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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.

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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 AND NOTICE OF EXTRAORDINARY GENERAL MEETING

Financial adviser to San Miguel Brewery Hong Kong Limited

OSK Capital Hong Kong Limited

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



KBC Bank N.V. Hong Kong Branch

A letter from the board of directors of San Miguel Brewery Hong Kong Limited is set out on pages 4 to 12 of this circular and a letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on page 13 of this circular. A letter from KBC Bank, 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 14 to 23 of this circular.

A notice convening an extraordinary general meeting of San Miguel Brewery Hong Kong Limited to be held at Island Ballroom, Level 5, Island Shangri-La Hong Kong, Two Pacific Place, Supreme Court Road, Central, Hong Kong on 26 November 2010, Friday at 3:00 p.m. is set out on pages 32 to 33 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, Computershare Hong Kong Investor Services Limited, at 17M 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.

8 November 2010

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DEFINITIONS

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

| | |
|-------------------------------------|--|
| “2007 Agreement” | the agreement dated 6 December 2007 entered into between the Company and SMC in respect of (i) purchase of packaging materials by the Group from the San Miguel Group and (ii) purchase of alcoholic and non-alcoholic beverage products by the Group from the San Miguel Group |
| “2009 Agreement” | the agreement dated 11 May 2009 entered into between the Company and SMC in respect of the sales of packaged beer and non-alcoholic beverage products by the Group to the San Miguel Group |
| “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 each of the three years ending 31 December 2013 |
| “Company” | San Miguel Brewery Hong Kong Limited, a company incorporated in Hong Kong with limited liability, whose shares are listed on the Stock Exchange |
| “Continuing Connected Transactions” | the following transactions between the Group and the San Miguel Group pursuant to the New Agreement: (i) purchases by the Group from the San Miguel Group of packaging materials and packaged beer; and (ii) sales by the Group to the San Miguel Group of packaged beer and non-alcoholic beverages products (provided that, in respect of the sales of packaged beer by the Group to the San Miguel Group, the sales or distribution of packaged beer shall not be carried out in the Philippines, unless such sales or distribution is carried out through San Miguel Brewery Inc.) |
| “Directors” | the directors of the Company |
| “EGM” | the extraordinary general meeting to be convened by the Company at Island Ballroom, Level 5, Island Shangri-La Hong Kong, Two Pacific Place, Supreme Court Road, Central, Hong Kong on 26 November 2010, Friday at 3:00 p.m. to consider, and if thought fit, approving the New Agreement, the Continuing Connected Transactions and the Caps |
| “Group” | the Company and its subsidiaries |

DEFINITIONS

| | |
|-------------------------------|--|
| “Hong Kong” | the Hong Kong Special Administrative Region of the People’s Republic of China |
| “Independent Board Committee” | an independent committee of the Board, comprising Dr. The Hon. Sir. David K.P. Li, 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 |
| “KBC Bank” | KBC Bank N.V., acting through its Hong Kong Branch, a licensed bank under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) and a registered institution registered for Type 6 (advising on corporate finance) regulated activity under the SFO |
| “Latest Practicable Date” | 4 November 2010, 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 15 October 2010 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 announcement, excluding 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 |
| “San Miguel Group” | SMC and its associates, excluding the Group, for the purpose of this circular |

DEFINITIONS

“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:

Peter K. Y. Tam, *Managing Director*

Non-Executive Directors:

Ramon S. Ang, *Chairman*

Carlos Antonio M. Berba, *Deputy Chairman*

Cheung Yuen Tak

Thelmo Luis O. Cunanan, Jr.

Benjamin P. Defensor, Jr.

Motoyasu Ishihara

Taro Matsunaga

Keisuke Nishimura

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, GBM, JP (alternate: Adrian M. K. Li)

Ng Wai Sun

Carmelo L. Santiago

8 November 2010

To the Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS AND NOTICE OF EXTRAORDINARY GENERAL MEETING

INTRODUCTION

The principal business activities of the Group are the production and distribution of bottled, canned and draught beer and other beverage products. SMC is the ultimate controlling shareholder of the Company. SMC is one of most diversified conglomerates with operations in beverages, food, packaging, energy, power, mining, telecommunications and infrastructure in the Philippines.

LETTER FROM THE BOARD

The Group has been carrying out certain continuing connected transactions with the San Miguel Group including, among other things, (i) purchases by the Group from the San Miguel Group of (a) packaging materials for the Group's production and (b) alcoholic and non-alcoholic beverage products for the Group's wholesale and retail distribution; and (ii) sales of packaged beer and non-alcoholic beverage products by the Group to the San Miguel Group. Such transactions constitute continuing connected transactions for the Company in its ordinary and usual course of business. As set out in the announcements of the Company dated 6 December 2007 and 11 May 2009 and the circulars of the Company dated 20 December 2007 and 29 May 2009, the Company entered into the 2007 Agreement on 6 December 2007 and the 2009 Agreement on 11 May 2009 setting out the terms of the continuing connected transactions between the Group and the San Miguel Group as described in items (i) and (ii) above. Both the 2007 Agreement and the 2009 Agreement will expire on 31 December 2010. Accordingly, the Company and SMC entered into the New Agreement with a view to renewing the agreements to carry out the Continuing Connected Transactions from 1 January 2011 to 31 December 2013 on substantially the same terms as those under the 2007 Agreement and the 2009 Agreement.

Under the 2007 Agreement, the continuing connected transactions between the Group and the San Miguel Group comprise (i) purchase of packaging materials (comprising, but not limited to, cans, bottles, crown seals and crates) by the Group from the San Miguel Group and (ii) purchase of alcoholic and non-alcoholic beverage products by the Group from the San Miguel Group.

Under the 2009 Agreement, the continuing connected transactions between the Group and the San Miguel Group comprise sales of packaged beer and non-alcoholic beverage products by the Group to the San Miguel Group. Both the 2007 Agreement and the 2009 Agreement shall expire on 31 December 2010.

