	(30,396)
Loss for the year		**(106,322)**	(65,406)
Dividends payable to equity shareholders of the Company attributable to the year:	9		
Interim dividend declared during the year		**–**	(3,736)
Loss per share			
– Basic	10(a)	**($0.19)**	($0.09)
– Diluted	10(b)	**N/A**	N/A

Consolidated statement of assets and liabilities
at 31 December 2006
(Expressed in Hong Kong dollars)

	Note	2006 $'000	2006 $'000	2005 (restated) $'000	2005 (restated) $'000
Non-current assets					
Fixed assets					
– Property, plant and equipment			**1,578,156**		1,648,874
– Investment properties			**89,750**		86,437
– Interests in leasehold land held for own use under operating leases			**101,471**		102,853
			1,769,377		1,838,164
Intangible assets			**39,564**		39,525
Goodwill			**5,044**		5,044
Other tangible assets			**49,000**		41,539
			1,862,985		1,924,272
Current assets					
Inventories		**50,664**		50,700	
Trade and other receivables	11	**116,050**		126,743	
Amounts due from holding companies and fellow subsidiaries		**28,408**		38,346	
Current tax recoverable		**–**		798	
Cash and cash equivalents		**416,335**		383,331	
		611,457		599,918	
Current liabilities					
Bank loans (unsecured)		**(80,374)**		(50,408)	
Trade and other payables	12	**(194,780)**		(126,123)	
Amounts due to holding companies and fellow subsidiaries		**(7,562)**		(9,327)	
Current tax payable		**(104)**		–	
Leased factory maintenance provision		**–**		(53,208)	
		(282,820)		(239,066)	
Net current assets			**328,637**		360,852
Total assets less current liabilities			**2,191,622**		2,285,124
Non-current liabilities					
Bank loans (unsecured)		**(95,000)**		(95,000)	
Retirement benefit liabilities		**(14,870)**		(14,927)	
Deferred tax liabilities		**(107,655)**		(113,124)	
			(217,525)		(223,051)
NET ASSETS			**1,974,097**		2,062,073
CAPITAL AND RESERVES					
Share capital			**186,785**		186,785
Reserves			**1,751,097**		1,804,924
Total equity attributable to equity shareholders of the Company			**1,937,882**		1,991,709
Minority interests			**36,215**		70,364
TOTAL EQUITY			**1,974,097**		2,062,073

Notes to the annual results
(Expressed in Hong Kong dollars)

1 **Basis of preparation**

The annual results set out in this announcement does not constitute the Group's statutory financial statements for the year ended 31 December 2006 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 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 measurement basis used in the preparation of the financial statements is the historical cost basis.

2 **Change in accounting policy**

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. The following sets out information on the significant change in accounting policy for the current and prior accounting periods reflected in the financial results.

Defined benefit retirement plan – Actuarial gains and losses

In prior years, cumulative unrecognised actuarial gains and losses to the extent of the amount in excess of 10% of the greater of the present value of the defined benefit obligations and the fair value of plan assets, were recognised in profit or loss over the expected average remaining working lives of employees participating in the plan. Otherwise, the actuarial gain or loss was not recognised.

With effect from 1 January 2006, the Group has adopted the Amendment to HKAS 19, Employee benefits – Actuarial gains and losses, group plans and disclosures. Amendment to HKAS 19 provides an option to recognising actuarial gains and losses in full in the period in which they occur, outside profit or loss, in equity. The Group has elected to take the option to recognise all actuarial gains and losses in equity.

The change in accounting policy has been applied retrospectively with comparatives restated. The adjustments for each financial statement line item affected for the years ended 31 December 2005 and 2006 are set out below:

	2006 $'000	2005 $'000
Consolidated income statement for the year ended 31 December		
(Increase/(decrease) in net loss)		
Cost of sales	**(237)**	(252)
Selling and distribution expenses	**(267)**	(283)
Administrative expenses	**(217)**	(230)
Income tax expense	**127**	134
Loss for the year	**(594)**	(631)
Loss per share (basic)	**–**	($0.01)
Other significant disclosure item		
(Increase/(decrease) in expenses)		
Staff costs	**(721)**	(765)
Consolidated statement of recognised income and expense for the year ended 31 December		
(Increase/(decrease) in total recognised income and expense)		
Defined benefit retirement plan actuarial gains and losses recognised directly in equity	**(5,293)**	1,520
Income tax recognised directly in equity	**926**	(266)
Loss for the year	**594**	631
Total recognised income and expense for the year	**(3,773)**	1,885
Consolidated statement of assets and liabilities at 31 December		
(Increase/(decrease) in net assets)		
Retirement benefit liabilities	**(23,436)**	(18,864)
Deferred tax liabilities	**4,100**	3,301
Net assets	**(19,336)**	(15,563)
Reserves and total equity	**(19,336)**	(15,563)

3 **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, beer duty and consumption tax.

4 **Segment reporting**

Segment information is presented in respect of the Group's geographical segments. Information relating to geographical segments based on the location of customers is chosen.

No business segments analysis of the Group is presented as all the Group's turnover and trading result are generated from the manufacture and distribution of bottled, canned, and draught beers.

	Hong Kong 2006 $'000	Hong Kong 2005 (restated) $'000	PRC 2006 $'000	PRC 2005 $'000	Inter-segment elimination 2006 $'000	Inter-segment elimination 2005 $'000	Consolidated 2006 $'000	Consolidated 2005 (restated) $'000
Revenue from external customers	**408,664**	434,495	**418,153**	372,414	**–**	–	**826,817**	806,909
Inter-segment revenue	**36,825**	35,091	**–**	–	**(36,825)**	(35,091)	**–**	–
Other revenue from external customers	**5,052**	4,647	**–**	–	**–**	–	**5,052**	4,647
Total revenue	**450,541**	474,233	**418,153**	372,414	**(36,825)**	(35,091)	**831,869**	811,556
Segment result (2005: restated)	**(32,379)**	11,531	**8,369**	(10,783)			**(24,010)**	748
Unallocated operating income and expenses							**12,403**	10,417
Finance costs							**(8,105)**	(6,163)
Restructuring costs	**–**	–	**(93,159)**	(63,295)			**(93,159)**	(63,295)
Income tax credit/(charge) (2005: restated)							**6,549**	(7,113)
Loss for the year (2005: restated)							**(106,322)**	(65,406)
Depreciation and amortisation for the year	**57,800**	59,053	**26,447**	30,159			**84,247**	89,212
Impairment losses of								
– property, plant and equipment	**–**	–	**–**	57,298			**–**	57,298
– investment properties	**12,000**	–	**–**	–			**12,000**	–
– other tangible assets	**–**	–	**–**	2,994			**–**	2,994
– trade and other receivables	**11,920**	759	**(834)**	2,977			**11,086**	3,736
– forfeited rental deposit and related interest receivable	**–**	–	**–**	5,841			**–**	5,841
Segment assets (2005: restated)	**1,557,038**	1,609,143	**509,571**	518,099	**(9,390)**	(4,885)	**2,057,219**	2,122,357
Unallocated assets							**417,223**	401,833
Total assets							**2,474,442**	2,524,190
Segment liabilities (2005: restated)	**83,238**	71,069	**141,991**	137,212	**(9,390)**	(4,885)	**215,839**	203,396
Unallocated liabilities							**284,506**	258,721
Total liabilities							**500,345**	462,117
Capital expenditure incurred during the year	**23,570**	20,898	**53,517**	17,103			**77,087**	38,001
Additional information concerning geographical segments:								
Segment assets by the location of assets	**1,380,015**	1,439,095	**686,594**	688,147	**(9,390)**	(4,885)	**2,057,219**	2,122,357
Capital expenditure incurred during the year by the location of assets	**1,922**	14,173	**75,165**	23,828			**77,087**	38,001

5 Other revenue and other net (expenses)/income

	2006 $'000	2005 $'000
Other revenue		
Interest income	12,403	10,418
Rental income	5,052	4,647
	17,455	15,065
Other net (expenses)/income		
Net loss on disposal of property, plant and equipment	(2,044)	(216)
Others	1,129	647
	(915)	431

