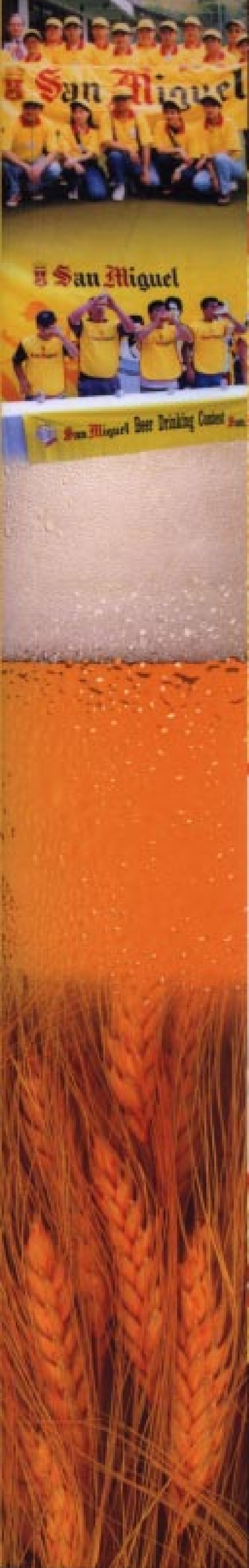


ANNUAL REPORT 1998
一九九八年年報

San Miguel

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

Member of San Miguel Brewing Group

CONTENTS

In this report, all monetary values are expressed in Hong Kong Dollars unless stated otherwise.

CORPORATE INFORMATION

DIRECTORS

Francisco C. Eizmendi, Jr. *Chairman*
John L. Dunwell *Managing Director*
Ramon S. Ang
Faustino F. Galang
Freddy W.M. Kwan
Arthur K.C. Li *alternate to David K.P. Li*
David K.P. Li, *OBE, JP**
Estelito P. Mendoza
Virgilio L. Peña
Luis E. Poblete, Jr.
Ian F. Wade*

** Independent non-executive directors*

COMPANY SECRETARY

Thomas R. Mainwaring

AUDITORS

KPMG
Certified Public Accountants
8th Floor
Prince's Building
Hong Kong

SOLICITORS

Johnson Stokes & Master
18th Floor
Prince's Building
Hong Kong

REGISTERED OFFICE

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

SHARE REGISTRARS

Central Registration Hong Kong Limited
17th Floor
Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

Bank of America
Credit Agricole Indosuez
Banque Nationale de Paris
Kincheng Banking Corporation
Sin Hua Bank Limited
Standard Chartered Bank
The Bank of East Asia, Limited
The Hongkong and Shanghai
Banking Corporation Limited
The Dai-Ichi Kangyo Bank,
Limited

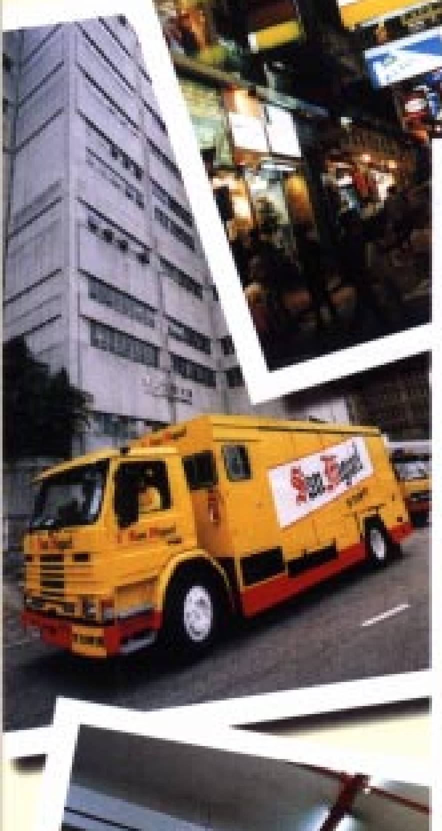
THE YEAR'S HIGHLIGHTS

in dollar thousands except per share data and number of shares issued, shareholders and personnel