The purpose of this circular is to provide you with further details of the Continuing Connected Transactions, the New Agreement and the Caps. The Independent Board Committee comprising Dr. The Hon. Sir. David K. P. Li, 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. KBC Bank 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 13 of this circular and a letter from KBC Bank is set out on pages 14 to 23 of this circular.

The EGM will be convened to seek the Independent Shareholders' approval for the terms of the New Agreement, the Continuing Connected Transactions and the Caps. In view of the interest of the San Miguel 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.

LETTER FROM THE BOARD

THE NEW AGREEMENT

Date

15 October 2010

Parties

The Company and SMC

Continuing Connected Transactions and the Caps

Under the New Agreement, the Group will enter into the following Continuing Connected Transactions with the San Miguel Group: (i) purchases by the Group from the San Miguel Group of packaging materials (including, but not limited to, cans, bottles, crown seals and crates) and packaged beer; and (ii) sales of packaged beer and non-alcoholic beverage products by the Group to the San Miguel 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 ending on 31 December 2013 and its terms shall apply to the Continuing Connected Transactions for the period commencing on 1 January 2011 to 31 December 2013. In the event that the New Agreement, Continuing Connected Transactions and the Caps are not approved by the Independent Shareholders, the Company has the right to terminate the New Agreement.

Pricing

The Company confirms that the pricing policy of the Company 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 San Miguel Group, which are described below:

(a) Purchase of packaging materials from the San Miguel Group

In respect of the purchase of packaging materials (comprising, but not limited to, cans, bottles, crown seals and crates) by the Group from the San Miguel Group, the basis of the prices payable by and the credit terms offered to the Group have historically been negotiated and shall continue to be negotiated between the Group and the San Miguel 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 arm's length negotiations between the Group and the San Miguel Group based upon reasonable commercial principles.

LETTER FROM THE BOARD

(b) *Purchase of packaged beer from the San Miguel Group*

In respect of the purchase of packaged beer by the Group from the San Miguel Group, the prices payable by and the credit terms offered to the 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 arm's length negotiations between the Group and the San Miguel Group based upon reasonable commercial principles.

(c) *Sales of packaged beer and non-alcoholic beverage products to the San Miguel Group*

In respect of the sales of packaged beer and non-alcoholic beverage products by the Group to the San Miguel Group, the prices receivable by the Group have been and shall continue to be determined in the ordinary and usual course of business based on the Group's production cost plus profit margins. Such profit margins are determined with reference to profit margins which are no less favourable to the Group than those imposed by the Group on independent third party customers in respect of the sales of similar packaged beer and non-alcoholic beverage products, and if no such comparable profit margins are available, the profit margins shall be determined by arm's length negotiations between the Group and the San Miguel Group based upon reasonable commercial principles.

The credit terms offered by the Group for the sales of packaged beer and non-alcoholic beverage products to the San Miguel Group have been and shall continue to be determined by reference to the credit terms offered by the Group to its independent third party customers, and if no such comparable credit terms are available, the credit terms shall be determined by arm's length negotiations between the Group and the San Miguel Group based on reasonable commercial principles.

There is no provision in the New Agreement requiring the Group to exclusively source packaging materials and packaged beer from the San Miguel Group nor sell the packaged beer and non-alcoholic beverage products to the San Miguel Group.

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

LETTER FROM THE BOARD

REASONS FOR THE CONTINUING CONNECTED TRANSACTIONS

The Group sources various packaging materials including cans, bottles, crown seals and crates for use in the packaging and distribution of its beer products. The San Miguel 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 purchases packaged beer from San Miguel Brewery Inc., a company owned as to 51% by SMC 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.

San Miguel Brewery Inc. is a company listed on The Philippine Stock Exchange, Inc. and is principally engaged in the manufacture and sale of fermented and malt-based beverages, particularly beer of all kinds and classes. San Miguel Brewery Inc. runs the domestic brewery business of the San Miguel Group in the Philippines.

The packaged beer and non-alcoholic beverage products sold by the Group to the San Miguel Group are produced at the Group's plants located at (i) Shunde District, Foshan City, Guangdong Province, the PRC and (ii) Yuen Long, Hong Kong. The Group sells such packaged beer overseas to widen its income source. However, the Group does not have an international sales force outside Hong Kong and Macau. The Group is able to reach customers in export markets through the San Miguel Group which markets and sells products to customers through its international sales channels. Accordingly, the Group may sell its products, through the San Miguel Group, to certain export markets where the Group will also avoid taking exchange rate risk and counterparty risk with the ultimate customers in the relevant export markets. The Company expects such arrangement will help broaden market shares of the Company's products overseas.

LETTER FROM THE BOARD

HISTORICAL VALUES AND ANNUAL CAPS

Set out below is a summary of (i) the amounts of the continuing connected transactions between the Group and the San Miguel Group for the two years ended 31 December 2009 and the nine months ended 30 September 2010, (ii) the relevant cap amounts under the 2007 Agreement and the 2009 Agreement and (iii) the proposed Caps under the New Agreement for the three years ending 31 December 2013:

| HK\$'000 | Year ended 31 December 2008 | | Year ended 31 December 2009 | | Actual amount from 1 January 2010 to 30 September 2010 | Year ending 31 December 2010 | Caps for the three years ending 31 December 2013 pursuant to the New Agreement | | | |
|--|--------------------------------|---------------|--------------------------------|---------------|---|------------------------------------|--|--------|---------|---------|
| | Actual amount (audited) | Cap amount | Actual amount (audited) | Cap amount | | Cap amount | 2011 | 2012 | 2013 | |
| | | | | | (unaudited) | | | | | |
| Purchase of packaging materials by the Group from the San Miguel Group | 20,906 | 42,100 | 27,973 | 52,000 | 29,836 | 60,000 | Purchase of packaging materials by the Group from the San Miguel Group | 47,000 | 54,000 | 61,000 |
| Purchase of alcoholic and non-alcoholic beverage products by the Group from the San Miguel Group | 3,906 | 7,500 | 3,874 | 8,200 | 3,403 | 9,200 | Purchase of packaged beer by the Group from the San Miguel Group (Note 2) | 4,900 | 5,300 | 5,700 |
| Sales of packaged beer and non-alcoholic beverage products by the Group to the San Miguel Group (Note 1) | N/A | N/A | 27,372 | 105,954 | 35,151 | 183,583 | Sales of packaged beer and non-alcoholic beverage products by the Group to the San Miguel Group (Note 3) | 97,000 | 103,000 | 108,000 |