6 Loss before taxation

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

	2006 $'000	2005 (restated) $'000
(a) Finance costs		
Interest on bank loans	7,851	6,016
Bank charges	254	147
	8,105	6,163
(b) Staff costs		
Retirement costs		
– Defined contribution retirement plans	9,647	8,933
– Defined benefit retirement plan (2005: restated)	5,440	5,625
	15,087	14,558
Equity-settled share-based payment expenses	400	495
Salaries, wages and other benefits	118,836	128,539
Severance payments *(note 7)*	49,623	–
	183,946	143,592
(c) Other items		
Amortisation		
– Land lease premium	2,517	2,506
– Bottles and crates		
– Other tangible assets	8,617	4,681
– Inventories	–	6,785
Depreciation		
– Property, plant and equipment	70,472	73,084
– Investment properties	2,641	2,156
Cost of inventories	437,874	434,407
Operating lease charges: minimum lease payments		
– Land and buildings	8,670	9,965
– Plant and machinery	12,272	14,153
Rental receivable from investment properties less direct outgoings of $2,621,000 (2005: $2,143,000)	(2,431)	(2,504)
Net foreign exchange gain	(834)	(486)
Auditors' remuneration	2,592	2,642
Impairment losses		
– Property, plant and equipment	–	57,298
– Investment properties	12,000	–
– Other tangible assets	–	2,994
– Trade and other receivables	11,086	3,736
– Forfeited rental deposit and related interest receivable	–	5,841

7 Restructuring costs

Guangzhou San Miguel Brewery Company Limited ("GSMB"), a subsidiary of the Company, entered into a factory lease agreement (the "Lease Agreement") with Guangzhou Brewery ("GB"), a substantial shareholder holding 30% interests of GSMB, upon the establishment of GSMB whereby GSMB agreed to lease the factory buildings, brewery equipment and related facilities from GB for production purposes. The Lease Agreement expires on 29 November 2020.

As mentioned in the 2005 audited financial statements of the Group, management performed a review of GSMB's operations in 2005 given that GSMB has been facing intense competition in the PRC. Based on their review, management planned to cease the production activities of GSMB in 2006 and terminate the Lease Agreement. On 28 December 2005, a non-binding memorandum of understanding ("MOU") was signed between GSMB and GB in this respect.

Further to the signing of the above non-binding MOU, on 29 September 2006, GSMB and GB entered into a Termination Agreement (the "Termination Agreement") in respect of the termination of the Lease Agreement and the sale of certain production assets owned by GSMB (the "Production Assets") to GB. The handover of the leased assets and Production Assets from GSMB to GB took place on 31 October 2006. After cessation of the manufacturing operations, GSMB continues the sale and distribution of beer and sources beer products from its fellow subsidiary, San Miguel (Guangdong) Brewery Company Limited ("SMGB") and other external manufacturers under toll-processing arrangements.

During the year ended 31 December 2005, impairment losses on the Production Assets and rental deposit for the Lease Agreement totalling $63,295,000 were recognised in the financial statements. An additional one-off charge amounting to $93,159,000 was incurred during the year ended 31 December 2006 which comprised the following:

	2006 $'000	2005 $'000
Severance payments *(note 6(b))*	49,623	–
Penalty for early termination of the Lease Agreement	6,176	–
Compensation for repairs and maintenance for the leased assets paid to GB	9,150	–
Additional rental charges paid to GB	10,083	–
Loss on sale of the Production Assets	16,764	–
Impairment loss on the Production Assets	–	56,812
Impairment loss on forfeited rental deposit and related interest receivable	–	5,841
Others	1,363	642
	93,159	63,295

The signing of the Termination Agreement with GB constitutes a connected transaction under the Listing Rules.

8 Income tax in the consolidated income statement

(a) Taxation in the consolidated income statement represents:

	2006 $'000	2005 (restated) $'000
Current tax – Hong Kong Profits Tax		
Provision for the year	194	121
Over-provision in respect of prior years	(55)	–
	139	121
Deferred tax		
Origination and reversal of temporary differences (2005: restated)	10,169	6,992
Tax effect of recognising tax losses and deductible temporary differences not previously recognised for deferred tax purposes *(note)*	(16,857)	–
	(6,688)	6,992
Income tax (credit)/charge	(6,549)	7,113

The provision for Hong Kong Profits Tax for 2006 is calculated at 17.5% (2005: 17.5%) of the estimated assessable profits of one of the Hong Kong subsidiaries for the year. 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.

