SAN MIGUEL BREWERY HONG KONG LTD.
香港生力啤酒廠有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 236)

ANNOUNCEMENT OF THE 2007 FINAL RESULTS

GROUP RESULTS

The board of directors of San Miguel Brewery Hong Kong Limited (the "Company") hereby announces the annual results of the Company and its subsidiaries (the "Group") for the financial year ended 31 December 2007, 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 2007
(Expressed in Hong Kong dollars)

	Note	**2007** *$'000*	2006 *$'000*
Turnover	*3, 4*	**754,833**	826,817
Cost of sales		**(353,959)**	(444,311)
Gross profit		**400,874**	382,506
Other revenue	*5*	**19,636**	17,455
Other net income/(expenses)	*5*	**1,306**	(915)
Selling and distribution expenses		**(307,642)**	(286,873)
Administrative expenses		**(80,819)**	(104,343)
Other operating expenses		**(29,029)**	(19,437)
Profit/(loss) from operations		**4,326**	(11,607)
Finance costs	*6(a)*	**(9,920)**	(8,105)
Restructuring costs	*7*	**(310,220)**	(93,159)
Loss before taxation	*6*	**(315,814)**	(112,871)
Income tax credit	*8*	**55,520**	6,549
Loss for the year	*4*	**(260,294)**	(106,322)
Attributable to:			
Equity shareholders of the Company		**(262,376)**	(70,144)
Minority interests		**2,082**	(36,178)
Loss for the year		**(260,294)**	(106,322)
Loss per share			
— Basic	*9(a)*	**$(0.70)**	$(0.19)
— Diluted	*9(b)*	**N/A**	N/A

CONSOLIDATED BALANCE SHEET

at 31 December 2007

(Expressed in Hong Kong dollars)

	Note	**2007**		2006	
		$'000	***$'000***	*$'000*	*$'000*
Non-current assets					
Fixed assets					
— Property, plant and equipment			**1,328,148**		1,578,156
— Investment properties			**87,534**		89,750
— Interests in leasehold land held for own use under operating leases			**81,228**		101,471
			1,496,910		1,769,377
Intangible assets			**39,643**		39,564
Goodwill			**5,044**		5,044
Other tangible assets			**53,164**		49,000
			1,594,761		1,862,985
Current assets					
Inventories		**40,027**		50,664	
Trade and other receivables	*10*	**96,248**		116,050	
Amounts due from holding companies and fellow subsidiaries		**6,893**		28,408	
Current tax recoverable		**71**		—	
Pledged deposits		**18,696**		—	
Cash and cash equivalents		**446,168**		416,335	
		608,103		611,457	
Current liabilities					
Bank loans (unsecured)		**(193,780)**		(80,374)	
Trade and other payables	*11*	**(162,926)**		(194,780)	
Amounts due to holding companies and fellow subsidiaries		**(19,110)**		(7,562)	
Current tax payable		**—**		(104)	
		(375,816)		(282,820)	
Net current assets			**232,287**		328,637
Total assets less current liabilities			**1,827,048**		2,191,622

CONSOLIDATED BALANCE SHEET *(Continued)*
at 31 December 2007
(Expressed in Hong Kong dollars)

	Note	**2007**		2006	
		$'000	***$'000***	*$'000*	*$'000*
Non-current liabilities					
Bank loans (unsecured)		**—**		(95,000)	
Retirement benefit liabilities		**(8,625)**		(14,870)	
Deferred tax liabilities		**(63,960)**		(107,655)	
			(72,585)		(217,525)
NET ASSETS			**1,754,463**		1,974,097
CAPITAL AND RESERVES					
Share capital			**186,785**		186,785
Reserves			**1,526,691**		1,751,097
Total equity attributable to equity shareholders of the Company			**1,713,476**		1,937,882
Minority interests			**40,987**		36,215
TOTAL EQUITY			**1,754,463**		1,974,097

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 2007 but are extracted from those financial statements.

The statutory financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRS"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKAS") 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 "Listing Rules").

The measurement basis used in the preparation of the financial statements is the historical cost basis.