Note 1: An agreement dated 11 March 2005 was entered into between the Company and SMC in relation to, inter alia, the continuing connected transactions regarding the sales of packaged beer by the Group to the San Miguel Group and which expired on 31 December 2007. The packaged beer sold by the Group to the San Miguel Group was produced at the Company's Hong Kong plant. The brewing operations of the Company's plant in Hong Kong ceased in 2007 and the sales of packaged beer by the Group to the San Miguel Group was discontinued. Accordingly, no such continuing connected transaction was recorded in 2008. Subsequently, brewing operations of the Company's Hong Kong plant have been resumed since April 2009 and the Company planned to produce non-alcoholic beverage products in the said plant as well. Accordingly, sales of packaged beer by the Group to the San Miguel Group have been resumed in 2009 and sales of non-alcoholic beverage products was included in the continuing connected transactions. The 2009 Agreement was entered into to set out the cap amounts for the two years ending 31 December 2010 in relation to the sales of packaged beer and non-alcoholic beverage products by the Group to the San Miguel Group.

Note 2: SMC completed the disposal of its subsidiary National Foods Limited in 2008, which used to be the Group's principal supplier of non-alcoholic beverage products. As such, the Group shall no longer purchase non-alcoholic beverage products from the San Miguel Group pursuant to the New Agreement.

LETTER FROM THE BOARD

Note 3: The historical cap amount for the sales of packaged beer and non-alcoholic beverage products by the Group to the San Miguel Group for the year ended 31 December 2009 is higher than the actual sales amount. Such cap amount (and also the Caps for the three years ending 31 December 2013) were determined based on, among others, indications from the San Miguel Group on its budgeted purchase amount. As sales of packaged beer and non-alcoholic beverage products are driven by the San Miguel Group's demand, the Company considers it fair and reasonable to determine the annual caps based on the San Miguel Group's budget. Shareholders should note that such annual caps only represent a limit on the amount of sales that the Group could make as approved by the Independent Shareholders from time to time, it does not represent any forecast of future sales. The actual amount of purchases of packaged beer and non-alcoholic beverage products by the San Miguel Group would depend on the actual purchase orders from its customers; and the actual amount of the sales of packaged beer and non-alcoholic beverage products by the Group to the San Miguel Group would depend on, among others, the actual purchase orders from the San Miguel Group for the three years ending 31 December 2013.

In respect of the Caps in relation to the purchases of packaging materials and packaged beer by the Group from the San Miguel Group, the proposed Caps were determined by reference to a number of factors including, among other things, the historical sales amount of beer products, the marketing plan of the Group's products, the expected growth in demand for the Group's products (after taking into account the possible exchange rate fluctuations and the possible inflation) and the consequential increase in the need for the relevant packaging materials to meet the Group's production requirements.

In respect of the Caps in relation to the sales of packaged beer and non-alcoholic beverage products by the Group to the San Miguel Group, the proposed Caps were determined by reference to a number of factors including, among other things, the historical product lines, the expected demand for the Group's products and the Company's expectations on the demand for the Group's packaged beer and non-alcoholic beverage products for export markets after having discussed with the San Miguel Group, the expected costs of production and distribution, the expected selling margin, the possible exchange rates fluctuations and the possible inflation.

Buffer of 10% has been built in when the Caps were determined with a view to taking into account possible further market demand.

EGM

The San Miguel Group controls 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, the reporting and announcement requirements under Rules 14A.45 to 14A.47 and the independent shareholders' approval requirements under Rule 14A.48 of the Listing Rules.

LETTER FROM THE BOARD

The EGM will be held at Island Ballroom, Level 5, Island Shangri-La Hong Kong, Two Pacific Place, Supreme Court Road, Central, Hong Kong on 26 November 2010, Friday, at 3:00 p.m. to seek the Independent Shareholders' approval for the terms of the New Agreement, the Continuing Connected Transactions and the Caps. An ordinary resolution will be proposed to approve the New Agreement, the Continuing Transactions and the Caps at the EGM. The notice convening the EGM is set out on pages 32 to 33 of this circular.

In view of the interest of the San Miguel 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 as at the Latest Practicable Date, will abstain from voting at the EGM.

Mr. Ramon S. Ang and Mr. Carmelo L. Santiago (an independent non-executive director of SMC) are the common directors of both the Company and SMC.

Based on the annual report of SMC for the year ended 31 December 2009, the consolidated sales of SMC and its subsidiaries amounted to 174,213 million Philippine peso (equivalent to approximately HK\$31,907 million based upon the exchange rate at HK\$1 = 5.46 Philippine peso).

The actual total amount of continuing connected transactions (i.e. the aggregate actual transaction amount of (i) purchase of packaging materials by the Group from the San Miguel Group, (ii) purchase of alcoholic and non-alcoholic beverage products by the Group from the San Miguel Group and (iii) sales of packaged beer and non-alcoholic beverage products by the Group to the San Miguel Group) for the year ended 31 December 2009 amounted to approximately HK\$59.2 million, which accounted for approximately 0.19% of the consolidated sales of SMC and its subsidiaries for the year ended 31 December 2009. The Company is of the view that based on the historical transaction amount and the proposed Caps in respect of the Continuing Connected Transactions, the Continuing Connected Transactions are not material to the operations of SMC and thus those Directors who are also directors of SMC and/or its subsidiaries (other than members of the Group) do not have a material interest in the New Agreement. Accordingly none of the Directors abstained from voting on the Board resolution to approve the transactions contemplated under the New Agreement in compliance with Rule 14A.59 (18) of the Listing Rules. The resolution was unanimously passed in the Board meeting. Were the votes from Mr. Ramon S. Ang and Mr. Carmelo L. Santiago not counted, the resolution would still be unanimously passed.

