
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in San Miguel Brewery Hong Kong Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.



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)

CONTINUING CONNECTED TRANSACTIONS

Financial Adviser to San Miguel Brewery Hong Kong Limited

OSK Asia Capital Limited

Independent Financial Adviser to the Independent Board Committee
and the Independent Shareholders

COMMERZBANK 

Commerzbank AG Hong Kong Branch

A letter from the board of directors of San Miguel Brewery Hong Kong Limited is set out on pages 3 to 11 of this circular and a letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on page 12 of this circular. A letter from Commerzbank AG Hong Kong Branch, the independent financial adviser to the Independent Board Committee and the Independent Shareholders, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 13 to 23 of this circular.

A notice convening an extraordinary general meeting of San Miguel Brewery Hong Kong Limited to be held at the Academy Room, InterContinental Grand Stanford Hong Kong, 70 Mody Road, Tsimshatsui East, Kowloon, Hong Kong on 4 January 2008, Friday at 3:00 p.m. is set out on pages 33 to 34 of this circular. A form of proxy for use by the Independent Shareholders at the extraordinary general meeting is also enclosed. Whether or not you propose to attend the meeting, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return the same to the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1806-1807, 18th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the meeting or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting at the meeting, or any adjourned meeting, should you so wish.

20 December 2007

CONTENTS

	<i>Page</i>
Definitions	1
Letter from the Board	3
Letter from the Independent Board Committee	12
Letter from Commerzbank	13
Appendix — General information	24
Notice of EGM	33

DEFINITIONS

In this circular, the following expressions have the following meanings unless the context requires otherwise:

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Cap(s)”	the maximum annual aggregate value for each of the Continuing Connected Transactions under the New Agreement for the three years ending 31 December 2010
“Commerzbank”	Commerzbank AG, acting through its Hong Kong Branch, a licensed bank under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) and an authorised financial institution under the SFO to conduct type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities as set out in Schedule 5 to the SFO, appointed as the independent financial adviser to make recommendation to the Independent Board Committee and the Independent Shareholders in respect of the Continuing Connected Transactions
“Company”	San Miguel Brewery Hong Kong Limited, a company incorporated in Hong Kong with limited liability, whose shares are listed in the Stock Exchange
“Continuing Connected Transactions”	the transactions between the Group and the SMC Group pursuant to the Existing Agreement and/or the New Agreement
“Directors”	the directors of the Company
“EGM”	the extraordinary general meeting to be convened by the Company to consider, and if thought fit, approve the New Agreement, the Continuing Connected Transactions and the Caps
“Existing Agreement”	the agreement dated 11 March 2005 entered into between the Company and SMC in respect of the Continuing Connected Transactions
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China

DEFINITIONS

“Independent Board Committee”	an independent committee of the Board, comprising Dr. The Hon. Sir. David K. P. Li (or Mr. Adrian M. K. Li as alternate Director), Mr. Ng Wai Sun and Mr. Carmelo L. Santiago, all of them being independent non-executive Directors, which has been established by the Board to advise the Independent Shareholders in respect of the New Agreement, the Continuing Connected Transactions and the Caps
“Independent Shareholder(s)”	the shareholder(s) of the Company, other than SMC and its associates
“Latest Practicable Date”	18 December 2007, being the latest practicable date for ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“New Agreement”	the agreement dated 6 December 2007 entered into between the Company and SMC in respect of the Continuing Connected Transactions
“PRC”	the People’s Republic of China which, for the purpose of this circular, excludes Hong Kong, Macau and Taiwan
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.5 each in the share capital of the Company
“Shareholders”	the shareholders of the Company
“SMC”	San Miguel Corporation, the ultimate controlling shareholder of the Company
“SMC Group”	SMC and its associates, excluding the Group, for the purpose of this circular
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

LETTER FROM THE BOARD



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)

Executive Director:

Chong Yoon Fatt, *Managing Director*

Non-Executive Directors:

Ramon S. Ang, *Chairman*

Faustino F. Galang, *Deputy Chairman*

Carlos Antonio M. Berba

Minerva Lourdes Bibonia

Ferdinand K. Constantino

Iwan David Nevyv Evans

Francis H. Jardeleza

Registered office and

principal place of business

in Hong Kong:

9th Floor

Citimark Building

28 Yuen Shun Circuit

Siu Lek Yuen

Shatin, New Territories

Hong Kong

Independent Non-Executive Directors:

David K. P. Li, GBS, JP (*alternate: Adrian M. K. Li*)

Ng Wai Sun

Carmelo L. Santiago

20 December 2007

To the Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

The Group has been conducting certain continuing connected transactions with the SMC Group in the ordinary and usual course of business. The Group has been purchasing (i) packaging materials from the SMC Group for the Group's production and (ii) alcoholic and non-alcoholic beverage products from the SMC Group for the Group's wholesale and retail distribution. As set out in announcement of the Company dated 11 March 2005 and the circular of the Company dated 21 March 2005, the Existing Agreement pursuant to which the Continuing Connected Transactions have been transacting will expire on 31 December 2007. In view of the above, on 6 December 2007, the Company and SMC entered into the New Agreement with a view to renewing the agreement to continue to carry out the Continuing Connected Transactions on substantially the same terms as those under the Existing Agreement.

LETTER FROM THE BOARD

The purpose of this circular is to provide you with further details of the Continuing Connected Transactions, the New Agreement and the Caps. An independent board committee comprising Dr. The Hon. Sir. David K. P. Li (or Mr. Adrian M. K. Li as alternate Director), Mr. Ng Wai Sun and Mr. Carmelo L. Santiago has been established to advise the Independent Shareholders in respect of the terms of the New Agreement, the Continuing Connected Transactions and the Caps. Commerzbank has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders. A letter from the Independent Board Committee is set out on page 12 of this circular and a letter from Commerzbank is set out on pages 13 to 23 of this circular.

The EGM will be convened to seek Independent Shareholders' approval for the terms of the New Agreement, the Continuing Connected Transactions and the Caps. In view of the interest of the SMC Group in the Continuing Connected Transactions, SMC and its associates (as defined in the Listing Rules), which control approximately 65.78% of the issued share capital of the Company, will abstain from voting at the EGM in this regard.

BACKGROUND

The principal business activities of the Group are the production and/or distribution of bottled, canned and draught beers and other beverage products. The Company is a non-wholly owned subsidiary of SMC. SMC is the largest publicly listed food, beverage, and packaging company in Southeast Asia and has over 120 facilities in the Philippines, Southeast Asia, China and Australia.

The Group has been carrying out the Continuing Connected Transactions including purchasing from the SMC Group (i) packaging materials for the Group's production and (ii) alcoholic and non-alcoholic beverage products for the Group's wholesale and retail distribution. Such transactions constitute continuing connected transactions for the Company in its ordinary and usual course of business. As set out in the announcement of the Company dated 11 March 2005 and the circular of the Company dated 21 March 2005, the Company entered into the Existing Agreement on 11 March 2005 setting out the principle terms of the Continuing Connected Transactions. The Existing Agreement will expire on 31 December 2007. Accordingly, on 6 December 2007, the Company and SMC entered into the New Agreement with a view to renewing the agreement to carry out the Continuing Connected Transactions from 1 January 2008 to 31 December 2010 on substantially the same terms as those under the Existing Agreement.