2 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of new and revised HKFRSs and Interpretations that are first effective or available for early adoption for the current accounting period of the Group.

There have been no significant changes to the accounting policies applied in the statutory financial statements as a result of these developments. However, as a result of the adoption of HKFRS 7, *Financial instruments: Disclosures*, and the amendment to HKAS 1, *Presentation of financial statements: Capital disclosures*, there have been some additional disclosures.

Both HKFRS 7 and the amendment to HKAS 1 do not have any material impact on the classification, recognition and measurement of the amounts recognised in the financial statements.

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

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 almost all the Group's turnover and trading result are generated from the manufacture and distribution of bottled, canned, and draught beers.

	Hong Kong		**PRC (excluding Hong Kong)**		**Others**		**Inter-segment elimination**		**Consolidated**	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006
		(note)				*(note)*				
	$'000	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*
Revenue from external customers	**334,367**	336,782	**401,880**	418,153	**18,586**	71,882			**754,833**	826,817
Other revenue from external customers	**5,388**	5,052	**—**	—	**—**	—			**5,388**	5,052
Total revenue	**339,755**	341,834	**401,880**	418,153	**18,586**	71,882			**760,221**	831,869
Segment results	**(27,090)**	(30,777)	**16,404**	8,369	**764**	(1,602)			**(9,922)**	(24,010)
Unallocated operating income and expenses									**14,248**	12,403
Finance costs									**(9,920)**	(8,105)
Restructuring costs	**(300,913)**	—	**—**	(93,159)	**(9,307)**	—			**(310,220)**	(93,159)
Income tax credit									**55,520**	6,549
Loss for the year									**(260,294)**	(106,322)
Depreciation and amortisation for the year	**50,826**	52,316	**30,382**	26,447	**1,391**	5,484			**82,599**	84,247
Impairment losses of										
— fixed assets	**281,360**	12,000	**12,840**	—	**8,550**	—			**302,750**	12,000
— other tangible assets	**—**	—	**1,911**	—	**—**	—			**1,911**	—
— trade and other receivables	**6,304**	11,920	**(1,378)**	(834)	**—**	—			**4,926**	11,086
Segment assets	**1,082,665**	1,385,764	**626,113**	509,571	**33,484**	171,274	**(5,320)**	(9,390)	**1,736,942**	2,057,219
Unallocated assets									**465,922**	417,223
Total assets									**2,202,864**	2,474,442
Segment liabilities	**79,468**	74,082	**112,568**	141,991	**2,458**	9,156	**(5,320)**	(9,390)	**189,174**	215,839
Unallocated liabilities									**259,227**	284,506
Total liabilities									**448,401**	500,345
Capital expenditure incurred during the year	**17,032**	23,359	**67,560**	53,517	**32**	211			**84,624**	77,087
Additional information concerning geographical segments:										
Segment assets by the location of assets	**960,318**	1,380,015	**781,944**	686,594	**—**	—	**(5,320)**	(9,390)	**1,736,942**	2,057,219
Capital expenditure incurred during the year by the location of assets	**1,056**	1,922	**83,568**	75,165	**—**	—			**84,624**	77,087

Note: Segment information relating to the geographical segment "Others" which was included in the geographical segment "Hong Kong" in 2006 has been separately reported. Comparative figures have been reclassified to conform with the current year's presentation.

5 OTHER REVENUE AND OTHER NET INCOME/(EXPENSES)

	2007 *$'000*	2006 *$'000*
Other revenue		
Interest income on bank deposits	**14,248**	12,403
Rental income	**5,388**	5,052
	19,636	17,455
Other net income/(expenses)		
Net gain/(loss) on disposal of property, plant and equipment	**147**	(2,044)
Others	**1,159**	1,129
	1,306	(915)

6 LOSS BEFORE TAXATION

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

	2007 *$'000*	2006 *$'000*
(a) Finance costs		
Interest expenses on bank loans	**9,702**	7,851
Bank charges	**218**	254
	9,920	8,105
(b) Staff costs		
Retirement costs		
— Defined contribution retirement plans	**6,055**	9,647
— Defined benefit retirement plan	**7,959**	5,440
	14,014	15,087
Equity-settled share-based payment expenses	**162**	400
Salaries, wages and other benefits	**105,510**	118,836
Severance payments *(note 7)*	**18,860**	49,623
	138,546	183,946