	1998	**As restated** 1997
Turnover	**1,243,399**	1,191,331
Net profit, after exceptional item, taxes and minority interests	**17,051**	5,492
Net profit per share	**0.05**	0.01
Taxes paid, including beer tax	**170,576**	144,620
Taxes paid per share	**0.46**	0.39
Cash dividends	**11,207**	29,886
Cash dividends per share	**0.03**	0.08
Fixed assets	**2,347,937**	2,396,195
Net worth	**2,163,024**	2,157,247
Payroll	**188,353**	159,931
Number of shares issued	**373,570,560**	373,570,560
Number of shareholders	**2,917**	2,897
Number of personnel	**1,585**	1,660

Our Take A Fresh Look Campaign

我們的新鮮觀點



Mr. Francisco C. Eizmendi, Jr., *Chairman*

To Our Shareholders,

We are pleased to advise you that, as anticipated in our interim report, our financial results for the year 1998 met the challenging, internal targets, and show an encouraging upward trend.

Net profit increased 210% in 1998 to $17.051 million (1997: $5.492 million). The profit for the previous year, 1997, has been restated from the $3.904 million shown in last year's annual report to reflect a change in accounting policy whereby goodwill on acquisitions is written off to reserves rather than amortised over a 20 year period.

Any assessment of profit performance for 1998 must take into account the fact that the 1997 net profit was supported by the write back to profit of deferred tax amounting to $19.959 million, which tax had been deducted from profits in earlier years.

Sales turnover increased 4.4% to $1,243.399 million, reflecting volume growth in the PRC subsidiaries.

Operating profit increased 289% to $39.409 million from $10.132 million in 1997. The improved operating profit is the result of higher sales volume together with lower production and overhead costs.

Total production costs and total overhead costs were both marginally lower than in 1997 despite the increased sales volume and demonstrated the effectiveness of measures implemented during the year to improve efficiency and contain costs.

The improved profitability allowed the Company to increase its investment in brand development, as an additional $18.6 million was expended in advertising and promotion in 1998.

Other expenses declined from $17.171 million in 1997 to $8.772 million in 1998 principally as a result of lower interest costs ($8.251 million reduction).

During 1998 the Company reduced its total debt by $369.682 million from $861.546 million at the end of 1997 to $491.864 million at the end of 1998.

The bulk of the debt reduction was funded from cash holdings. However $43.781 million of the debt reduction was sourced from trading cash flow. Accordingly, the Group has met all of its capital expenditure and working capital requirements from cash generated from trading in addition to the repayment of debt from trading cash flow.

Total debt is equal to 18.3% of net assets and 22.7% of shareholders funds.

The parent company, San Miguel Brewery Hong Kong Limited is currently debt free. The Group has only one significant loan of US$50 million (HK$387.652 million) advanced to San Miguel Shunde Brewery Company Limited which has been used to finance the Shunde Brewery.

At the end of the year the Group had total cash balances of $202.803 million. Consequently, no borrowing from financial institutions is anticipated in the foreseeable future.

These financial results are pleasing, particularly in the light of the difficult trading conditions prevailing in the region in 1998 and reflect the drive for success evidenced by all our employees throughout the year.

Both our PRC subsidiaries in Guangzhou and Shunde, as well as our business in Hong Kong, contributed to these improved results.

This performance was achieved in spite of the depressed local and regional economic situations, and the increasingly competitive marketplaces in Hong Kong and Southern China. Price increases were very limited and, where implemented, were well below the levels of inflation.

With little doubt, 1998 was an unforgettable year for most of us. What started as a relatively minor financial tremor in Thailand in mid-1997, ultimately expanded into an unprecedented economic upheaval throughout Asia. In particular, Hong Kong is suffering its worst recession after almost three decades of economic growth.

Management took early action to address the developing difficult economic situation in order to limit the negative effects on the Company. Initiatives included aggressive cost control and productivity improvement in all areas, as well as prudent and cautious cash management measures. Whilst protecting the fundamental strengths of the Company, this comprehensive profit protection plan contributed critically to the improved results in 1998 and has positioned the Company well for the subsequent year. The Board of Directors and the management team took the initiative to share the pain of the cost reductions. In 1998, no directors' fees were paid and our senior and middle management team also agreed to forego a salary increase. All other staff salary increases were significantly below the then rate of inflation.