Please also refer to page 29 to this circular for the details on the Directors being directors/employees of 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.

The register of members of the Company will be closed from 23 November 2010, Tuesday to 26 November 2010, Friday (both days inclusive), during which period no transfer of Shares will be registered. In order to be eligible to attend the EGM, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on 22 November 2010, Monday.

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, Computershare Hong Kong Investor Services Limited, at 17M 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 EGM or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting at the EGM, or any adjournment thereof, should you so wish.

RECOMMENDATION

The Directors consider that the Continuing Connected Transactions will be entered into in the ordinary and usual course of business of the Group and the terms of the New Agreement (including the Caps) are on normal commercial terms, fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

Your attention is drawn to (i) the letter from the Independent Board Committee set out on page 13 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 KBC Bank set out on pages 14 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 KBC Bank in arriving at its recommendation.

GENERAL

Your attention is drawn to the information set out elsewhere in this circular and in the appendix to it.

By order of the Board
San Miguel Brewery Hong Kong Limited
Ramon S. Ang
Chairman

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)

8 November 2010

To the Independent Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

We refer to the circular dated 8 November 2010 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. KBC Bank 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 KBC Bank, 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 (including the Caps) are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned, and are in the interests of the Company and the Shareholders as a whole. 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 KBC Bank 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 KBC BANK

The following is the full text of a letter received from KBC Bank setting out its advice to the Independent Board Committee and the Independent Shareholders for inclusion in this circular.



39/F Central Plaza
18 Harbour Road
Hong Kong

8 November 2010

*To the Independent Board Committee
and the independent Shareholders,*

CONTINUING CONNECTED TRANSACTION

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders of the Company in connection with the Continuing Connected Transactions and the Caps. Details of which, among other things, are set out in the section headed “Letter from the Board” as contained in the circular of the Company dated 8 November 2010 (the “Circular”), of which this letter forms a part. Unless otherwise defined herein, capitalised terms used in this letter shall have the same meanings as those defined in the Circular.

As described in the Circular, the Group has been carrying out certain continuing connected transactions including, among other things, (i) the purchase of the packaging materials, alcoholic and non-alcoholic beverage products from the San Miguel Group and (ii) the sale of packaged beer and non-alcoholic beverage products to San Miguel Group in the ordinary and usual course of the Group’s business. The principal terms of these continuing connected transactions between the Group and the San Miguel Group were governed by the 2007 Agreement and the 2009 Agreement, both of which will expire on 31 December 2010. With a view to continuing the business relationship with the San Miguel Group, on 15 October 2010, the Company and SMC entered into the New Agreement for the purpose of the continuous carrying out of the Continuing Connected Transactions by the Group for an additional 3-year term from 1 January 2011 to 31 December 2013.

Since the San Miguel Group controls approximately 65.78% of the issued share capital of the Company, SMC and its associates are connected persons of the Company under the Listing Rules and the Continuing Connected Transactions contemplated under the New Agreement will constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules. As the applicable ratio(s) (as defined under the Listing Rules) in respect of the Continuing Connected Transactions are less than 25% but the Caps exceed HK\$10 million, the Continuing Connected Transactions also constitute non-exempt continuing connected transactions under the Listing Rules and are subject to (i) the annual review requirements under Rule 14A.37 to 14A.39 of the Listing Rules; (ii) the reporting and announcement 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. SMC and its associates are required to abstain from voting at the EGM in relation to the resolution regarding the New Agreement.

LETTER FROM KBC BANK

The Independent Board Committee, comprising all the independent non-executive Directors, namely Dr. The Hon. Sir. David K.P. Li, 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. We, KBC Bank N.V. Hong Kong Branch, have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders as to whether (i) the Continuing Connected Transactions are conducted in the ordinary and usual course of the business of the Group and on normal commercial terms; (ii) the terms of the New Agreement (including the Caps) are fair and reasonable in so far as the Independent Shareholders are concerned; and (iii) the entering into of the New Agreement is in the interest 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, (i) the New Agreement; (ii) the Circular; and (iii) the annual reports and the interim report of the Company for the year ended 31 December 2009 and the six-month period ended 30 June 2010, respectively. We have assumed that all information and facts supplied to us by the Company are true, complete and accurate in all material aspects and we have relied on the same. Also, we have relied on the representations made by the management of the Company that having made all due 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 at the date of despatch of the Circular.

We consider that we have reviewed sufficient information to enable us to reach an informed view 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 and recommendation in relation to the New Agreement, the Continuing Connected Transactions and the Caps, and giving our independent financial advice to the Independent Board Committee and the Independent Shareholders in this regard, we have taken into account the following principal factors:

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1. Background and reason of the Continuing Connected Transactions

Background of the Group

The Group is principally engaged in the production and distribution of bottled, canned and draught beers and other beverage products. In addition to the Group's renowned beer products under the flagship brand "San Miguel", the Group also manufactures, retails and wholesales other alcoholic and non-alcoholic beverage products in Hong Kong and the PRC.

Purchase of packaging materials and packaged beer from the San Miguel Group

The Company has been the largest beer supplier in Hong Kong for years. The management of the Company attributes such success in maintaining the Group's leading position in the Hong Kong beer market to the Group's continuous commitment to provide its customers/consumers with a portfolio of quality products and effective cost management. As such, the Group has been placing strong emphasis on the taste and packaging of its beverage products which are important marketing strategies to differentiate the Group's products from its competitors. Accordingly, the Group, in selecting its suppliers, has adopted a stringent set of criteria, including product qualities, price competitiveness and other supporting services rendered so as to ensure its suppliers are reliable and able to meet the Group's requirements.