Under the Existing Agreement, the trade-related continuing connected transactions between the Group and the SMC Group include (i) purchases of packaging materials (comprising cans, bottles, crown seals and crates) by the Group from the SMC Group, (ii) purchases of packaged beer by the Group from the SMC Group, (iii) sales of packaged beer by the Group to the SMC Group and (iv) payment of commission by the Group to the SMC Group in respect of sales of packaged beer by the Group directly to customers in certain countries (other than Hong Kong, Macau and the PRC). The term of the Existing Agreement is from 1 January 2005 to 31 December 2007. Apart from beer, the Group also purchases other alcoholic and non-alcoholic beverage products from the SMC Group for the Group's wholesale and distribution business. Products sold by the Group under (iii) and (iv) above were manufactured in the Group's production facilities in Hong Kong. In 2007, the Group ceased the operation of its production facilities in Hong Kong. Accordingly, transactions under (iii) and (iv) above have discontinued.

LETTER FROM THE BOARD

Since April 2007, the Group has commenced to distribute juice sourced from the SMC Group in Hong Kong on a trial-basis with a view to further diversifying and broadening the product line, customer group and revenue base of the Group. The Group plans formally to launch its juice products on the market in 2008. The SMC Group may from time to time subsidize the marketing and selling expenses incurred by the Group in relation to the promotion and sale of the relevant juice products. For the purpose of the Listing Rules, such possible subsidy constitutes a financial assistance given by the SMC Group to the Group. As such financial assistance is to be provided by a connected person for the benefit of the Company on favourable terms to the Company where no security over any assets of the Group will be given in respect of the possible subsidy, such possible subsidy is exempted from all reporting, announcement and independent shareholders' approval requirements under Rule 14A.65(4) of the Listing Rules.

THE NEW AGREEMENT

Date

6 December 2007

Parties

The Company and SMC

Continuing Connected Transactions and the Caps

Under the New Agreement, the Group will enter into the Continuing Connected Transactions with the SMC Group, including the purchase of packaging materials and alcoholic and non-alcoholic beverage products by the Group from the SMC Group.

Term

Subject to the Independent Shareholders' approval on the Continuing Connected Transactions, the New Agreement and the proposed Caps, the New Agreement shall have a term for the period from 1 January 2008 to 31 December 2010. In the event that the Continuing Connected Transactions and the Caps are not approved by the Independent Shareholders, the Company has the right to and will terminate the New Agreement.

Pricing

The Company confirms that the pricing policy in respect of the Continuing Connected Transactions is on an arm's length basis and is consistent with the Group's historical pricing policy in respect of the past transactions between the Group and the SMC Group, which are described below:

LETTER FROM THE BOARD

- (a) With respect to the sourcing of packaging materials from the SMC Group, the relevant members of the Group had in the past negotiated and shall continue to negotiate supply terms with the SMC Group on an annual basis with reference to the prices and credit terms available from suppliers which are independent third parties and are able to meet the Group's stringent quality requirements and delivery schedules and if no such comparable reference prices/credit terms are available, the prices/credit terms shall be determined by agreement between the parties based upon reasonable commercial principles.
- (b) The prices payable by and the credit terms offered to the Group for the alcoholic and non-alcoholic beverage products purchased from the SMC Group have been and shall continue to be determined by reference to the prices paid by and the credit terms offered to the Group in respect of similar products sourced by the Group from suppliers which are independent third parties and if no such comparable reference prices/credit terms are available, the prices/credit terms shall be determined by agreement between the parties based upon reasonable commercial principles.

There is no provision in the New Agreement requiring the Group to exclusively source packaging materials and alcoholic and non-alcoholic beverage products from the SMC Group.

The Company considers that the Continuing Connected Transactions have been entered into in the ordinary course of business of the Group and the terms of the New Agreement are on normal commercial terms, are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

REASONS FOR THE CONTINUING CONNECTED TRANSACTIONS

The Group needs to source various packaging materials including cans, bottles, crown seals and crates for use in the packaging and distribution of its products. The SMC Group has established itself as a competitively priced and dependable supplier to the Group which meet the Group's stringent quality requirements and delivery schedules.

The Group also purchases alcoholic and other non-alcoholic (including juice) beverage products from the SMC Group for sale to the Group's customers in Hong Kong to complement the range of products sold by the Group. The Group believes that this will enhance the product range and earnings potential of the Group.

LETTER FROM THE BOARD

HISTORICAL VALUES AND ANNUAL CAPS

Set out below is a summary of (i) the amounts of the Continuing Connected Transactions for the two years ended 31 December 2006 and the ten months ended 31 October 2007, (ii) the relevant cap amounts under the Existing Agreement for the two years ended 31 December 2006 and the year ending 31 December 2007 and (iii) the proposed Caps for the three years ending 31 December 2010:

HK\$'000

	Year ended 31 December 2005		Year ended 31 December 2006		Actual amount from 1 January 2007 to	Year ending 31 December 2007	Caps for the three years ending 31 December 2010		
	Actual amount (audited)	Cap amount	Actual amount (audited)	Cap amount	31 October 2007 (unaudited)	Cap amount	2008	2009	2010
	Purchase of packaging materials by the Group from the SMC Group	33,255	47,800	33,569	92,600	33,680	105,700	42,100	52,000
Purchase of alcoholic and non-alcoholic beverage products by the Group from the SMC Group (<i>Note</i>)	2,716	4,300	2,873	4,700	2,452	5,000	7,500	8,200	9,200

Note: At the time when the caps for the year ended 31 December 2006 and the year ending 31 December 2007 were determined, the only beverages purchased by the Group from the SMC Group were packaged beer products. The Group purchased a small amount of alcoholic and non-alcoholic beverage products (other than packaged beer) from the SMC Group during the year ended 31 December 2006 and the year ending 31 December 2007.

The Company is optimistic about the future growth in its sale of alcoholic and non-alcoholic beverage products which will lead to possible growth in the purchase of packaging materials and alcoholic and non-alcoholic beverage products from the SMC Group. The formal launch of the Group's juice products in 2008 is another important factor which is likely to lead to an increase in the quantum of the Continuing Connected Transactions. The Group ceased its production operations in Hong Kong in October 2007 and has streamlined its operations. Financial resources previously used for the Group's Hong Kong production operations may be allocated to marketing and promotional activities with a view to boosting the sales of the Group's products.

LETTER FROM THE BOARD

The proposed Caps were determined by reference to a number of factors such as historical transaction amounts, the Group's marketing plan for its products, the expected growth in demand for the Group's beer and non-alcoholic beverage products (in particular given that juice is a new product to be formally launched in 2008) which are distributed/to be distributed by the Group, and the consequential increase in the need for packaging materials to meet the Group's production requirements, after taking into account, among other factors, the availability of more financial resources for the Group's marketing and promotional activities after cessation of the Group's Hong Kong production operations in October 2007 and possible inflation. A buffer of 10% has been built in when the Caps were determined with a view to taking into account possible further market demand and possible exchange rates fluctuations. Given that the purchase of packaging materials by the Group from the SMC Group amounted to approximately HK\$33.6 million for the year ended 31 December 2006 and approximately HK\$33.7 million from 1 January 2007 to 31 October 2007, the proposed cap amounts in respect of the purchase of packaging materials by the Group from the SMC Group for the three years ending 31 December 2010, which were determined with reference to, among other factors, actual transaction values, are less than the relevant cap amount for the year ending 31 December 2007.