	2007	2006
	$'000	*$'000*
(c) Other items		
Amortisation		
— Land lease premium	**2,563**	2,517
— Other tangible assets	**13,076**	8,617
Depreciation		
— Property, plant and equipment	**64,744**	70,472
— Investment properties	**2,216**	2,641
Cost of inventories	**347,382**	437,874
Loss on disposal of other tangible assets	**8,468**	7,349
Operating lease charges: minimum lease payments		
— Land and buildings	**3,341**	8,670
— Plant and machinery	**419**	12,272
Rental receivable from investment properties less direct outgoings of $2,355,000 (2006: $2,621,000)	**(3,033)**	(2,431)
Net foreign exchange gain	**(3,063)**	(834)
Auditors' remuneration	**2,725**	2,592
Impairment losses		
— Fixed assets	**302,750**	12,000
— Other tangible assets	**1,911**	—
— Trade and other receivables	**4,926**	11,086

7 RESTRUCTURING COSTS

Restructuring costs recognised in the consolidated income statement relate to the following:

(a) Restructuring activities during the year

On 18 June 2007, the Group announced a preliminary plan to cease the brewing operations of the Company's brewery in Yuen Long, Hong Kong ("Yuen Long plant") due to its relatively high production and operating costs as compared to the brewery of San Miguel (Guangdong) Brewery Company Limited ("SMGB"), another brewery of the Group, in the PRC. On 30 September 2007, the brewing operations of the Yuen Long plant ceased and with effect from that date, beer products previously produced by this plant are now supplied by SMGB's brewery. The related fixed assets of the Yuen Long plant have become idle since the cessation of the brewing operations.

Based on the business forecasts of the Group, the management plans to resume the brewing operations of the Yuen Long plant in 2009 after taking into account the following:

(i) SMGB has sustained solid growth over the past few years and Guangzhou San Miguel Brewery Company Limited ("GSMB") has shown strong recovery since the restructuring of operations in 2006. The management expects that such growing trend in Southern China will continue and the production capacity of SMGB's brewery will be substantially utilised in a few years time. As such, SMGB's brewery may not have sufficient production capacity to satisfy the demand of the Hong Kong and overseas markets;

(ii) in view of the continued inflation experienced in the PRC and the appreciation of the Renminbi, the management expects that the production and operating costs of SMGB's brewery will not be materially different from those of the Yuen Long plant in the near future; and

(iii) the recent removal of excise duty levied on beer reduces the cost of beer produced in Hong Kong. In previous years, beer produced in Hong Kong was subject to a higher excise duty as compared with imported beer and thus impaired competitiveness.

Having considered the foregoing, the management believes that it will be necessary and makes economic sense to resume the brewing operations of the Yuen Long plant in 2009.

As a result of the above restructuring exercise, the Group reviewed the recoverable amount of the fixed assets of the Yuen Long plant and the carrying amount of such assets was written down by $285,000,000 to the value in use. Value in use of the assets was calculated using the discounted value of the projected future cash flows to be generated over the remaining useful life of the plant. The pre-tax discount rate applied to the projected future cash flows of the plant was 9.91%.

In addition to the above impairment loss, the Group incurred other expenses in relation to the restructuring amounting to $25,220,000. A summary of the restructuring cost is set out below:

	2007
	$'000
Impairment loss on fixed assets	285,000
Severance payments *(note 6(b))*	18,860
Additional rental charge for warehouse	3,205
Loss on disposal of raw materials	961
Legal and professional fees	557
Others	1,637
	25,220
	310,220

As at 31 December 2007, restructuring cost amounting to $2,794,000 remained unpaid and was included in "Other creditors and accrued charges".

(b) Restructuring activities in prior years

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 for a period up to 29 November 2020.