SMC, the controlling Shareholder, is one of the Philippines' most diversified conglomerates with operations in a variety of businesses including beverages, food, packaging, energy, power, mining, telecommunications and infrastructure. The San Miguel Group is the largest supplier of the Group and has been its major supplier of (i) packaging materials (including, but limited to cans, bottles, crown seals and crates) and (ii) alcoholic and non-alcoholic beverage products for many years. The alcoholic beverage products sourced by the Group from the San Miguel Group (primarily from San Miguel Brewery, Inc.) are those not produced by the Group's own production plants, including "premium" beer products especially for the Hong Kong market. San Miguel Brewery, Inc., a subsidiary of SMC and listed on The Philippine Stock Exchange, Inc., is principally engaged in the manufacture and sale of fermented and malt-based beverages (especially beers of all kinds and classes) and responsible for the domestic brewery business of the San Miguel Group in the Philippines. Given the San Miguel Group's years of experience and expertise in the packaging and brewery business, its economy of scale and its long-term co-operative relationship with the Group, the management of the Company has considered that the San Miguel Group understands well the Group's operational requirements and has established itself as one of the Group's most important competitive suppliers in terms of reliability and price. The management of the Company has also confirmed that, over the past years, the Group has been consistently satisfied with the quality of the San Miguel Group's packaging materials and packaged beer provided to the Group and its capability to meet the Group's stringent quality requirements and delivery schedules.

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As disclosed in the Circular, SMC completed the disposal of its interest in National Foods Limited (“NFL”) in 2008, a subsidiary of SMC which used to be the Group’s principal supplier of non-alcoholic beverage products. As such, the New Agreement only includes the Group’s purchase of packaged beer from the San Miguel Group.

The sale of packaged beer and non-alcoholic products to the San Miguel Group

As disclosed in the Circular, the Company entered into an agreement with SMC in March 2005 in relation to, among other things, the continuing connected transactions regarding the sales of packaged beer by the Group to the San Miguel Group for a term up to 31 December 2007. However, since the Group’s production plant in Hong Kong ceased operations in 2007, the Group’s sale of packaged beer to the San Miguel Group had discontinued accordingly.

In order to supplement the Group’s production capacity in the PRC and participate in the opportunity offered by the San Miguel Group’s growing beer export business, the Group has resumed its brewing operations and also planned to produce non-alcoholic beverage products in its Hong Kong production plant since April 2009. Given that the Group does not have an international sales force outside Hong Kong and Macau, the Group is only able to reach export markets through the San Miguel Group’s international sales channels which markets and distribute the beer products. As a result, the Company entered into the 2009 Agreement with SMC for the sale of packaged beer and non-alcoholic beverage products to the San Miguel Group to certain export markets for a term up to 31 December 2010. Such arrangement would not only help the Group to broaden the market shares of its products overseas, but would also allow the Group to avoid taking exchange rate risk and counterparty risk with the ultimate customers in the relevant overseas markets. The 2009 Agreement was approved by the Company’s then independent shareholders at the extraordinary general meeting of the Company held on 16 June 2009. During the year ended 31 December 2009 and the nine months ended 30 September 2010, the Group’s sale of packaged beer and other non-alcoholic beverage products to the San Miguel Group amounted to approximately HK\$27.4 million and HK\$35.2 million, respectively.

Having considered (i) the principal business of the Group; (ii) the nature of the Continuing Connected Transactions; (iii) the San Miguel Group’s long and satisfactory relationship with the Group, we consider that the Continuing Connected Transactions represent natural extension of the Group’s business relationship with the San Miguel Group and are conducted in the ordinary and usual course of the business of the Group.

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2. Terms and conditions of the New Agreement

The New Agreement, which is subject to the approval by the Independent Shareholders, shall apply to the Continuing Connected Transactions for three years from 1 January 2011 to 31 December 2013 for compliance with the relevant Listing Rules. There is no provision in the New Agreement requiring the Group to exclusively source the packaging materials and packaged beer from, and sell its packaged beer and non-alcoholic beverage products to, the San Miguel Group.

3. Price and credit terms of the New Agreement

As stated in the Circular, the Company has confirmed that the pricing policy in respect of the Continuing Connected Transactions under the New Agreement is on 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 San Miguel Group, which are summarised as below:

Purchase of packaging materials from the San Miguel Group

With respect to the purchase of packaging materials (including, but not limited to cans, bottles, crown seals and crates) by the Group from the San Miguel Group, the basis of the prices payable by and the credit terms offered to the Group have historically been negotiated and shall continue to be negotiated between the Group and the San Miguel Group on an annual basis with reference to the prices and credit terms available from those independent third party suppliers who are able to meet the Group's quality requirements and delivery schedules. If no such comparable references prices/credit terms are available, the prices/credit terms shall be determined by arm's length negotiation between the Group and the San Miguel Group based on reasonable commercial principles.

We have reviewed certain samples of the Group's purchase orders to the San Miguel Group and to other independent third parties for the supplies of various types of the packaging materials and noted that the terms offered by the San Miguel Group to the Group are of comparable terms to those offered by independent third parties.

Purchase of packaged beer from the San Miguel Group

The prices payable by and the credit terms offered to the Group for packaged beer purchased by the Group from the San Miguel 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 independent third parties. If no such comparable reference prices/credit terms are available, the prices/credit terms shall be determined by arm's length negotiation between the Group and the San Miguel Group based upon reasonable commercial principles.

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We have reviewed certain samples of sales invoices issued by the San Miguel Group to the Group and to other independent third parties for the sales of packaged beer and noted that the terms offered by the San Miguel Group to the Group are comparable to those offered to other independent third parties.