CONDITIONS OF THE CONTINUING CONNECTED TRANSACTIONS

The Continuing Connected Transactions will be required to be approved by the Independent Shareholders and will also be subject to the following conditions:

- (1) the Continuing Connected Transactions will be entered into:
 - (i) in the ordinary and usual course of business of the Group;
 - (ii) either on normal commercial terms, or if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Group than those available from independent third parties; and
 - (iii) in accordance with the New Agreement on terms that are fair and reasonable and in the interests of the Shareholders as a whole;
- (2) the relevant amount of Continuing Connected Transactions for each of the three financial years ending 31 December 2008, 2009 and 2010 shall not exceed the relevant Caps (as described above);
- (3) the independent non-executive Directors shall review annually the Continuing Connected Transactions and confirm in the Company's corresponding annual report that the Continuing Connected Transactions have been conducted in the manner as stipulated in paragraph (1) above;

LETTER FROM THE BOARD

- (4) the auditors of the Company shall review annually the Continuing Connected Transactions and confirm in a letter to the Directors (a copy of which shall be provided to the Stock Exchange) that such Continuing Connected Transactions:
 - (i) have received the approval of the Board;
 - (ii) are in accordance with the pricing policies of the Group;
 - (iii) have been entered into in accordance with the New Agreement; and
 - (iv) have not exceeded the relevant Caps;
- (5) the Company shall promptly notify the Stock Exchange and publish an announcement if it knows or has reason to believe that the independent non-executive Directors and/or auditors of the Company will not be able to confirm the matters set out in paragraphs (1), (3) and/or (4) respectively;
- (6) the Company shall and shall procure that each member of the Group and the relevant counterparties to the Continuing Connected Transactions shall, during the term of the New Agreement provided that the Shares are listed on the Stock Exchange, provide the Company's auditors with sufficient access to the relevant records for the purpose of the auditors' review of the Continuing Connected Transactions referred to in paragraph (4) above.

EGM

The SMC is the ultimate controlling Shareholder and holds 245,720,800 Shares, representing approximately 65.78% of the issued share capital of the Company. SMC and its associates are therefore connected persons of the Company for the purposes of the Listing Rules. The Continuing Connected Transactions under the New Agreement constitute non-exempt continuing connected transactions under the Listing Rules and are subject to the annual review requirements under Rules 14A.37 to 14A.39 and the reporting requirements under Rule 14A.45 to 14A.47 and are subject to the approval of the Independent Shareholders requirements under Rule 14A.48 of the Listing Rules.

An EGM will be convened to seek Independent Shareholders' approval for the New Agreement, the Continuing Connected Transactions and the Caps. An ordinary resolution will be proposed to approve the New Agreement, the Continuing Connected Transactions and the Caps at the EGM. The notice convening the EGM is set out on pages 33 to 34 of this circular.

In view of the interest of the SMC Group in the Continuing Connected Transactions, SMC and its associates (as defined in the Listing Rules), which controlled approximately 65.78% of the issued share capital of the Company as at the Latest Practicable Date, will abstain from voting at the EGM. The votes to be taken at the EGM will be taken by poll, the results of which will be announced after the EGM.

LETTER FROM THE BOARD

A form of proxy for use at the EGM is enclosed. Whether or not you propose to attend the meeting, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return the same to the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1806-1807, 18th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the meeting or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting at the meeting, or any adjourned meeting, should you so wish.

Pursuant to article 76 of the Company's articles of association, at any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) demanded:

- (i) by the chairman of the meeting; or
- (ii) by at least three shareholders present in person (or, in the case of a shareholder being a corporation, by its duly authorised representative) or by proxy for the time being entitled to vote at the meeting; or
- (iii) by any shareholder or shareholders present in person or duly represented in the case of a shareholder being a corporation or by proxy and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or
- (iv) by a shareholder or shareholders present in person or duly represented in the case of a shareholder being a corporation or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of shareholders taken at a general meeting to approve connected transactions pursuant to Chapter 14A of the Listing Rules must be taken on a poll. Accordingly, the chairman of the EGM will demand that the ordinary resolution to approve the New Agreement, the Continuing Connected Transactions and the proposed Caps be decided by poll.

LETTER FROM THE BOARD

RECOMMENDATION OF THE INDEPENDENT BOARD COMMITTEE

Your attention is drawn to (i) the letter from the Independent Board Committee set out on page 12 of this circular which contains the recommendation from the Independent Board Committee to the Independent Shareholders concerning the Continuing Connected Transactions and (ii) the letter from Commerzbank set out on pages 13 to 23 of this circular which contains its recommendation to the Independent Board Committee and the Independent Shareholders in relation to the Continuing Connected Transactions and the principal factors considered by Commerzbank in arriving at its recommendation.

Having taken into account the advice from Commerzbank and in particular the principal factors set out in the letter from Commerzbank, the Independent Board Committee considers that the Continuing Connected Transactions are in the ordinary and usual course of business of the Group and that the terms of the New Agreement are on normal commercial terms and the Continuing Connected Transactions and the Caps are fair and reasonable so far as the interests of the Independent Shareholders are concerned. Accordingly, the Independent Board Committee recommends that the Independent Shareholders should vote in favour of the ordinary resolution to be proposed at the EGM to approve the Continuing Connected Transactions, the New Agreement and the Caps.

GENERAL

Your attention is drawn to the letter from the Independent Board Committee, the letter from Commerzbank, the general information set out in the appendix to this circular and the notice convening the EGM.

By order of the Board
San Miguel Brewery Hong Kong Limited
Chong Yoon Fatt
Managing Director

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



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)

20 December 2007

To the Independent Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

We refer to the circular dated 20 December 2007 issued to the Shareholders (the “Circular”), of which this letter forms part. Unless the context otherwise requires, terms used in this letter have the same meanings as defined in the Circular.

We have been appointed as members of the Independent Board Committee to advise you in respect of the Continuing Connected Transactions. Commerzbank has been appointed as the independent financial adviser to advise us in respect of the Continuing Connected Transactions.

Having taken into account the advice from Commerzbank and in particular the principal factors set out in the letter from Commerzbank, we consider that the Continuing Connected Transactions are in the ordinary and usual course of business of the Group and that the terms of the New Agreement are on normal commercial terms and the Continuing Connected Transactions and the Caps are fair and reasonable so far as the interests of the Independent Shareholders are concerned. Accordingly, we recommend that the Independent Shareholders should vote in favour of the ordinary resolution to be proposed at the EGM to approve the New Agreement, the Continuing Connected Transactions and the Caps.

We also draw the attention of the Independent Shareholders to the letter from the Board, the letter from Commerzbank and the appendix to the Circular.

Yours faithfully,

Dr. The Hon. Sir. David K. P. Li

Mr. Ng Wai Sun

Mr. Carmelo L. Santiago

Independent Board Committee

LETTER FROM COMMERZBANK

COMMERZBANK 

Hong Kong Branch

21st Floor, Hong Kong Club Building

3A Chater Road, Central

Hong Kong

20 December 2007

To the Independent Board Committee and the Independent Shareholders

Dear Sirs,

CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the New Agreement and the transactions contemplated thereunder, the Continuing Connected Transactions and the Caps. Details of which, among other things, are set out in the circular dated 20 December 2007 (the “Circular”), of which this letter forms a part. Terms defined in the Circular will have the same meanings when used in this letter unless the context requires otherwise.

On 6 December 2007, the Company and SMC entered into the New Agreement for the purpose of renewing the Existing Agreement to carry out the Continuing Connected Transactions. The Existing Agreement has a term of three years commencing from 1 January 2005 and will expire on 31 December 2007. Under the New Agreement, the Group will continue to purchase from the SMC Group (i) packaging materials for the Group’s production and (ii) alcoholic and non-alcoholic beverage products for the Group’s wholesale and retail distribution. The New Agreement will have a term of three years commencing from 1 January 2008 to 31 December 2010.