In 2005, management performed a review of GSMB's operations given that GSMB was 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 the cessation of the production activities, GSMB continues the sale and distribution of beer and sources beer products from its fellow subsidiary, 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
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
Others	1,363
	93,159

As at 31 December 2007, there was no restructuring cost remained unpaid (2006: $37,064,000 remained unpaid and was included in "Other creditors and accrued charges").

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

8 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

(a) Taxation in the consolidated income statement represents:

	2007	2006
	$'000	*$'000*
Current tax — Hong Kong Profits Tax		
Provision for the year	**107**	194
Over-provision in respect of prior years	**(16)**	(55)
	91	139
Deferred tax		
Origination and reversal of temporary differences	**(52,827)**	10,169
Effect of decrease in tax rate on deferred tax balance *(note (i))*	**(2,784)**	—
Tax effect of recognising tax losses and deductible temporary differences not previously recognised for deferred tax purposes *(note (ii))*	**—**	(16,857)
	(55,611)	(6,688)
Income tax credit	**(55,520)**	(6,549)

The provision for Hong Kong Profits Tax is calculated at 17.5% (2006: 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 certain 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 because the accumulated tax losses brought forward exceed the estimated assessable profits for the year.

Notes:

(i) On 16 March 2007, the National People's Congress passed the Corporate Income Tax Law of the PRC ("new tax law"). Under the new tax law, the income tax rate applicable to the Company's subsidiaries in the PRC is changed from 27% to 25% from 1 January 2008. The new tax law has been applied when measuring the Group's deferred tax liabilities as at 31 December 2007. The balance of deferred tax liabilities decreased by $2,784,000 as a result of the change of tax rate. The enactment of the new tax law has no financial effect on the amounts accrued in the consolidated balance sheet in respect of current tax payable.

(ii) During the year ended 31 December 2006, SMGB recognised deferred tax assets in respect of tax losses and deductible temporary differences brought forward from previous years since it has started and will continue making profits according to the 2006 five-year long range plan approved by management.

9 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 $262,376,000 (2006: $70,144,000) and on 373,570,560 ordinary shares (2006: 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.

10 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 certain 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 allowance for doubtful debts) as of the balance sheet date is as follows:

	2007	2006
	$'000	*$'000*
Current	**37,393**	63,779
Less than 1 month past due	**722**	8,330
1 to 3 months past due	**926**	9,900
More than 3 months but less than 12 months past due	**521**	194
More than 12 months past due	**12,237**	7,113
	51,799	89,316

11 TRADE AND OTHER PAYABLES

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

	2007	2006
	$'000	*$'000*
Due within 1 month or on demand	**51,320**	48,218
Due after 1 month but within 3 months	**535**	1,991
Due after 3 months but within 6 months	**653**	551
Due over 6 months	**392**	476
	52,900	51,236

CLOSURE OF REGISTER OF MEMBERS

The transfer of books and register of members of the Company will be closed from Wednesday, 28 May 2008 to Tuesday, 3 June 2008, both days inclusive. To qualify for attending the forthcoming Annual General Meeting of the Company to be held on 10 June 2008, shareholders should ensure that transfers are lodged at the Company's share registrar, Computershare Hong Kong Investor Services Limited at 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 5:00 pm on Tuesday, 27 May 2008.

FINANCIAL RESULTS

For fiscal year 2007, San Miguel Brewery Hong Kong Limited's financial results reflect the Company's strategy of focusing on more effectively managing its asset base to maximize profitability and volume growth. Our South China operations continued to grow in terms of both revenue and profit contribution benefiting greatly from efforts to streamline production capacities. In Hong Kong, we took decisive steps to strengthen overall competitiveness by reinforcing our brand, sales and distribution networks alongside restructuring initiatives.

Though consolidated turnover decreased by 8.7% when compared to last year, gross profit was 4.8% above last year. Gross profit margin increased from 46.3% in 2006 to 53.1% in 2007.