No provision for overseas taxation has been made for the foreign 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.

Note: This balance arose from the recognition of tax losses and deductible temporary differences of San Miguel (Guangdong) Brewery Company Limited ("SMGB") brought forward from previous years. SMGB has started making profits since 2005 and a portion of the tax losses have been utilised by SMGB during both the current and prior years. In addition, according to the five year long range plan approved by management, SMGB will continue making profits. These evidence that it is probable that sufficient taxable profits will be available to utilise the tax losses and deductible temporary differences and thus the tax benefits have been recognised accordingly.

During the year ended 31 December 2005, all the tax losses and deductible temporary differences of SMGB were not recognised for deferred tax purposes.

9 Dividends

(a) *Dividends payable to equity shareholders of the Company attributable to the year*

	2006 $'000	2005 $'000
Interim dividend declared and paid of $Nil (2005: $0.01) per ordinary share	–	3,736

No final dividend is proposed for the years ended 31 December 2006 and 2005.

(b) *Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year*

	2006 $'000	2005 $'000
Final dividend in respect of the previous financial year, approved and paid during the year, of $Nil (2005: $0.01) per ordinary share	–	3,736

10 Loss per share

(a) *Basic loss per share*

The calculation of basic loss per share is based on the loss attributable to equity shareholders of the Company of $70,144,000 (2005 (restated): $35,010,000) and on 373,570,560 ordinary shares (2005: 373,570,560 ordinary shares), being the number of ordinary shares in issue throughout the year.

(b) *Diluted loss per share*

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

11 Trade and other receivables

Credit is offered to customers following financial assessment and an established payment record. Security in the form of mortgages or bank guarantees is obtained from major customers. Credit limits are set for all customers and these are exceeded only with the approval of senior company officers. Customers considered to be a credit risk trade on a cash basis. Professional staff monitor trade receivables and follow up collections. General credit terms are payment by the end of the month following the month in which sales took place.

The ageing of trade receivables (net of impairment losses for bad and doubtful debts) as at the balance sheet date is as follows:

	2006 $'000	2005 $'000
From invoice date		
Less than 30 days	44,522	35,503
31 to 60 days	30,556	24,942
61 to 90 days	4,960	11,527
Over 90 days	9,278	12,147
	89,316	84,119

12 Trade and other payables

The ageing of trade payables as of the balance sheet date is as follows:

	2006 $'000	2005 $'000
From invoice date		
Less than 30 days	47,637	36,678
31 to 60 days	2,443	1,409
61 to 90 days	534	371
Over 90 days	622	1,924
	51,236	40,382

13 Comparative figures

(a) Certain comparative figures have been adjusted as a result of the change in accounting policy as set out in note 2.

(b) Classification of certain profit or loss items has been changed as follows:

(i) Impairment loss of $69,869,000 which was included in "Impairment losses" in the 2005 financial statements has been reclassified under costs of sales of $2,994,000, administrative expenses of $486,000, other operating expenses of $3,094,000 and restructuring costs of $63,295,000 to conform with the current year's presentation.

(ii) Gross turnover of $1,268,346,000, discounts of $304,457,000 and beer duty and taxes of $156,980,000 were separately shown in the consolidated income statement in the 2005 financial statements. In order to conform with the current year's presentation, the discounts and beer duty and taxes have been reclassified to set-off with the gross turnover.

(c) Cash and cash equivalents of $383,331,000 which were included under segment assets in the segment reporting disclosure note in the 2005 financial statements have been reclassified to unallocated assets.

The directors of the Company consider that the revised presentation reflects more appropriately the nature of these items.

DIVIDENDS

Directors have resolved that no dividends will be declared for 2006.