SMC is the ultimate controlling Shareholder and holds 245,720,800 Shares, representing approximately 65.78% of the issued share capital of the Company. SMC and its associates are connected persons of the Company under the definitions of the Listing Rules. The Continuing Connected Transactions will therefore constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules. Since the Caps in respect of the purchase of (i) packaging materials and (ii) alcoholic and non-alcoholic beverage products from SMC Group for each of the three years ending 31 December 2010 exceed HK\$10 million and the relevant percentage ratios (other than the profits ratio as defined in the Listing Rules) are greater than 2.5%, the Continuing Connected Transactions (including the Caps) constitute non-exempt continuing connected transactions for the Company and are subject to (i) the annual review requirements under Rule 14A.37 to 14A.39 of the Listing Rules; (ii) the reporting requirements under Rules 14A.45 to 14A.47 of the Listing Rules; and (iii) the Independent Shareholders’ approval requirements under Rule 14A.48 of the Listing Rules. Accordingly, SMC and its respective associates shall abstain from voting at the EGM in relation to the resolutions to the New Agreement, the Continuing Connected Transactions and the Caps.

LETTER FROM COMMERZBANK

The Independent Board Committee, comprising all of the independent non-executive Directors, namely Dr. The Hon. Sir David K.P. Li (or Mr. Adrian M. K. Li as alternate Director), Mr. Ng Wai Sun and Mr. Carmelo L. Santiago, has been formed to advise the Independent Shareholders in respect of the terms of the New Agreement, the Continuing Connected Transactions and the Caps. We, Commerzbank AG Hong Kong Branch, have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on the terms of the New Agreement and the Continuing Connected Transactions (including the Caps) as to whether they are fair and reasonable, on normal commercial terms, in the ordinary and usual course of business, and in the interests of the Company and the Shareholders as a whole.

In formulating our recommendation, we have relied on the information and facts supplied to us by the Company. We have reviewed, among other things, the Circular, the New Agreement, the Existing Agreement, the sales projection of the Group, the Company's interim report for the six-month period ended 30 June 2007 (the "2007 Interim Report") and annual report for the year ended 31 December 2005 and 2006 (the "2005 Annual Report" and the "2006 Annual Report", respectively). We have assumed that all information, opinions and representations contained or referred to in the Circular are true, complete and accurate in all material respects and we have relied on the same. Also, we have relied on the representations made by the Directors that having made all reasonable enquiries and careful decisions, and to the best of their information, knowledge and belief, there is no other fact or representation or the omission of which would make any statement contained in the Circular, including this letter, misleading. We have also assumed that all information, statements and representations made or referred to in the Circular, which have been provided to us by the Company, and for which it is wholly responsible, are true, complete and accurate in all material respects at the time they were made and continue to be so up to the date of despatch of the Circular.

We consider that we have (i) taken reasonable steps as required under Rule 13.80 of the Listing Rules in obtaining all necessary information from the Company and (ii) reviewed sufficient information to enable us to reach an informed view regarding the Continuing Connected Transactions and to provide us with a reasonable basis for our recommendation. We have no reason to suspect that any material facts have been omitted or withheld, nor are we aware of any facts or circumstances, which would render the information and the representations made to us untrue, inaccurate or misleading. We have not, however, carried out any independent verification of the information provided by the Company; nor have we conducted any independent in-depth investigation into the business and affairs of the Company and its respective associates.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion in relation to the New Agreement, the Continuing Connected Transactions and the Caps, we have taken into account the following principal factors. Our conclusion is based on the result of all the analysis taken as a whole.

LETTER FROM COMMERZBANK

1. Background and reasons for the Continuing Connected Transactions

The Group is principally engaged in the production and/or distribution of bottled, canned and draught beers and other beverage products. Set out below is a summary of the Group's financial results for the two years ended 31 December 2006 and the six months ended 30 June 2007:

	For the year ended 31 December		For the six months ended
	2005 HK\$'000 (Audited)	2006 HK\$'000 (Audited)	30 June 2007 HK\$'000 (Unaudited)
Turnover			
Revenue from principal business activities:			
— Hong Kong	434,495	408,664	170,773
— PRC	372,414	418,153	187,612
Other revenue	4,647	5,052	2,804
Total	<u>811,556</u>	<u>831,869</u>	<u>361,189</u>
Gross Profit	<u>363,350</u>	<u>382,506</u>	<u>183,083</u>
Gross Profit Margin	<u>44.77%</u>	<u>45.98%</u>	<u>50.69%</u>
Net loss attributable to the Shareholders	<u>(65,406)</u>	<u>(106,322)</u>	<u>(2,866)</u>

Sources: the 2006 Annual Report and the 2007 Interim Report

SMC is the controlling Shareholder and is interested in approximately 65.78% of the Company's issued share capital. SMC is the largest publicly listed food, beverage, and packaging company in Southeast Asia and has over 120 manufacturing facilities in the the Republic of the Philippines, Southeast Asia, the PRC and the Commonwealth of Australia.

LETTER FROM COMMERZBANK

As detailed in the Circular, the Company, on 11 March 2005, entered into the Existing Agreement which sets out the principle terms of the Continuing Connected Transactions. Under the Existing Agreement, the trade-related continuing connected transactions between the Group and the SMC Group include (i) purchase of packaging materials (mainly comprising cans, bottles, crown seals and crates) by the Group from the SMC Group; (ii) purchase of packaged beer by the Group from the SMC Group; (iii) sale of packaged beer by the Group to the SMC Group; and (iv) payment of commission by the Group to the SMC Group in respect of sale of packaged beer by the Group directly to customers in certain countries (other than Hong Kong, the Macau Special Administrative Region and the PRC). Apart from beer, the Group also purchases other alcoholic and non-alcoholic beverage products from the SMC Group for its wholesale and distribution business. Products sold by the Group under (iii) and (iv) above used to be manufactured in the Group's production facilities in Hong Kong. However, the management of the Company has confirmed that the Group had ceased the operations of its production facilities in Hong Kong since October 2007. Accordingly, transactions under (iii) and (iv) above have discontinued and such transactions are not included in the New Agreement.

(i) Purchase of packaging materials by the Group from the SMC Group

The Group is one of the largest beer suppliers in Hong Kong under the brand name "San Miguel". As stated in the 2006 Annual Report, the Hong Kong local beer market has been under intense competition and in order to ensure the Company's leading 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 the "San Miguel" brand name specifically towards fortifying the bond with customers and consumers, including, among others, placing strong emphasis on the quality of its products (including packaging materials) because the Group considers that cans, bottles, crown seals and crates used in the packaging and distribution of its beer, in addition to the quality and taste of the beer, are also key factors to differentiate its products from its competitors in Hong Kong. In this regard, the Group has adopted a set of stringent criteria, including, but not limited to, the price, degree of attention, quality of packaging materials, delivery schedule and other supporting services in selecting its suppliers of packaging materials.

The SMC Group is engaged in a wide variety of businesses, including the manufacturing and packaging of beer, beverages and food, and provides packaging materials to both of its associates and independent third parties. With its years of experience and expertise in the manufacture and packaging of beer, the SMC Group has established itself as a reputable and reliable supplier of packaging materials. As advised by the Directors, the SMC Group has been providing packaging materials to the Group for more than 3 years and the Group has been satisfied with the quality of packaging materials provided by the SMC Group and the SMC Group's ability in meeting the stringent delivery schedules of the Group. Given that the SMC Group's capability in providing high quality packaging materials and its long, satisfactory and stable relationship with the Group, we consider renewal of the Existing Agreement by the New Agreement as a natural extension of the business relationship between the Group and the SMC Group.

LETTER FROM COMMERZBANK

(ii) *Purchase of alcoholic and non-alcoholic beverage products from SMC Group*

As stated in the Circular, apart from packaged beer, the Group has been distributing juice sourced from the SMC Group in Hong Kong on a trial basis since April 2007, with a view to further diversifying and broadening its product portfolio, clientele and revenue base. The Group also plans to formally launch its juice products in 2008. In addition, upon cessation of the Group's production facilities in Hong Kong, it is the intention of the Group to place additional financial resources in the marketing and promotion of its beer products in Hong Kong so as to capture a greater share in the intensifying local beer market. Having considered the above, together with the long history of the SMC Group of supplying beer products to the Group and the Group's new marketing strategy to promote alcoholic and non-alcoholic beverages products in the market, we concur with the Directors' view and consider that the Continuing Connected Transactions in respect of the purchase of alcoholic and non-alcoholic beverages products from the SMC Group will enhance the product range and earning potential of the Group.