Hong Kong local sales volumes were marginally lower than the previous year. Overall the Company achieved a stabilised market share as planned, but, in particular, a small gain was recorded in market share for the Company's flagship brand, *San Miguel Pale Pilsen*. Industry volume was negative by an estimated 1.5% compared to 1997. Export volumes were notably less than the previous year, due to our reduced international competitiveness caused by the relative strength of the Hong Kong currency in the region.

Considerable effort has been expended this past year to involve all our valued employees in understanding the challenges for the business and the current environment. You may be assured that we have a very motivated staff, determined that the Company should perform well and fully committed to achieve the results needed for the delivery of success and for the benefit of all stakeholders.

Looking ahead into the year 1999, our business is exiting a negative phase. Our priorities will be:

— to deliver volume, profit and cash commitments;
— to ensure effective profit protection by seeking to anticipate and to manage the risks associated with the difficult and deteriorating economic scene;
— to solidify the stable, but still fragile market shares in Hong Kong;
— to continue the image enhancement of our flagship brand *San Miguel Pale Pilsen*;
— to reinforce and to enhance the level of service to our customers; and
— to improve and build upon the early successes of our revitalised brands and of our new brand initiatives in Southern China.

We will vigorously strive to meet the challenges to reinforce our competitive position and to create long term value for our shareholders by further strengthening our core brands and by identifying and capturing other opportunities that lie ahead.

Finally, I would like to take this opportunity to thank all our dedicated employees who have committed together to continue to deliver the promised results in these difficult times. I also wish to express my warm gratitude to our directors for their advice and guidance and to all shareholders for your continuous support.

Mr. Francisco C. Eizmendi, Jr., *Chairman*
5th February, 1999

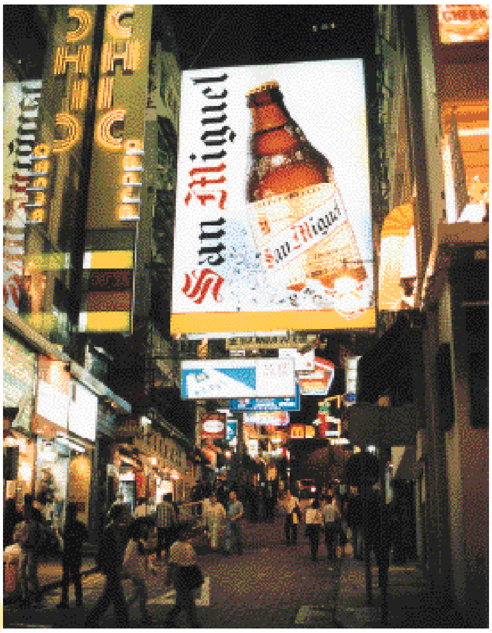
BUSINESS REVIEW

The Hong Kong beer market has been in a stagnant to decreasing trend since the early nineties, and there are no signs of a near term recovery of the weak local consumer market. The increased 'share of throat' of other beverages, such as the trendy red wine and other non-carbonated drinks, plus the increasing, fierce competition from other beer brands, including 'cut-price' imports, leads to an increasingly competitive market place. Most of the factors affecting the total beer industry indicate that the year 1999 will be another tough year for the Hong Kong beer market.

Following a thorough analysis of its own strengths and weaknesses, and the opportunities and threats offered by the external market environment, San Miguel Brewery Hong Kong Limited redefined its key business issues and opportunities in 1998. The year 1998 was one of 'quality action' for the Company.

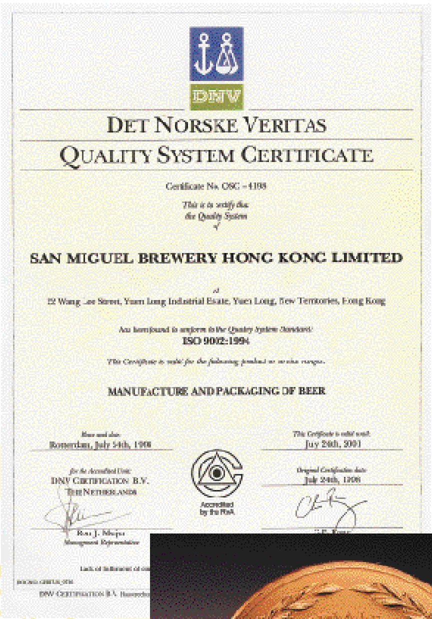
During 1998 the Company committed to a higher level of marketing investment in Hong Kong than in previous years. This was to exploit and develop the major activities of its "Take a Fresh Look" campaign, which commenced at the end of 1997. This campaign emphasises the value that a local 'fresh' beer can offer to the consumers compared with imported product. No other competitor advises the consumers of the "Packaged-on-Date".