CLOSURE OF REGISTER OF MEMBERS

The transfer of books and register of members of the Company will be closed from Tuesday, 10 April 2007 to Friday, 13 April 2007, both days inclusive. To qualify for attending the forthcoming Annual General Meeting of the Company to be held on 16 April 2007, shareholders should ensure that transfers are lodged at the Company's share registrar, Computershare Hong Kong Investor Services Limited at 17th Floor, Hopewell Centre, 193 Queen's Road East, Hong Kong for registration not latter than 5:00 pm on Wednesday, 4 April 2007.

FINANCIAL RESULTS

2006 was an important year strategically for San Miguel Brewery Hong Kong Limited as the Company completed its major initiative of restructuring its South China operations and rationalising its production capacities in the region.

Amid demanding and a highly competitive operating environment, the Company delivered mixed results. Though consolidated beer volume grew by 8.6% over previous year, consolidated gross turnover was at par with 2005 at HK$1.3 billion. Netting of all discounts and taxes, consolidated turnover at HK$826.8 million was 2.4% above last year. The continuous growth of the low-priced segment, competitive pricing and the increase in production cost greatly affected the Company's results.

Consolidated loss attributable to equity shareholders after taxation and minority interests increased from HK$35.0 million to HK$70.1 million. This however included one-time restructuring costs of South China operations of HK$60.6 million after minority interests. Without the restructuring costs, consolidated loss would have been HK$9.5 million.

The Company continued to be cash positive in 2006. Net cash balances at 31 December 2006 amounted to HK$240.9 million (2005: HK$237.9 million). Total net assets maintained at HK$1,974.1 million (2005: HK$2,062.1 million) together with a low debt to equity ratio of 0.09 (2005: 0.07) and current ratio of 2.2 times (2005: 2.5 times).

BUSINESS REVIEW
HONG KONG OPERATIONS

Intense price competition in the local beer market and shift in consumer preference toward low-priced brands continued to be the primary challenges for the beer industry and our Company. For two consecutive years, the beer industry suffered a volume decline with 2006 registering a 1.6% contraction from the previous year. This was brought about by the emergence of wine (both still and sparkling) and whisky drinkers challenging beer's substantial share of alcoholic beverage market.

Meanwhile, though the increasing share of low-priced brands have slowed down from 40.7% in 2005 to 40.9% in 2006, the general prices of beer have defied the inflationary trend of composite price index. Instead of following the increasing price index at 2.3%, beer prices resisted and recorded a deflation of 2.9%.

Unfortunately, the 26.3% and 5.4% increases over previous year in sales volume of imported premium brands and low-priced brands respectively were not able to offset the performance of San Miguel in the Hong Kong market. Nevertheless, the San Miguel brand retained its position as the Number One brand in 2006.

To ensure its leadership position and meet the challenges of the market, the Company has reviewed and devised a holistic set of plans and programs to reinforce and build San Miguel's brand equity specifically geared towards fortifying the bond with customers and consumers.

March 2006 witnessed the inaugural illumination of the giant San Miguel neon-sign on top of the Excelsior Hotel at Causeway Bay. This participation in the world-famous Hong Kong skyline shows San Miguel's dedication to highlight its position in the market.

In 2007, the Company will launch a new marketing campaign for the brand San Miguel which includes television commercials, complemented with market promotions revolving around the theme. Furthermore, point of sales visibility blitz, on-line communications and public relation programs will be intensified to support this drive.

Building on the huge success of the "San Miguel WildDayOut" programs in the last three years, the Company will continue to organize more WildDayOut bar shows and promotion programs to solidify the brand San Miguel communication platform to young consumers. All these will culminate with the year-end outdoor grand concert headlined by popular local and international artists.

These programs and activities, on top of our continuous commitment to improve excellence in execution and management of cost base, will serve to help us achieve our target of maintaining market leadership in Hong Kong this year.

SOUTH CHINA OPERATIONS

The Company's total sales volume and gross turnover in South China grew by 10.2% and 5.5% over previous year respectively. Before a one-time restructuring costs of HK$93.2 million (2005: HK$63.3 million), South China operations recorded a profit after tax of HK$5.0 million, against a loss of HK$25.0 million in 2005.