2. Terms and conditions of the New Agreement

Subject to the Independent Shareholders' approval of the Continuing Connected Transactions, the New Agreement and the proposed Caps, the New Agreement shall have a term of three years from 1 January 2008 to 31 December 2010 for compliance with the relevant Listing Rules. In the event that the Continuing Connected Transactions and the proposed Caps are not approved by the Independent Shareholders, the Company has the right to and will terminate the New Agreement. There is no provision in the New Agreement to restrict the Group to exclusively source the packaging materials and alcoholic and non-alcoholic beverage products from the SMC Group.

Having considered that the Group's principal business, being the manufacture and distribution of bottled, canned and draught beer with an intention to penetrate into the non-alcoholic beverage market, we are of the view that the recurring nature of the Continuing Connected Transactions is in line with the principal business of the Group. The Directors have confirmed that the Continuing Connected Transactions will be carried out in the ordinary and usual course of business of the Group and will be on normal commercial terms. The Directors have also confirmed that the Continuing Connected Transactions will be conducted on an arm's length basis. On the above basis, we are therefore of the view that the entering by the Company into the New Agreement in relation to the Continuing Connected Transactions is fair and reasonable and is in the interests of the Company and the Independent Shareholders as a whole.

3. Price and payment terms of the New Agreement

As stated in the Circular, the Company confirms that the pricing policy in respect of the Continuing Connected Transactions under the New Agreement is on an arm's length basis and is consistent with the Group's historical pricing policy in respect of the past transactions between the Group and the SMC Group, which are summarized as follows:

LETTER FROM COMMERZBANK

Purchase of packaging materials by the Group from the SMC Group

With respect to the purchase of packaging materials from the SMC Group, the Group has historically negotiated and will continue to negotiate the supply terms with the SMC Group on an annual basis with reference to the prices and credit terms available from suppliers which are independent third parties and are able to meet the Group's stringent quality requirements and delivery schedules. If no such comparable references prices/credit terms are available, the prices/credit terms shall be determined by agreement between the parties based upon reasonable commercial principles.

We have reviewed sample copies of certain purchase orders for packaging materials between the Group and the SMC Group and between the Group and other independent suppliers of various types of the packaging materials provided by the Company and noted that the terms offered by the SMC Group to the Group are of comparable terms offered by other independent third parties to the Group.

Purchase of the alcoholic and non-alcoholic beverage products by the Group from the SMC Group

The prices payable by and the credit terms offered to the Group for the alcoholic and non-alcoholic beverage products purchased from the SMC Group have been and shall continue to be determined by reference to the prices paid by and the credit terms offered to the Group in respect of similar products sourced by the Group from suppliers which are independent third parties. If no such comparable reference prices/credit terms are available, the prices/credit terms shall be determined by agreement between the parties based upon reasonable commercial principles.

As advised by the Directors, the Group's alcoholic and non-alcoholic beverage products are mainly purchased from the SMC Group and the terms of which are based on arm's length commercial negotiation between the Group and the SMC Group. As at the Latest Practicable Date, the Company has confirmed that the Group has not purchased any non-alcoholic beverage products from other independent suppliers yet.

LETTER FROM COMMERZBANK

3. The Caps

Set out below is a summary of the actual amounts of the Continuing Connected Transactions for the two years ended 31 December 2006 and the ten months ended 31 October 2007 based on the 2005 Annual Report, the 2006 Annual Report, the relevant unaudited financial statements provided by the Company, respectively, as well as the annual caps amounts for the two years ended 31 December 2006 and the year ending 31 December 2007 :

	For the year ended 31 December 2005			For the year ended 31 December 2006			For the year ending 31 December 2007		
	Actual HK\$'000 (Audited)	Cap Utilisation HK\$'000	%	Actual HK\$'000 (Audited) (Note 3)	Cap Utilisation HK\$'000	%	Actual HK\$'000 (Unaudited) (Note 2,3)	Cap Utilisation HK\$'000	%
— Purchase of packaging materials by the Group from the SMC Group (Note 1)	33,255	47,800	69.6	33,569	92,600	36.3	33,680	105,700	31.9
— Purchase of packaged beer by the Group from the SMC Group	2,716	4,300	63.2	2,873	4,700	61.1	2,452	5,000	49.0
	<u>35,971</u>	<u>52,100</u>	69.0	<u>36,442</u>	<u>97,300</u>	37.5	<u>36,132</u>	<u>110,700</u>	32.6

Note 1: packaging materials purchased from the SMC Group comprised cans, bottles, crown seals and crates

Note 2: the balances represented the unaudited actual transaction amount from 1 January 2007 to 31 October 2007 provided by the Company

Note 3: At the time the caps for the year ended 31 December 2006 and the year ending 31 December 2007 were determined, there were only purchases of packaged beer. The Group purchased a small amount of alcoholic and non-alcoholic beverage products (other than packaged beer) from the SMC Group during the year ended 31 December 2006 and the year ending 31 December 2007.

LETTER FROM COMMERZBANK

As stated in the section headed “Letter from the Board” of the Circular, the proposed Caps for the three years ending 31 December 2010 are summarised as follows:

Caps amount	For the year ended		For the year ending 31 December			
	31 December		2007	2008	2009	2010
	2005	2006	2007	2008	2009	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Purchase of packaging materials by the Group from the SMC Group	47,800	92,600	105,700	42,100	52,000	60,000
Purchase of alcoholic and non-alcoholic beverage products	<u>4,300</u>	<u>4,700</u>	<u>5,000</u>	<u>7,500</u>	<u>8,200</u>	<u>9,200</u>
	<u><u>52,100</u></u>	<u><u>97,300</u></u>	<u><u>110,700</u></u>	<u><u>49,600</u></u>	<u><u>60,200</u></u>	<u><u>69,200</u></u>

The proposed Caps were determined based on, among other things:

- (i) historical transaction amounts;
- (ii) marketing plan of the Group’s alcoholic and non-alcoholic beverage products (in particular, the formal launch of the Group’s non-alcoholic beverage products (mainly juice));
- (iii) the expected growth in demand for and possible sale of the Group’s products and the consequential increase in the need for the relevant packaging materials;
- (iv) the Group’s optimistic expectation on the growing demand for the Group’s beer and non-alcoholic beverage products (particularly, after taking into consideration of the availability of addition financial resources for the Group’s marketing and promotional activities after cessation of the Hong Kong production since October 2007); and
- (v) possible inflation together with a 10% buffer to cater for, among other things, the fluctuation in exchange rate and the unexpected future market demand for the Group’s products.

As illustrated from the above table, the proposed caps for Continuing Connected Transactions in respect of the purchase of packaging materials has decreased substantially by 60.2% (or HK\$63.6 million) from HK\$105.7 million for the year ending 31 December 2007 to HK\$42.1 million for the year ending 31 December 2008. In addition, for the year ended 31 December 2006 and the ten months ended 31 October 2007, the actual amount of the Continuing Connected Transactions in respect of the purchase of packaging materials was significantly smaller than the proposed caps amount for the respective years. Based on our discussion with the Directors, this was because since 2006, one of the SMC Group’s production units in the PRC ceased the production of one of the Group’s major category

LETTER FROM COMMERZBANK

of bottles and cans for its distribution of alcoholic beverage products, resulting in the Group having to purchase the relevant packaging materials from other independent third party suppliers. Accordingly, the actual transaction amount with regard to the purchase of packaging materials from the SMC Group was significantly lower than the proposed caps for the year ended 31 December 2006 and the year ending 31 December 2007.