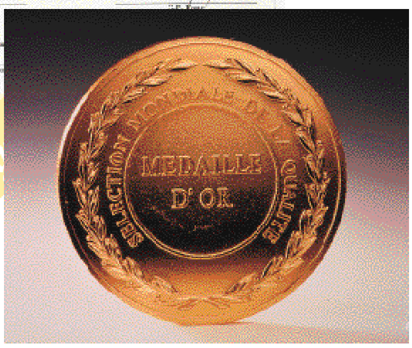
As part of this new campaign initiative, the packaging of our flagship brand *San Miguel Pale Pilsen* has been completely revised, together with all merchandising and vehicle liveries. Eye-catching outdoor signages have been set up in various high visibility locations, including Lan Kwai Fong, Tsimshatsui and Kai Tak. The series of TV campaigns featuring Tony Leung has also been well received by our consumers. All these innovations and activities, together with an emphasis on improved execution in the marketplace, have served to achieve our target to stabilise our market share, as evidenced by the latest monthly statistics.



Commitment to higher levels of marketing expenditures has been accompanied by an intense scrutiny of spending with close assessment of ‘relative value’. For this reason, the Company has terminated some sponsorships, such as the Macau Grand Prix and the annual San Miguel Silver Tankard Race Meeting.

Product and system quality issues have also been receiving major emphasis in the past year. The Company received, from Monde Selection in Europe, the award of a Gold Medal for the outstanding quality of *San Miguel Pale Pilsen* brewed in Hong Kong. Both the Hong Kong brewery in Yuen Long and the Guangzhou brewery were awarded the ISO 9002 accreditation for quality systems. Moreover, in Hong Kong, the Company applied for an internal evaluation under the San Miguel Quality Assessment System, a total quality management business approach introduced by San Miguel Corporation some years ago. Various areas of improvement were identified and have been incorporated in the 1999 business plan for action.





The Company will continue to emphasise the quality of products, procedures and performance through our consistent and reliable systems. All these are directed at supporting our overriding commitment to serve our customers and consumers to the maximum of our ability.

Beer duty in Hong Kong was one of the important issues that we had highlighted in last year’s annual report. We are pleased to report that, with the helpful and positive collaboration of both the Finance Bureau and the Customs and Excise Department of the Government of the Hong Kong SAR, real progress has been achieved in their proposals aimed at simplifying the assessment procedures.

Parallel shipments of San Miguel beers, by unauthorized companies, into the Hong Kong and Southern China markets from other breweries in the region became a serious problem during 1998. These parallel activities have infringed our rights as the exclusive licensee of the trade mark “San Miguel” in respect of beers in Hong Kong and Southern China and, consequently, steal our sales and, most critically, damage the rightful business of our valued wholesalers. In addition, the inconsistent and improper handling of beers by parallel importers potentially damages the quality image of San Miguel beers. Accordingly, the Company has taken necessary actions, including legal remedy, to protect its own interest and the interests of its wholesalers.