Sale of packaged beer and non-alcoholic beverage products to the San Miguel Group

As stated in the Circular, the prices charged and the credit terms offered by the Group in respect of the sale of packaged beer and non-alcoholic beverage products to the San Miguel Group have been and shall continue to be on production cost plus profit margins basis, which are in turn, determined with reference to the profit margins and credit terms no less favourable to the Group than those offered by the Group to other independent third parties for similar products. If no such comparable profit margins and credit terms are available, the profit margins shall be determined by arm's length negotiations between the Group and the San Miguel Group based on reasonable commercial principles.

We have reviewed the Company's historical accounting records and compared the net profit margins and credit terms for the sales made to the San Miguel Group and to other independent third parties and noted that the credit terms of and the net profit margin derived from the sales made to the San Miguel Group are comparable to those to the independent third parties.

Based on the above, we are of the view the Continuing Connected Transactions are conducted on normal commercial terms and the terms of the New Agreement are fair and reasonable in so far as the Company and the Independent Shareholders are concerned.

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4. The Caps

Set out below is a summary of the historical utilisation of the caps for the continuing connected transactions between the Group and the San Miguel Group and the relevant proposed caps:

| | 2008 | | | For the year ended 31 December 2009 | | | 2010 | | | Annualised utilisation rate | For the year ending 31 December | | | |
|---|------------------------|---------------------------|-----------------------|-------------------------------------|---------------------------|-----------------------|------------------------|---------------------------------------|-----------------------|-----------------------------|---------------------------------|------------------|------------------|---------|
| | Cap amount HK\$'000 | Actual amount HK\$'000 | Utilisation rate % | Cap amount HK\$'000 | Actual amount HK\$'000 | Utilisation rate % | Cap amount HK\$'000 | Actual amount HK\$'000 (Note 1) | Utilisation rate % | | 2011 HK\$'000 | 2012 HK\$'000 | 2013 HK\$'000 | |
| Purchase from the San Miguel Group | | | | | | | | | | | | | | |
| — Packaging materials | 42,100 | 20,906 | 49.7% | 52,000 | 27,973 | 53.8% | 60,000 | 29,836 | 49.7% | 39,781 | 66.3% | 47,000 | 54,000 | 61,000 |
| — Alcoholic and non-alcoholic beverage products | 7,500 | 3,906 | 52.1% | 8,200 | 3,874 | 47.2% | 9,200 | 3,403 | 37.0% | 4,537 | 49.3% | 4,900* | 5,300* | 5,700* |
| Sales to the San Miguel Group | | | | | | | | | | | | | | |
| — Packaged beer and non-alcoholic beverage products | N/A | N/A | N/A | 105,954 | 27,372 | 25.8% | 183,583 | 35,151 | 19.1% | 46,868 | 25.5% | 97,000 | 103,000 | 108,000 |

* *the Group will only purchase packaged beer from the San Miguel Group under the New Agreement for each of the three years ending 31 December 2013*

Note 1: balances represent the actual amount of the relevant purchase/sale from/to the San Miguel Group for the nine months ended 30 September 2010

Bases for determining the Caps for the Group's purchase of packaging materials and packaged beer from the San Miguel Group

We noted that the Caps in respect of the Group's purchase of packaging materials and packaged beer for the three years ending 31 December 2013 represent compound annual growth rates ("CAGRs") of approximately 14% and 8%, respectively. As stated in the Circular, the proposed Caps for the purchase of packaging materials and packaged beer have been determined based on, among other things:

- (i) the historical sales amount of beer products;
- (ii) marketing plan of the Group's products;
- (iii) the expected growth in demand for the Group's products and the consequential increase in the requirements for the relevant packaging materials to cope with the Group's evolving production requirements; and
- (iv) the potential fluctuation in the relevant exchange rates and inflation.

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We understand from the management of the Company that due to (i) the difficult business environment from the financial turmoil occurred since late 2008, which resulted in the Group having recorded a significant decline in revenue of approximately 8% and 12% for the year ended 31 December 2009 and the six months ended 30 June 2010 from the previous year/period, respectively; (ii) the continuing connected transactions under the New Agreement including only the Group's purchase of packaged beer from the San Miguel Group after SMC's disposal of its interest in NFL as mentioned above; and (iii) SMC completed the disposal of its interests in one of its subsidiaries in 2008, which used to be a supplier of the Group's alcoholic beverage products, the actual purchase amounts during each of the two years ended 31 December 2009 and the year ending 31 December 2010 (on an annualised basis) by the Group have been smaller than the relevant caps amounts, which were determined by the Company in 2007. Accordingly, the management of the Company has set the Caps relating to the Group's purchase of packaging materials and packaged beer for the year ending 31 December 2011 at a lower monetary amount than the corresponding annual cap amounts for the year ending 31 December 2010.

Having reviewed the relevant production plan and discussed with the management of the Company about the (i) the expected growth in demand for the Group's beer products (including the launching of new products); and (ii) the consequential increase in the needs for the relevant packaging materials to meet the Group's production requirement, we consider it reasonable for the Group to adopt the above mentioned basis and assumption for determining the amount of the Caps in respect of the Group's purchase of packaging materials and packaged beer for the three years ending 31 December 2013.

Sale of packaged beer and non-alcoholic beverage products

As stated in the Circular, the Caps in relation to the Group's sale of packaged beer and non-alcoholic beverage products to San Miguel Group were determined with reference to a number of factors including, among other things, the following:

- (i) the historical product lines;
- (ii) the expected demand for the Group's products and the Company's expectation on the demand for the Group's packaged beer and non-alcoholic beverage products for export markets (based on the Group's communication with the San Miguel Group regarding the San Miguel Group's marketing and sales plans during the forthcoming years);
- (iii) the expected costs of production and distribution;
- (iv) the expected selling margin; and
- (v) the possible fluctuation in inflation and exchange rates.