In view of the above reason, together with the fact that the Caps are determined with reference to the historical actual transaction values and the additional financial resources available for the Group's promotion and marketing activities in the future, we concur with the Company's optimistic view about the future growth in its sale of alcoholic and non-alcoholic beverage products, hence leading to a possible growth in the purchase of packaging materials for the three years ending 31 December 2010. In addition, the formal launch of the Group's juice (non-alcoholic) products in 2008 will also lead to an overall increase in the amount of the Continuing Connected Transactions.

We have reviewed the marketing plans of the beer products and discussed with the management of the Company including the expected growth in demand for possible sale of the Group's products and the consequential increase in the need for the relevant packaging materials to meet the Group's production requirement. We consider that it is reasonable for the Group to adopt the above mentioned basis and assumption for determining the amount of the proposed Caps and are of the view that the proposed Caps are fair and reasonable.

4. Compliance with the Listing Rules

Pursuant to Rule 14A.37 to 14A.40 of the Listing Rules, the Continuing Connected Transactions are subject to, among other things, certain annual review requirements, including the review by the independent non-executive Directors and the Company's auditors of the followings:

- (i) for each of the three years ending 31 December 2010, the relevant amount of the Continuing Connected Transactions will not exceed the proposed Caps under the New Agreement of HK\$49.6 million, HK\$60.2 million and HK\$69.2 million, respectively;
- (ii) the Continuing Connected Transactions will be entered into:
 - (a) in the ordinary and usual course of business of the Group;
 - (b) either on normal commercial terms, or if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Group than those available from independent third parties; and
 - (c) in accordance with the New Agreement on terms that are fair and reasonable and in the interest of the Shareholders as a whole;
- (iii) brief details of the Continuing Connected Transactions will be disclosed in the Company's next and each successive annual report, each accompanied with a statement of the opinion of the independent non-executive Directors on the matters referred to in paragraph (iv) below;

LETTER FROM COMMERZBANK

- (iv) the independent non-executive Directors will review annually the Continuing Connected Transactions and confirm in the Company's annual report for the year in question that such Continuing Connected Transactions under their review are and have been conducted in the manners as stated in the paragraph (ii) (a) to (c) above;
- (v) the Company's auditor will review annually the Continuing Connected Transactions and confirm in a letter to the Directors in accordance with Rule 14A.38 of the Listing Rule;
- (vi) during the term of the New Agreement, the Company will allow and will procure that each member of the Group and the relevant counter parties to the Continuing Connected Transactions to allow the auditors of the Company sufficient access to the relevant records of the Continuing Connected Transactions for the purpose of the Company's auditors' review of the Continuing Connected Transactions as referred to in paragraph (v) above. The Board will state in the annual report whether the auditors have confirmed the matters stated in Rule 14A.38 of the Listing Rules; and
- (vii) the Company will comply with the applicable provisions of the Listing Rules governing continuing connected transactions in the event that the total amount of the Group's purchase of the (i) packaging materials for the Group's production and (ii) alcoholic and non-alcoholic beverage products from the SMC Group under the New Agreement exceeds under the proposed Caps, if there is any material amendment to the terms of the New Agreement.

Based on our review on the annual report of the Company for the two years ended 31 December 2006, we noted that the auditors of the Company have confirmed that the Continuing Connected Transactions under the Existing Agreement were (i) in accordance with the pricing policies of the Group and (ii) entered into in accordance with the terms of the Existing Agreement; (iii) the aggregate amount paid for the purchase of the (a) packaging materials for the Group's production and (b) packaged beer from the SMC Group under the Existing Agreement had not exceeded the caps approved for the two years ended 31 December 2006.

CONCLUSION AND ANALYSIS

The Group has been engaged in the manufacture and distribution of alcoholic beverage products for many years and has an established brand name in the local beer market. Given the intensifying local beer market in Hong Kong, quality in terms of both the taste of the beer as well as prompt and reliable delivery services for the beverage retailer and wholesaler are critical to the future development of the Company. In addition, the SMC Group has a long history of supplying reliable packaging materials to the Group with satisfactory quality. As such, we consider that the Continuing Connected Transactions comprising the purchase of (i) packaging materials for the Group's production and (ii) alcoholic and non-alcoholic beverage products from the SMC Group are on normal commercial terms, in the ordinary and usual course of business of the Group and are in the interests of the Company and the Shareholders as a whole.

LETTER FROM COMMERZBANK

Furthermore, the New Agreement does not restrict the Group's freedom to purchase packaging materials and alcoholic and non-alcoholic beverage products from other independent third parties with comparable terms and the price of the packaging materials and the alcoholic and non-alcoholic beverage products purchased by the Group will be determined with reference to those available from independent third parties. Having considered the close relationship between the Group and the SMC Group, we are of the view that the New Agreement is an extension of the Existing Agreement with a view to securing the Group with stable and reliable sources of packaging materials and alcoholic and non-alcoholic beverage products. Accordingly, we consider that the terms of the New Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

In addition to the alcoholic beverage products (mainly beer) distributed by the Group, the Group also intends to include non-alcoholic beverage product in its products line so as to broaden its revenue base. Having taken into account that the cessation of production facilities in Hong Kong which will enable the Group to allocate additional resources on its marketing and promotion activities to boost the sales of the Group products, we concur with the Directors' optimistic view about the future growth in its sale of alcoholic and non-alcoholic beverage products (and hence the consequential increase in the need for the relevant packaging materials), and together with the fact that the proposed Caps are determined based on historical transaction values and the future marketing plan for the Company's products, we consider the basis of the determination of the amounts of the Caps is fair and reasonable and is in the interests of the Company and its Shareholders as a whole.

OUR RECOMMENDATION

Based on the principal factors and reasons stated above, we consider that the Continuing Connected Transactions (including the Caps) and the entering by the Company into the New Agreement are in the ordinary and usual course of the business of the Group, the terms of the New Agreement are on normal commercial terms and are fair and reasonable in so far as the Independent Shareholders are concerned. The Continuing Connected Transactions (including the Caps) and the entering by the Company into the New Agreement are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM in respect of the New Agreement, the Continuing Connected Transactions and the Caps.

Yours faithfully,
For and on behalf of
Commerzbank AG Hong Kong Branch

Kenneth Chan
Head of Corporate Finance — Asia Pacific

Gaston Lam
Corporate Finance — Asia Pacific

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other matters the omission of which would make any statement in this circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Directors' interests and short positions in the securities of the Company and its associated corporations

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required to be entered in the register maintained by the Company pursuant to section 352 of the SFO; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as contained in the Listing Rules, were as follows:

(1) Interests in issued share capital

Name of Director	Number of ordinary shares of HK\$0.50 each in the Company			Approximate % of shareholdings
	Personal interests	Family interests	Total	
David K. P. Li	300,000	—	300,000	0.08%

Name of Director	Number of shares in SMC			Approximate % of shareholdings
	Personal interests	Family interests	Total	
Class A (par value of 5 pesos each):				
Ramon S. Ang	6,050	—	6,050	0.000192%
Faustino F. Galang	83,800	—	83,800	0.002656%
Carlos Antonio M. Berba	1,045	—	1,045	0.000033%
Minerva Lourdes Bibonia	30,000	—	30,000	0.000951%
Ferdinand K. Constantino	123,800	—	123,800	0.003923%
Francis H. Jardeleza	70,001	—	70,001	0.002218%

Class B (par value of 5 pesos each):