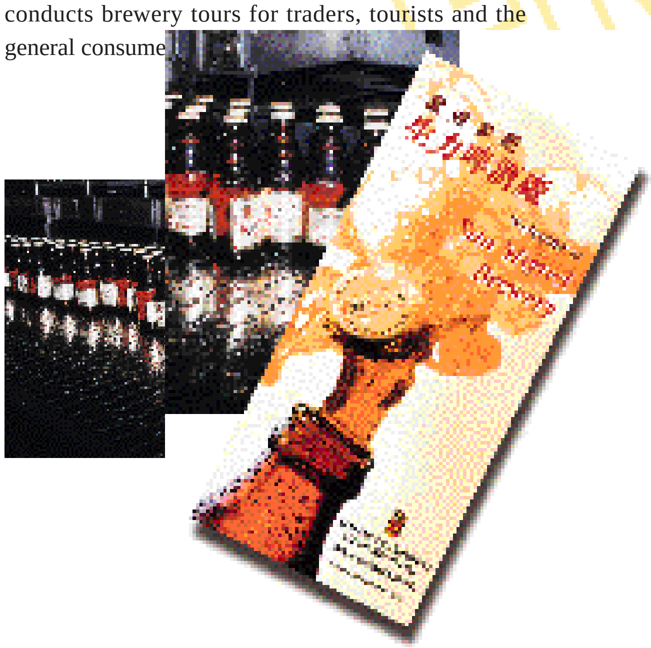
In the PRC, the beer market has experienced substantial growth over the past ten years and promises further growth in the future, but probably at a much slower pace. Competition is ultra-fierce and foreign brewers such as San Miguel are facing stiffer competition from the big domestic breweries. Nevertheless, our subsidiary companies, Guangzhou San Miguel Brewery Company Limited and San Miguel Shunde Brewery Company Limited have shown a healthy volume growth compared to 1997.

Significant enhancements of the packaging and label designs for brands *San Miguel Pale Pilsen, Valor* and *Guang’s Pineapple Beer* were implemented by mid-year. With the support of various regional below-the-line promotions and event sponsorships implemented during the second half of the year, there was marked improvement in reported brand awareness. In particular, *Valor* has continued to achieve the targeted outlet penetration rate in Guangzhou and Dongguan, since its launch in June 1998. An aggressive series of promotions in *San Miguel Pale Pilsen's* "New Look" campaign, with a creative bottle crown redemption and a can pull-ring consumer tie-up with a premier apparel brand, created major interest amongst Guangzhou consumers. The popularity of *Guang's Pineapple Beer* was also encouraging after its re-launch in May 1998. The new distributor network in Guangdong, completed in the first half of the year, is starting to show improvements in servicing customers and dealers, with consequent increase in sales volumes.

The benefits of all these activities and programmes, both in Hong Kong and Southern China, are demonstrated by the improving financial results of all the constituent operations of the Company. Accordingly, we look forward to reporting progressively better results in the future years.

COMMUNITY RELATIONS AND SOCIAL RESPONSIBILITY

San Miguel Brewery Hong Kong Limited is a regular sponsor of community events and activities and it supports a number of charities and non-profit making organisations, as part of its continuing commitment to the localities in which it operates. In addition to direct donations and sponsorships, the Company participates in events and activities such as the Tuen Ng Festival Dragon Boat races, both in Hong Kong and Guangzhou. It also supports various district food festivals, as well as conducts brewery tours for traders, tourists and the general consume



With regard to the environmental protection aspects of our business, we are a firm supporter of the "Polluter Pays Principle", particularly in the area of waste reduction in Hong Kong, including the issue of the use of recycled bottles. We strongly believe that waste minimisation cannot possibly be the sole responsibility of local manufacturers. It must be fairly shared amongst all sectors of the community, including the importers of foreign goods and services and the end consumers. Nevertheless, the Company has taken initiatives to introduce various environmental protection measures in all of its breweries. For example, the environmental protection measures taken by our Yuen Long brewery include the use of low sulphate content diesel instead of LPG and the use of ammonia for all plant refrigeration. A methane gas recycling facility is under construction and will be completed by March 1999 as an extension of our 'state-of-the-art' wastewater treatment plant. The drying of spent grain and spent yeast for sale has been implemented, instead of disposing to landfill, and waste plastic wrapping materials and waste cardboard are recovered for recycling.

The Company operates three separate breweries at Yuen Long in Hong Kong, at Xicun in Guangzhou City and at Longjian Town in Shunde City. With these technologically advanced and environmentally friendly facilities and production processes, the Company provides its employees with healthy and safe working environments. In 1999, we plan to refine further our occupational health and safety management by commencing implementation of the "Five Star International Safety Standard". Experience elsewhere indicates that clean, safe, environmentally compliant plants are invariably low-cost operations.

PEOPLE ISSUES

The Company regards its employees as its most valuable resource, and it believes that all employees should have competent support from their colleagues. Training programmes are designed to support this ideal, as well as to enhance generally the capabilities demanded by the future needs of the business.