Consolidated loss attributable to equity shareholders increased from HK$70.1 million to HK$262.4 million. In 2006, this included one-time restructuring costs of our South China operations, after minority interests, of HK$60.6 million while this year included impairment loss and one-time restructuring costs of Hong Kong operations, net of tax effect, of HK$238.8 million and HK$20.8 million respectively. Without the impairment loss and restructuring costs, the consolidated loss attributable to equity shareholders for 2007 would have been HK$2.8 million compared to consolidated loss of HK$9.5 million in 2006.

The impairment loss and restructuring costs resulted from our earlier decision to cease brewing operations in Yuen Long, Hong Kong, a move that is in line with the restructuring of the Group's production logistics with a view to improving the long-term profitability of the Group. However, given the fluid economic and market situation that has resulted in a more favourable operating environment for our Hong Kong brewery, it once again makes economic sense for the Company to resume brewing operations in Yuen Long in 2009.

The Company continued to be cash positive in 2007. Net cash balances at 31 December 2007 amounted to HK$271.1 million (2006: HK$240.9 million). Total net assets maintained at HK$1,754.5 million (2006: HK$1,974.1 million) together with a low debt to equity ratio of 0.11 (2006: 0.09) and current ratio of 1.6 times (2006: 2.2 times).

DIVIDENDS

Directors have resolved that no dividend will be declared for 2007.

BUSINESS REVIEW

HONG KONG OPERATIONS

2007 saw the further recovery of Hong Kong's economy and the reduction of excise duty rate of both beer and wine. While excise duty rates for beer were halved from 40% to 20%, excise duties on wine were equally favourable, further encouraging the growing preference for wine and challenging our share of the alcoholic beverage market.

With this, total duty-paid volume for beer in 2007 registered only 2.3% higher than the previous year. Even the 2.3% growth is likely to be a result of the change in duty payments system brought about by our Company's new sourcing strategy as we shifted production away from our Yuen Long brewery.

Our Company welcomes government's move to reduce beer duty rates. As part of our on-going commitment to passing on savings to consumers, the Company has done its part in transferring the savings directly and in full to wholesalers and retailers. Though the Company did not benefit from this reduction directly, we hope to see positive effects on the total industry in the near future.

Reflecting industry conditions, the Company's Hong Kong sales volume increased by 2.5% over the previous year. We also saw a significant growth rate in our higher-priced brands as the consumer preferences have slightly shifted out of economy brands.

The Company continued to be the No. 1 beer company in Hong Kong with our flagship brand San Miguel at the forefront. To sustain San Miguel's popularity and meet the challenges posed by competing brands, the Company has organized a range of strategic programs to reinforce and build San Miguel's brand equity and to strengthen its connection with customers and consumers.

As the No. 1 beer company in Hong Kong, we are focused on making our beer brands more appealing, available, and relevant for our many consumers. To this end we have, in the past year, created a good number of local promotions, events and sponsorship schemes to fortify and grow our brand in an enduring and meaningful way.

In August 2007, the Company launched a new marketing campaign "Come Together" for brand San Miguel. The new campaign was launched with San Miguel's new celebrity endorser Mr. Jet Li in the television commercial "Hero". The centrepiece of a wider marketing program aimed at brand activation and product availability, the Come Together campaign included a point-of-sales visibility blitz, on-line communications, movie sponsorships and public relation programs.

Building on the enormous success of the "San Miguel WildDayOut" programs in the last four years, the Company continued to implement the series of bar shows and promotion programs to strengthen the brand San Miguel communication platform to young consumers.

December 2007 witnessed the introduction of the new San Miguel Draught Beer imported from the Philippines. This new offering was San Miguel's new initiative to further fortify the brand's presence in higher-end bars, pubs and restaurants.

All these initiatives, over and above our unwavering commitment to improve excellence in execution and cost management, will provide our Company the foundation to maintain market leadership in Hong Kong.

SOUTH CHINA OPERATIONS

The Company's performance in South China has improved significantly.

After turning over factory and production assets to Guangzhou Brewery in 2006, GSMB has shown strong resurgence and development in 2007. This was the result of the concerted effort from the people in the organization to improve sales and contain cost.