Faustino F. Galang	60,000	—	60,000	0.001901%
Minerva Lourdes Bibonia	30,000	—	30,000	0.000951%
Francis H. Jardeleza	50,000	—	50,000	0.001584%

(2) *Interests in underlying shares*

Certain Directors have been granted share options to subscribe for shares in SMC. Particulars of share options in SMC held by Directors as at the Latest Practicable Date were as follows:

Name of Director	Date granted	Share options in SMC		Balance of options as at the Latest Practicable Date
		Exercisable period up to	Exercise price (pesos)	
<i>Class A (par value of 5 pesos each):</i>				
Ramon S. Ang	26/06/2003	26/06/2011	54.50	259,422
	01/10/2004	01/10/2012	57.50	266,854
	10/11/2005	10/11/2013	65.00	204,654
	01/03/2007	01/03/2015	63.50	993,386
Chong Yoon Fatt	10/11/2005	10/11/2013	65.00	1,027
Carlos Antonio M. Berba	01/10/2004	01/10/2012	57.50	8,168
	10/11/2005	10/11/2013	65.00	20,566
	01/03/2007	01/03/2015	63.50	127,058
Minerva Lourdes Bibonia	26/06/2003	26/06/2011	54.50	11,928
	01/10/2004	01/10/2012	57.50	26,750
	10/11/2005	10/11/2013	65.00	33,824
	01/03/2007	01/03/2015	63.50	180,898
Ferdinand K. Constantino	01/10/2004	01/10/2012	57.50	18,881
	10/11/2005	10/11/2013	65.00	32,260
	01/03/2007	01/03/2015	63.50	260,533
Francis H. Jardeleza	01/10/2004	01/10/2012	57.50	18,825
	10/11/2005	10/11/2013	65.00	30,056
	01/03/2007	01/03/2015	63.50	244,268

Name of Director	Date granted	Share options in SMC		Balance of options as at the Latest Practicable Date
		Exercisable period up to	Exercise price (pesos)	
<i>Class B (par value of 5 pesos each):</i>				
Ramon S. Ang	26/06/2003	26/06/2011	62.50	111,181
	01/10/2004	01/10/2012	70.50	114,366
	10/11/2005	10/11/2013	89.50	136,436
	01/03/2007	01/03/2015	75.50	662,258
Chong Yoon Fatt	10/11/2005	10/11/2013	89.50	684
Carlos Antonio M. Berba	01/10/2004	01/10/2012	70.50	3,508
	10/11/2005	10/11/2013	89.50	13,710
	01/03/2007	01/03/2015	75.50	84,706
Minerva Lourdes Bibonia	26/06/2003	26/06/2011	62.50	5,112
	01/10/2004	01/10/2012	70.50	11,464
	10/11/2005	10/11/2013	89.50	22,550
	01/03/2007	01/03/2015	75.50	120,598
Ferdinand K. Constantino	01/10/2004	01/10/2012	70.50	8,091
	10/11/2005	10/11/2013	89.50	32,260
	01/03/2007	01/03/2015	75.50	173,689
Francis H. Jardeleza	01/10/2004	01/10/2012	70.50	8,068
	10/11/2005	10/11/2013	89.50	30,057
	01/03/2007	01/03/2015	75.50	162,846

All interests in the shares and underlying shares of the Company and its associated corporations stated above are long positions.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or the chief executive of the Company had or was deemed to have any interest or short position in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part

XV of the SFO (including interests or short positions which they were taken or deemed to have such provisions of the SFO); or (ii) were required to be entered in the register maintained by the Company pursuant to section 352 of the SFO; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as contained in the Listing Rules.

(b) Persons or corporations who have an interest or short position which is discloseable under Divisions 2 and 3 of Part XV of the SFO and substantial shareholders of members of the Group

So far as is known to each Director or the chief executive of the Company, as at the Latest Practicable Date, the following persons or corporations had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who/which was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group and the amount of each of such persons's/corporation's interest in such securities, together with particulars of any options in respect of such capital, were as follows:

Name	Number of ordinary shares of HK\$0.50 each	
	Ordinary shares held	Percentage of total issued shares
SMC (Note 1)	245,720,800	65.78%
San Miguel International Limited (Note 1)	245,720,800	65.78%
San Miguel Holdings Limited (Note 1)	245,720,800	65.78%
San Miguel Brewing International Limited (Note 1)	245,720,800	65.78%
Neptunia Corporation Limited (Note 1)	245,720,800	65.78%
Cheung Kong (Holdings) Limited (Note 2)	23,703,000	6.34%
Li Ka-Shing Unity Trustee Company Limited (Note 2) (as trustee of The Li Ka-Shing Unity Trust)	23,703,000	6.34%
Li Ka-Shing Unity Trustcorp Limited (Note 2) (as trustee of another discretionary trust)	23,703,000	6.34%
Li Ka-Shing Unity Trustee Corporation Limited (Note 2) (as trustee of The Li Ka-Shing Unity Discretionary Trust)	23,703,000	6.34%
Li Ka-Shing (Note 2)	23,703,000	6.34%
Conroy Assets Limited (Note 2)	13,624,600	3.65%
Hamstar Profits Limited (Note 2)	10,078,400	2.70%

Note 1:

San Miguel Corporation (“SMC”), San Miguel International Limited (“SMIL”), San Miguel Holdings Limited (“SMHL”) and San Miguel Brewing International Limited (“SMBIL”) are all deemed to hold the above disclosed interest of Neptunia Corporation Limited (“NCL”) in the Company because SMC has a controlling interest in SMIL, SMIL has a controlling interest in SMHL, SMHL has a controlling interest in SMBIL and SMBIL has a controlling interest in NCL.

Note 2:

Mr. Li Ka-Shing is the settlor of each of The Li Ka-Shing Unity Discretionary Trust (“DT1”) and another discretionary trust (“DT2”). Each of Li Ka-Shing Unity Trustee Corporation Limited (“TDT1”, which is the trustee of DT1) and Li Ka-Shing Unity Trustcorp Limited (“TDT2”, which is the trustee of DT2) holds units in The Li Ka-Shing Unity Trust (“UT1”) but is not entitled to any interest or share in any particular property comprising the trust assets of the said unit trust. The discretionary beneficiaries of each of DT1 and DT2 are, inter alia, Mr. Li Tzar Kuoi, Victor, his wife and children and Mr. Li Tzar Kai, Richard. Li Ka-Shing Unity Trustee Company Limited (“TUT1”) as trustee of UT1 together with certain companies which TUT1 as trustee of UT1 is entitled to exercise or control the exercise of one-third or more of the voting power at their general meetings hold more than one-third of the issued share capital of Cheung Kong (Holdings) Limited (“CKH”). CKH is entitled to exercise or control the exercise of one-third or more of the voting power at the general meetings of Conroy Assets Limited and Hamstar Profits Limited.

The entire issued share capital of each of TUT1, TDT1 and TDT2 is owned by Li Ka-Shing Unity Holdings Limited (“Unity Holdco”). Each of Mr. Li Ka-Shing, Mr. Li Tzar Kuoi, Victor and Mr. Li Tzar Kai, Richard is interested in one-third of the entire issued share capital of Unity Holdco. TUT1 is only interested in the shares of CKH by reason of its obligation and power to hold interests in those shares in its ordinary course of business as trustee and, when performing its functions as trustee, exercises its power to hold interests in the shares of CKH independently without any reference to Unity Holdco or any of Mr. Li Ka-Shing, Mr. Li Tzar Kuoi, Victor and Mr. Li Tzar Kai, Richard as a holder of the shares of Unity Holdco as aforesaid.