Effective teamwork was one of the key values strongly promoted by the Company in the past year, and a number of employee task forces have provided valuable results, with potentially significant future benefit to the Company. The developing spirit of inter-dependence enables our people to respect each other's skills, and to work cooperatively to achieve corporate objectives and targets. Managers are required to ensure that corporate directions and performance are frequently communicated to all employees through various formal and informal channels so that all personnel have a clear understanding of Company goals and achievements.

A number of staff reductions have been made in 1998, particularly at senior levels, in order to create a more committed and focused organisation. In general, staff levels are at the optimum level for the business, but where efficiency opportunities present themselves, they will be implemented.

The Company keeps abreast with market trends in its remuneration policy, including competitive salary rates, fringe benefits, medical and insurance coverage and retirement fund benefits.

DIRECTORS AND SENIOR MANAGERS

A number of directors resigned from the Board of Directors during 1998, namely Mr. A. Soriano III, Mr. C. H. Ottiger, Mr. S. Osmena III, Mr. R. S. Roco, Mr. C. N. Sarino, and Mr. R. C. Valencia. We thank them and warmly acknowledge the significant contributions they made to the Company over past years.

Mr. Graeme Sheard left the Company in February last year, after nine years in Hong Kong, as General Manager-Production. We are grateful to him for the major contributions that he made to the Company, which included the notable relocation of the Company's production facility from Sham Tseng to Yuen Long.

The successor of Mr. Sheard was Mr. Raymund B. Francisco. He has subsequently transferred to work in our Greater China head office group. Although his time with us was short, he made a much appreciated contribution to our business, particularly in the area of enhancement of trade relations alongside his sales colleagues.

We thank both Graeme and Ray.

To be presented at the Thirty-Sixth Annual General Meeting of shareholders to be held at the Great Eagle Hotel, 8 Peking Road, Tsimshatsui, Kowloon, Hong Kong on Thursday, 18th March 1999 at 2:00 p.m.

The directors have pleasure in submitting their report and the audited statement of accounts for the financial year ended 31st December 1998.

PRINCIPAL ACTIVITIES

The principal activities of the Company and its subsidiaries continue to be the manufacture and distribution of bottled, canned and draught beers.

As the Group's turnover and profits are almost entirely attributable to these activities, no analysis by activity is provided.

An analysis of the geographical locations of trading operations of the Group during the financial year is given below:

	Turnover	Operating profit before tax
Hong Kong	58 %	12 %
The People's Republic of China	42 %	88 %

MAJOR CUSTOMERS AND SUPPLIERS

For the financial year ended 31st December 1998, the percentages of the Group's turnover and purchases attributable to major customers and suppliers were as follows:

Turnover attributable to:	
Largest customer	7.0 %
Five largest customers	26.6 %
Purchases attributable to:	
Largest supplier	10.9 %
Five largest suppliers	28.6 %

As at 31st December 1998, none of the directors, their associates, or any shareholder (which to the knowledge of the directors owned more than 5% of the Company's share capital) had a beneficial interest in the above major customers or suppliers.

ACCOUNTS

The profit and cash flows of the Group for the year ended 31st December 1998 and the state of affairs of the Group and the Company at that date are set out in the Accounts Section on pages 24 to 42 of this Annual Report.

DIVIDENDS

An interim dividend of one cent per share, was paid on 5th November 1998 to shareholders of record on 23rd October 1998. The directors recommend the payment of a final dividend of two cents per share on Friday, 26th March 1999 to shareholders of record on Friday, 12th March 1999.

RESERVES

Movements in the reserves of the Group and the Company during the financial year are set out in Note 18 to the accounts.

CHARITABLE AND OTHER DONATIONS

The Group made donations for charitable and other purposes totalling $296,396 during the financial year.

FIXED ASSETS

The Group spent $24 million (1997: $43 million) on fixed assets during the year. Particulars of the movements of fixed assets during the financial year are set out in Note 11 to the accounts.

SUBSIDIARIES

Particulars of the Company's subsidiaries are set out in Note 12 to the accounts.

LIQUIDITY AND FINANCIAL RESOURCES

Working capital at the end of the year was $325 million compared with $284 million in 1997.

Cash and bank deposits at year end were $203 million and are sufficient to fund working capital requirements and capital expenditure in 1999.

BANK LOANS, OVERDRAFTS AND OTHER BORROWINGS

The Group has short term credit facilities of $572 million of which $104 million had been utilised as at 31st December 1998.