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As indicated in the Circular, the Caps (i) were determined based on, among other things, indicated purchase amount by the San Miguel Group; and (ii) represent the maximum amount of packaged beer and non-alcoholic beverage products of the Group that can be sold to the San Miguel Group during each of the three years ending 31 December 2013 as approved by the Independent Shareholders, and the actual utilization amount of which will depend on the actual purchase orders received from the San Miguel Group's customers. As such, we consider it reasonable for the Group to adopt the above-mentioned bases and assumptions for determining the Caps including determination of the Caps based on the San Miguel Group's planned purchases even though the Group's annualised actual sales of packaged beer to the San Miguel Group for the year ending 31 December 2010 is substantially lower than the relevant cap amount for the year ending 31 December 2011.

5. Compliance with the Listing Rules

Pursuant to Rules 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 2013, the relevant amount of the Continuing Connected Transactions will not exceed the relevant Caps;
- (ii) the Continuing Connected Transactions will be entered into:
 - (a) in the ordinary and usual course of the 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;
 - (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 by a statement of the opinion of the independent non-executive Directors on the matters referred to in paragraph (iv) below;
- (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;

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- (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 Rules;
- (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 review by the Company's auditor on 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 re-comply with the applicable provisions of the Listing Rules governing continuing connected transactions in the event that the total amount of the Group's (i) purchase of packaging materials and packaged beer from the San Miguel Group and (ii) sale of packaged beer and non-alcoholic beverage products to the San Miguel Group under the New Agreement exceed the relevant Caps, and if there is any material amendment to the terms of the New Agreement.

Based on our review on the annual reports of the Company for each of the two years ended 31 December 2009, we noted that the auditors of the Company have confirmed that the Continuing Connected Transactions under the 2007 Agreement and the 2009 Agreement were (i) in accordance with the pricing policies of the Group and (ii) entered into in accordance with the terms of the 2007 Agreement and the 2009 Agreement; (iii) the relevant amounts had not exceeded the relevant caps approved for each of the two years ended 31 December 2009.

Conclusion and recommendation

Having considered the above principal factors, we are of the opinion that (i) the Continuing Connected Transactions under the New Agreement are conducted in the ordinary and usual course of business of the Group and on normal commercial terms; (ii) the terms of the New Agreement (including the Caps) are fair and reasonable in so far as the Independent Shareholders are concerned; and (iii) the entering into of the New Agreement is in the interests of the Company and the Shareholders as a whole. Accordingly, we would recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the New Agreement.

Yours faithfully,

For and on behalf of

KBC Bank N.V. Hong Kong Branch

Kenneth Chan
Head of Corporate Finance,
Greater China

Gaston Lam
Corporate Finance

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or 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 | Number of ordinary shares of HK\$0.50 each in the Company | |
|----------------|--|---|
| | Number of shares held | Percentage of total issued shares |
| David K. P. Li | 500,000 | 0.13% |

| Name | Number of common shares in San Miguel Corporation | |
|--|--|---|
| | Number of shares held | Percentage of total issued shares |
| Common (par value of 5 pesos each): | | |
| Ramon S. Ang | 6,050 | 0.000260% |
| Carlos Antonio M. Berba | 1,045 | 0.000045% |
| Carmelo L. Santiago | 5,000 | 0.000215% |

| Name | Number of common shares in San Miguel Brewery Inc. | |
|---|---|---|
| | Number of shares held | Percentage of total issued shares |
| Common (par value of 1 peso each): | | |
| Ramon S. Ang | 5,000 | 0.000032% |
| Carlos Antonio M. Berba | 18,000 | 0.000117% |
| Motoyasu Ishihara | 5,000 | 0.000032% |
| Keisuke Nishimura | 5,000 | 0.000032% |
| Carmelo L. Santiago | 5,000 | 0.000032% |

(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 | Stock options in San Miguel Corporation | | | |
|---|---|--------------------------|--|---|
| | Date granted | Exercise period up to | Exercise price per option (pesos) | Number of options outstanding as at the Latest Practicable Date |
| Common (par value of 5 peso each): | | | | |
| Ramon S. Ang | 26/06/2003 | 26/06/2011 | 54.50 | 259,422 |
| | 26/06/2003 | 26/06/2011 | 62.50 | 111,181 |
| | 01/10/2004 | 01/10/2012 | 57.50 | 266,854 |
| | 01/10/2004 | 01/10/2012 | 70.50 | 114,366 |
| | 10/11/2005 | 10/11/2013 | 65.00 | 204,654 |
| | 10/11/2005 | 10/11/2013 | 89.50 | 136,436 |
| | 01/03/2007 | 01/03/2015 | 63.50 | 993,386 |
| | 01/03/2007 | 01/03/2015 | 75.50 | 662,258 |
| | 26/06/2008 | 26/06/2016 | 40.50 | 765,603 |
| | 25/06/2009 | 25/06/2017 | 58.05 | 587,556 |

| Stock options in San Miguel Corporation | | | | |
|--|---------------------|------------------------------|--|--|
| Name | Date granted | Exercise period up to | Exercise price per option (pesos) | Number of options outstanding as at the Latest Practicable Date |
| Carlos Antonio M. Berba | 10/11/2005 | 10/11/2013 | 89.50 | 13,710 |
| | 01/03/2007 | 01/03/2015 | 75.50 | 84,706 |
| | 26/06/2008 | 26/06/2016 | 40.50 | 36,368 |
| | 25/06/2009 | 25/06/2017 | 58.05 | 56,852 |
| Peter K. Y. Tam | 26/06/2003 | 26/06/2011 | 54.50 | 17,452 |
| | 26/06/2003 | 26/06/2011 | 62.50 | 7,480 |
| | 01/10/2004 | 01/10/2012 | 57.50 | 17,039 |
| | 01/10/2004 | 01/10/2012 | 70.50 | 7,303 |
| | 10/11/2005 | 10/11/2013 | 65.00 | 909 |
| | 10/11/2005 | 10/11/2013 | 89.50 | 606 |