By virtue of the SFO, each of Mr. Li Ka-Shing (considering that he is the settlor and may be regarded as a founder of each of DT1 and DT2 for the purpose of the SFO), TUT1, TDT1, TDT2 and CKH is deemed to be interested in the 23,703,000 shares of the Company of which 13,624,600 shares are held by Conroy Assets Limited and 10,078,400 shares are held by Hamstar Profits Limited.

All interests in the shares of the Company stated above are long positions.

Note 3:

The following Directors are directors/employees of the companies which have an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Mr. Ramon S. Ang is Vice Chairman, President and Chief Operating Officer of SMC, Chairman and President of SMIL and SMHL. Mr. Ferdinand K. Constantino is Senior Vice President, Chief Finance Officer and Treasurer of SMC, a director of SMIL, SMHL and SMBIL and Chairman of NCL. Mr. Faustino F. Galang is Deputy Chairman of SMIL and a director of SMHL. Mr. Francis H. Jardeleza is Senior Vice President, Corporate Secretary and General Counsel of SMC and a director of SMIL, SMHL, SMBIL and NCL. Ms. Minerva Lourdes Bibonia is Senior Vice President for Corporate Marketing of SMC and a director of SMBIL. Mr. Carlos Antonio M. Berba is Senior Vice President of SMC, Chairman and General Manager of SMBIL and a director of NCL.

Name of subsidiary	Name of shareholder	% of interest in subsidiary
Guangzhou San Miguel Brewery Company Limited	Guangzhou Brewery	30%

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor the chief executive of the Company was aware of any other person or corporation who had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who/which was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group, or any options in respect of such capital.

3. SERVICE CONTRACTS

Pursuant to an agreement dated 12 June 1963, Neptunia Corporation Limited provides technical and advisory services to the Company and may be paid a General Managers' Commission. Mr. Ramon S. Ang, Mr. Faustino F. Galang, Mr. Chong Yoon Fatt, Mr. Carlos Antonio M. Berba, Ms. Minerva Lourdes Bibonia, Mr. Ferdinand K. Constantino and Mr. Francis H. Jardeleza are interested parties to this contract to the extent that they either have equity interests in or are directors of SMC, the ultimate holding company of Neptunia Corporation Limited. General Managers' Commission has not been paid by the Company or charged by Neptunia Corporation Limited since the 1995 financial year.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors had entered, or proposed to enter, into a service contract with any member of the Group which does not expire or is not determinable by the relevant member of the Group within one year without compensation, other than statutory compensation.

4. COMPETING INTEREST

As at the Latest Practicable Date, none of the Directors and his/her associates had any interests which competed or was likely to compete, either directly or indirectly, with the Company's business.

5. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial and trading position of the Group since 31 December 2006, being the date to which the latest published audited financial statements of the Company were made up.

6. INTERESTS IN ASSETS AND/OR CONTRACTS AND OTHER INTERESTS

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any asset which had been, since 31 December 2006, being the date to which the latest published audited financial statements of the Company were made up, acquired or disposed of by or leased to any member of the Group.

Save as disclosed in the section headed "Service Contracts" above, as at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement which is significant in relation to the business of the Company.

7. QUALIFICATION AND CONSENT OF EXPERT

The following is the qualification of the expert who has given opinions or advice, which are contained or referred to in this circular:

Name	Qualification
Commerzbank	a licensed bank under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) and an authorised financial institution under the SFO to conduct type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities as set out in Schedule 5 to the SFO

Commerzbank has made its letter for incorporation in this circular. Commerzbank has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which it appears.

As at the Latest Practicable Date, Commerzbank was not interested in any Shares or share in any member of the Group nor did they have any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for any Share or share in any member of the Group.

As at the Latest Practicable Date, Commerzbank did not have any direct or indirect interest in any asset which had been, since 31 December 2006, being the date to which the latest published audited financial statements of the Company were made up, acquired or disposed of by or leased to any member of the Group.

8. GENERAL

- (a) Mr. John Ka Lun Cheung is the chief finance officer, company secretary, service agent and authorised representative of the Company.

Mr. Cheung is a member of the Institute of Management Accountants. Mr. Cheung received a Master's degree and a Bachelor's degree, both in Business Administration, from Georgia State University, USA.

- (b) Ms. Chan Mei Kwan is the financial controller and qualified accountant of the Company.

Ms. Chan is a certified public accountant of the Hong Kong Institute of Certified Public Accountants and an affiliate of The Association of Chartered Certified Accountants.

- (c) The Company's share registrar in Hong Kong is Computershare Hong Kong Investor Services Limited, at Shops 1806-1807, 18th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (d) In the event of inconsistency, the English text of this circular shall prevail over the Chinese text.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the Company's registered office, 9th Floor, Citimark Building, 28 Yuen Shun Circuit, Siu Lek Yuen, Shatin, New Territories, Hong Kong during normal business hours up to and including 4 January 2008:

- (a) the New Agreement;
- (b) the Existing Agreement;
- (c) the agreement referred to in the section headed "Service Contracts" in this appendix;
- (d) the letter from Commerzbank, the text of which is set out in this circular; and
- (e) the consent letter of Commerzbank referred to in the section headed "Qualification and Consent of Expert" in this appendix.

NOTICE OF EGM



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)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of the shareholders of San Miguel Brewery Hong Kong Limited (the “Company”) will be held at the Academy Room, InterContinental Grand Stanford Hong Kong, 70 Mody Road, Tsimshatsui East, Kowloon, Hong Kong on 4 January 2008, Friday at 3:00 p.m. for the purpose of considering and, if thought fit, passing with or without modifications, the following resolution as an ordinary resolution of the Company:

ORDINARY RESOLUTION

“**THAT:**

the master agreement dated 6 December 2007 (the “Agreement”) entered into between San Miguel Corporation, the ultimate controlling shareholder of the Company, and the Company, a copy of which marked “A” has been produced to the meeting and signed by the Chairman of the meeting for the purpose of identification, and the transactions contemplated thereunder be and are hereby approved, ratified and confirmed and the proposed annual caps (the “Caps”) in relation to the transactions contemplated under the Agreement for each of the three financial years ending 31 December 2008, 2009 and 2010 as set out in the Company’s circular dated 20 December 2007 be and are hereby approved, and the directors of the Company be and are hereby authorised on behalf of the Company to sign, seal, execute, perfect, deliver and do all such documents, deeds, acts, matters and things as they may in their discretion consider necessary or desirable or expedient to implement and/or to give effect to the Agreement and the Caps and the transactions thereby contemplated.”

By order of the Board
San Miguel Brewery Hong Kong Limited
John Ka Lun Cheung
Company Secretary

Hong Kong, 20 December 2007

NOTICE OF EGM

Notes:

1. The ordinary resolution to be considered at the extraordinary general meeting will be decided by poll. On voting by poll, each shareholder of the Company shall have one vote for each share held in the Company.
2. Every shareholder of the Company entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and, on a poll, vote in his stead. A proxy need not be a shareholder of the Company.
3. In order to be valid, a form of proxy duly completed and signed in accordance with the instructions printed thereon together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy thereof must be deposited at the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1806-1807, 18th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.
4. Completion and delivery of the form of proxy will not preclude a shareholder of the Company from attending and voting at the meeting if the shareholder of the Company so desires.
5. A shareholder or his proxy shall produce proof of identity when attending the meeting.
6. The register of members of the Company will be closed from Monday, 31 December 2007 to Friday, 4 January 2008 both days inclusive to ascertain members who are entitled to attend and vote at the extraordinary general meeting. To qualify for the right to attend and vote at the extraordinary general meeting (or any adjournment thereof), all share transfers accompanied by the relevant share certificates must be lodged with the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1806-1807, 18th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Friday, 28 December 2007.