Long term loans at year end amounted to $388 million (1997: $410 million).

Total borrowings at year end for the Company were $9 million (1997: $377 million) and for the Group $492 million (1997: $862 million).

Particulars of bank loans, overdrafts and advances of the Group and the Company are set out in Note 21 to the accounts.

DIRECTORS

With the exception of Messrs. Ramon S. Ang, Estelito P. Mendoza, Virgilio L. Peña and Luis E. Poblete, Jr., the directors of the Company, whose names appear on page 16 of the Annual Report, were directors for the whole of the year.

Messrs. Andres A. Soriano III, Sergio Osmeña III, Carl H. Ottiger, Raul S. Roco, Cesar N. Sarino and Renato C. Valencia resigned from the office of director during the year.

Messrs. Freddy W.M. Kwan, Ian F. Wade and Dr. David K.P. Li retire by rotation in accordance with Article 105 of the Company's Articles of Association at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

Messrs. Ramon S. Ang, Estelito P. Mendoza, Virgilio L. Peña and Luis E. Poblete, Jr., appointed to the board since the last Annual General Meeting, retire from the office of director in accordance with Article 96 of the Company's Articles of Association, and offer themselves for re-election at the forthcoming Annual General Meeting.

None of the directors proposed for re-election has a service agreement with the Company or any of its subsidiaries which is not determinable within one year without payment of compensation, other than normal statutory compensation.

DIRECTORS' INTERESTS IN SHARES

As at 31st December 1998, the directors and their associates had the following beneficial interests in the issued share capital of the Company and its associated corporations as recorded in the register required under Section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance"):—

	Number of ordinary shares of $0.50 each in the Company		
Name	Personal Interests	Corporate Interests	Total
Francisco C. Eizmendi, Jr.	2,816	—	2,816
David K.P. Li	300,000	—	300,000

Name	Personal Interests	Other Interests	Total
	Number of shares in San Miguel Corporation		
Class A (par value of 5 pesos each):			
Estelito P. Mendoza	26,425	—	26,425
Faustino F. Galang	125,821	—	125,821
Freddy W. M. Kwan	113,985	—	113,985
Virgilio L. Peña	2,662	—	2,662
Class B (par value of 5 pesos each):			
Faustino F. Galang	4,020	—	4,020
Freddy W. M. Kwan	48,851	—	48,851

Save as disclosed herein, none of the directors or their associates had any interests in the issued share capital of the Company or any of its associated corporations.

SUBSTANTIAL INTERESTS IN THE SHARE CAPITAL OF THE COMPANY

As at 31st December 1998, according to the register required under Section 16(1) of the SDI Ordinance, the Company was notified that the following shareholders had an interest of 10% or more of its issued share capital:—

Name	Ordinary shares held	Percentage of total issued shares
	Number of shares of $0.50 each	
Neptunia Corporation Limited	245,720,800	65.78%
HKSCC Nominees Limited	71,644,555	19.18%

Note:

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

DIRECTORS' INTERESTS IN CONTRACTS

Pursuant to an agreement dated 12th June 1963, Neptunia Corporation Limited provides technical and advisory services to the Company and may be paid a General Managers' Commission. Messrs. Francisco C. Eizmendi, Jr., Faustino F. Galang, Freddy W. M. Kwan, Estelito P. Mendoza and Virgilio L. Peña are interested parties to this contract to the extent that they either have equity interests in or are directors of San Miguel Corporation, the ultimate holding company of Neptunia Corporation Limited.

Save as disclosed above, during the financial year and at the end of the year, no director of the Company has had a material interest in any significant contract to which the Company or any related company (the holding company, subsidiaries or fellow subsidiaries) was also a party.

CODE OF BEST PRACTICE

Throughout 1998, the Company has complied with paragraphs 1 to 13 of the Code of Best Practice as set out by the Stock Exchange of Hong Kong Limited in Appendix 14 to the Listing Rules.