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:

| Substantial shareholders | Ordinary shares of HK\$0.50 each in the Company | |
|---|--|---|
| | Number of ordinary shares held | Percentage of total issued shares |
| San Miguel Corporation (<i>note 1</i>) | 245,720,800 | 65.78% |
| Kirin Holdings Company, Limited (<i>note 1</i>) | 245,720,800 | 65.78% |
| San Miguel Brewery Inc. (<i>note 1</i>) | 245,720,800 | 65.78% |
| San Miguel Brewing International Limited (<i>note 1</i>) | 245,720,800 | 65.78% |
| Neptunia Corporation Limited (<i>note 1</i>) | 245,720,800 | 65.78% |
| Cheung Kong (Holdings) Limited (<i>note 2</i>) | 23,703,000 | 6.34% |
| Li Ka-Shing Unity Trustee Company Limited (<i>note 2</i>) (as trustee of The Li Ka-Shing Unity Trust) | 23,703,000 | 6.34% |
| Li Ka-Shing Unity Trustcorp Limited (<i>note 2</i>) (as trustee of another discretionary trust) | 23,703,000 | 6.34% |
| Li Ka-Shing Unity Trustee Corporation Limited (<i>note 2</i>) (as trustee of The Li Ka-Shing Unity Discretionary Trust) | 23,703,000 | 6.34% |
| Li Ka-Shing (<i>note 2</i>) | 23,703,000 | 6.34% |

Notes:

- (1) SMC, Kirin Holdings Company, Limited (“Kirin”), San Miguel Brewery Inc. (“SMB”) and San Miguel Brewing International Limited (“SMBIL”) are all deemed to hold the above disclosed interest indirectly through Neptunia Corporation Limited (“Neptunia”) in the Company because each of SMC and Kirin holds more than one third of the voting power of SMB, SMB has a controlling interest in SMBIL and SMBIL has a controlling interest in Neptunia.
- (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 are 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 only interested in one-third of the entire issued share capital of Unity Holdco. TUT1 is interested in the shares of CKH by reason only 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 (being the settlor and may being 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.

- (3) The following Directors are directors/employees of 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 the Vice Chairman, President and Chief Operating Officer of SMC and Chairman of SMB. Mr. Carlos Antonio M. Berba is a director of SMB, General Manager and a director of SMBIL, and a director of Neptunia and other subsidiaries of the Company. Mr. Motoyasu Ishihara is the Executive Financial Advisor and a director of SMB and a director of SMBIL. Mr. Taro Matsunaga is the Executive Vice President of SMBIL and a director of SMBIL. Mr. Keisuke Nishimura is the Executive Vice President and a director of SMB and a director of SMBIL. Mr. Carmelo L. Santiago is an independent non-executive director of both SMC and SMB.

(c) Interests in a subsidiary

As at the Latest Practicable Date, the following corporation 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 the following member of the Group:

| 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. Carlos Antonio M. Berba, Mr. Peter K.Y. Tam, Mr. Motoyasu Ishihara, Mr. Taro Matsunaga, Mr. Keisuke Nishimura and Mr. Carmelo L. Santiago are interested parties to this contract to the extent that they either have equity interests in or are directors and/or officers of SMC, the ultimate holding company of Neptunia Corporation Limited and/or SMB/SMBIL. 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. NO 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 2009, 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 2009, 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 |
|-----------------------------------|--|
| KBC Bank N.V. Hong Kong Branch | KBC Bank N.V., acting through its Hong Kong Branch, a licensed bank under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) and a registered institution registered for Type 6 (advising on corporate finance) regulated activity under the SFO |

KBC Bank has made its letter for incorporation in this circular. KBC Bank 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, KBC Bank did not have any shareholding interests in any member of the Group or any right (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, KBC Bank did not have any direct or indirect interest in any asset which had been, since 31 December 2009, 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) The Company's share registrar is Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (c) 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 the date of the EGM:

- (a) the New Agreement;
- (b) an agreement dated 11 March 2005 entered into between the Company and SMC in relation to certain continuing connected transactions of the Company;
- (c) the 2007 Agreement;
- (d) the 2009 Agreement;
- (e) the agreement referred to in the section headed "Service Contracts" in this appendix;
- (f) the letter from KBC Bank, the text of which is set out in this circular; and
- (g) the consent letter of KBC Bank 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 Island Ballroom, Level 5, Island Shangri-La Hong Kong, Two Pacific Place, Supreme Court Road, Central, Hong Kong on 26 November 2010, Friday at 3:00 p.m. for the purpose of considering and, if thought fit, passing with or without modifications, the following resolution as ordinary resolution of the Company:

ORDINARY RESOLUTION

“**THAT:** the agreement dated 15 October 2010 (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 2011, 2012 and 2013 as set out in the Company’s circular dated 8 November 2010 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, 8 November 2010

NOTICE OF EGM

Registered Office:

9th Floor
Citimark Building
28 Yuen Shun Circuit
Siu Lek Yuen
Shatin, New Territories
Hong Kong

As at the date hereof, the Board of the Company comprises the executive director, Mr. Peter K. Y. Tam, the non-executive directors, Mr. Ramon S. Ang (Chairman), Mr. Carlos Antonio M. Berba (Deputy Chairman), Mr. Cheung Yuen Tak, Mr. Thelmo Luis O. Cunanan, Jr., General Benjamin P. Defensor, Jr., Mr. Motoyasu Ishihara, Mr. Taro Matsunaga and Mr. Keisuke Nishimura; and the independent non-executive directors, Dr. The Hon. Sir. David K. P. Li, Mr. Ng Wai Sun and Mr. Carmelo L. Santiago.

Notes:

1. Shareholders are entitled to appoint one or more proxies to attend and vote in their stead at the meeting. A proxy needs not be a shareholder of the Company.
2. To be valid, forms of proxy must be deposited at the share registrar of the Company, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the meeting.
3. The register of members of the Company will be closed from 23 November 2010, Tuesday to 26 November 2010, Friday (both days inclusive), during which period no transfer of shares will be registered. In order to be eligible to attend the Extraordinary General Meeting, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on 22 November 2010, Monday.