Sales volume of San Miguel (Guangdong) Brewery Company Limited ("SMGB") continued to sustain its solid growth by 33.8% over the previous year, mainly driven by Dragon and Valor brand. The launching of Dragon television commercial in Shunde and nearby counties, "Refreshing to Fly" and eye-catching outlet signage in key outlets in Greater Foshan, have further improved the brand awareness and brand equity in the local beer market.

To cater to the volume requirements of Guangzhou San Miguel Brewery Company Limited ("GSMB") and its growing market requirements, SMGB has embarked on an expansion program last year aimed at increasing the brewery's production to an annual capacity of 1.3 million hectolitre in 2006. As of December 2006, SMGB has completed 82% of its phase I expansion. It is expected to be completed by May of 2007 in time for the peak season.

On the other hand, GSMB has shown strong recovery and progress after the handover of the factory and production assets to Guangzhou Brewery last October 2006. While the sales volume in 2006 declined by 0.9% over the previous year, the strategic intent to push for higher-priced products enabled sales revenue to increase by 5.0%.

The launch of the San Mig Light television commercial and outdoor advertising in core markets were very successful in driving brand awareness and consumption contributing significantly to San Mig Light's volume growth of 4.3% year on year.

For 2007, GSMB will continue to rebuild and improve its organization developing a cohesive and fully engaged team to enhance dealership and outlet management programs that will further strengthen the San Miguel Brand.

COMMUNITY RELATIONS AND SOCIAL RESPONSIBILITY

Similar to past years, the Company regularly sponsored and participated in various local community events in year 2006.

The Company is also committed to protecting the environment where it operates and ensures that environmental standards set by governments and other authorities are met or exceeded.

HUMAN RESOURCES

The Company continues to invest in its people. All employees continue to receive appropriate training and competent support from their colleagues, with emphasis on a strong team spirit to achieve targeted results in the highly competitive business environment. To further foster camaraderie among employees in working towards a common goal, everyone is kept abreast of the latest developments within the Company via annual corporate direction briefings, intranet messaging and emails.

The Company also offers competitive remuneration packages commensurate with market standards and provides attractive fringe benefits, including medical and insurance coverage and retirement packages to all employees.

Moreover, to enhance employee's sense of belonging, the Company encourages employees and their families to participate in company-sponsored staff activities. Aside from promoting teamwork, this boosts employees' morale and creates a harmonious working environment.

CORPORATE GOVERNANCE

The Company has applied the principles of the Code Provisions under the Code on Corporate Governance Practices contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited throughout the year 2006 except all of the non-executive directors are not appointed for a specific term but are subject to retirement and rotation and re-election at the Company's Annual General Meeting. Details of compliances are set out in the Company's Annual Report's Corporate Governance section.

DIRECTORS

A number of directors resigned from the Board since we published our interim report on 12 September 2006. They were Ms. Ma. Belen C. Buensuceso and Mr. Roberto N. Huang. We thank Ms. Buensuceso and Mr. Huang for their contributions to the Group over the past years.

Likewise, Messrs Carlos M. Berba and Francis H. Jardeleza were nominated to fill the vacated office at the forthcoming Annual General Meeting.

FUTURE DIRECTION AND CHALLENGES

The objectives of the Company for the year 2007 are:

- In Hong Kong, to improve profitability, increase our market share and continue to reinforce the market leadership of San Miguel brand.
- In South China, to rebuild the organisation after the restructuring of GSMB, strengthen San Miguel brand equity and consolidate the growth of Dragon brand.

Moving forward, as the Company has a number of dynamic growth strategies in place, together with the set of highly motivated teams and a healthy cash position to support these initiatives, we anticipate that we will be able to provide a firm foundation for the Company's sustained growth in 2007.

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 year ended 31 December 2006.

By Order of the Board
Ramon S. Ang
Chairman

Hong Kong, 6 March 2007

(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. Chong Yoon Fatt; the Non-Executive Directors, Mr. Ramon S. Ang (Chairman), Mr. Faustino F. Galang (Deputy Chairman), Ms. Minerva Lourdes Bibonia and Mr. Ferdinand K. Constantino; and the Independent Non-Executive Directors, Dr. The Hon. Sir David K.P. Li, Mr. Ng Wai Sun and Mr. Ian F. Wade.