GSMB's total sales amount of San Mig Light has gone up by 9% over last year through continuous effort to reinforce the brand value. Core markets like Guangzhou and Dongguan continued to see the airing of the very successful San Mig Light television commercial, "Projector". As part of the regional campaign, Jet Li's new television commercial for San Miguel "Hero" was also launched in key cities in Guangdong. Like Hong Kong, the launch was supported with programs like movie sponsorships and market-wide consumer promotions.

Domestic sales volume of SMGB grew by 6% over the previous year, mainly on the strength of the Dragon and Valor brands. Steady volume growth, meanwhile, significantly contributed to the improvement of SMGB's operating income over 2006 levels.

The continued airing of the "Refreshing to Fly" television commercial and presence of effective brand signage in outlets in Shunde and nearby counties have further improved the brand equity of Dragon and reinforced its market leadership in Shunde.

In response to the growing business in South China, SMGB has completed Phase 1 of the expansion project and is now working on Phase 2. Upon completion of Phase 2, the plant's capacity will be increased to 2.3 million hectoliter per annum.

COMMUNITY RELATIONS AND SOCIAL RESPONSIBILITY

At SMBHK, we strive to be commercially successful and at the same time socially responsible in the way we achieve that success. We believe we have an important role to play in terms of providing economic opportunity in both our home base of Hong Kong and South China and, as such, have worked hard to foster goodwill in our communities through locally relevant initiatives such as generating employment where we can, paying the proper taxes to government and investing in the future. We continue to sponsor and participate in various local community events and have made regular donations to charities and non-profit organizations.

The Company is also committed to protecting the environment where it operates and ensuring that various environmental standards set by government are met or exceeded.

HUMAN RESOURCES

We continue to invest in our people and ensure that they receive appropriate training and support from the Company and from external training and development organizations.

As a people-intensive business, SMBHK puts great emphasis on the skills and motivation of all its employees in order to ensure that they are well trained and challenged on a daily basis. Strategies designed to attract, develop and retain the best people will build a robust organisation which can help the business meet the challenges ahead.

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

CORPORATE GOVERNANCE

The Company continued to apply the principles of the Code Provisions under the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules throughout the year 2007 except (i) 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; and (ii) there were only two independent non-executive directors in the board of directors and audit committee and majority of the remuneration committee were not independent non-executive directors for a certain period in 2007. Details of compliances are set out in the Company's Annual Report's Corporate Governance section.

DIRECTORS

Mr. Chong Yoon Fatt resigned from the Board since we published our interim report on 4 September 2007. We thank Mr. Chong for his contributions to the Group over the past years.

With the departure of Mr. Chong Yoon Fatt, Mr. Peter K. Y. Tam was appointed as Managing Director on 31 December 2007.

FUTURE DIRECTION AND CHALLENGES

The objectives of the Company for the year 2008 are:

- In Hong Kong, to continue to improve profitability, increase our market share and reinforce the market leadership of San Miguel brand.

- In South China, to continue to strengthen San Miguel brand equity and consolidate the growth of Dragon brand.

We remain committed to maximising shareholder value and continue to strengthen our brands. We will also maintain disciplined cost control by achieving higher cost-efficiencies across the board, particularly in the areas of production and distribution.

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 2007.

PUBLICATION OF THE 2007 ANNUAL REPORT ON THE WEBSITE OF THE STOCK EXCHANGE

The Company's annual report for 2007 will be published on the website of the Stock Exchange at www.hkex.com.hk and the Company's website at info.sanmiguel.com.hk in due course.

By Order of the Board
Ramon S. Ang
Chairman

Hong Kong, 22 April 2008

(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. Peter K. Y. Tam, the non-executive directors, Mr. Ramon S. Ang (Chairman), Mr. Faustino F. Galang (Deputy Chairman), Mr. Carlos Antonio M. Berba, Ms. Minerva Lourdes B. Bibonia, Mr. Ferdinand K. Constantino, Mr. Iwan David Nevyn Evans and Mr. Francis H. Jardeleza; and the independent non-executive directors, Dr. The Hon. Sir. David K.P. Li, Mr. Carmelo L. Santiago and Mr. Ng Wai Sun.