RETIREMENT AND PENSION PLANS, PERSONNEL AND PAYROLL

The Company and its subsidiaries in Hong Kong have sponsored a non-contributory defined benefit scheme (The San Miguel Brewery Hong Kong Limited Retirement Fund), covering local permanent employees, which was registered in September 1995 under the Occupational Retirement Schemes Ordinance. The retirement scheme is formally established under trust and the assets are separately held in an independently administered fund. The members' benefits are determined based on the employees' final remuneration and length of service. Contributions to the defined benefit scheme are made in accordance with the recommendations of independent actuaries who value the retirement scheme at regular intervals, usually triennially, and are charged to the Consolidated Statement of Profit and Loss.

Employees in the subsidiaries in the People's Republic of China are members of the Central Pension Scheme operated by the Chinese government. The subsidiaries are required to contribute a certain percentage of their covered payroll to the Central Pension Scheme to fund the benefits. The only obligation for the Group with respect to the Central Pension Scheme is the associated required contribution under the Central Pension Scheme.

The last formal actuarial assessment of the local staff retirement fund was carried out for 31st December 1997 and the results were as follows:

(A) The actuary of the fund is Mr. A. Wong, Fellow of the Canadian Institute of Actuaries and Fellow of the Society of Actuaries. In the actuarial valuation, the aggregate cost valuation method was used. Other major assumptions used in the valuation were: Investment return 9% per annum; Salary escalation 8.5% per annum; Mortality Rates 1991 Hong Kong Life Tables; Normal retirement age 65; Early retirement rates allowed between ages 50 to 65.

(B) The market value of the fund assets was $83,046,000 as at 31st December 1997.

(C) The minimum level of funding as recommended by the fund actuary was 6.5% of salary.

(D) The on-going funding surplus in the fund was $7,000,000 at 31st December 1997.

(E) The solvency basis funding surplus was $19,450,000 at 31st December 1997.

A full actuarial assessment of the fund has been commissioned for the period ending 31st December 1998 and results will be reported to shareholders in the next appropriate communication.

Particulars of the number of personnel and payroll expenses of the Group are set out on page 3 of this Annual Report.

YEAR 2000 COMPLIANCE OF COMPUTING SYSTEMS

The Group commenced planning for Year 2000 compliance in 1994 and expects that the programme will be completed prior to June 1999.

The Group has defined a Year 2000 compliant system to be one that should perform, function and manage data involving dates, without being abnormally affected by dates spanning the period to, during and after the Year 2000. It has also carefully evaluated the risks and uncertainties associated with non compliance.

Hong Kong

The achievement of Year 2000 compliance has been part of a much broader programme involving the adoption of a fully integrated business information system employing SAP software. SAP and its associated processing hardware are Year 2000 compliant and were installed in September 1996. This is the central system on which the Company's operations are based.

In 1996 the Company commissioned a new brewery at Yuen Long and, accordingly, has avoided the potential difficulties which might have risen from old processing equipment at its former brewery.

The Company operates other computer systems such as desk top computers and "PCs" incorporating software developed "in house", some of which are not Year 2000 compliant.

As at 31st December 1998 the Company had achieved 70% compliance of all operating systems (software plus hardware) by number. Full compliance is expected to be achieved by the end of June 1999 via the upgrade or replacement of the remaining 30% of operating systems.

The Company has completed an audit of the Year 2000 status of all its suppliers. This will be followed by a second audit in 1999. Based on responses received to date the Company does not anticipate any threat to the continuity of its operations. Nevertheless a contingency plan is being developed to allow the Company to continue operating in the event of unforeseen disruptions to the supply of critical goods and services.

PRC

Guangzhou San Miguel Brewery Company Limited

Production equipment has been assessed as compliant. However, as a precaution, engineers from the principal equipment suppliers will visit the brewery in March 1999 to confirm compliance.

A programme is underway for the upgrade or replacement of all systems which have been assessed as non compliant.

San Miguel Shunde Brewery Company Limited

As is the case in Hong Kong, the brewery at Shunde is relatively new, having been commissioned in 1996 and, accordingly, does not have the problems which might have been inherent in old equipment.

Planning for Year 2000 compliance commenced in early 1998. All hardware systems have been assessed to be compliant. Only two software systems have been identified as non compliant and solutions to these will be implemented prior to May 1999.

Group investment in Year 2000 compliance

The total cost of these plans to the Group, including amounts to be spent in future periods, is estimated to be $2.9 million. A sum of $2.7 million has been budgetted in 1999 for expenditure on Year 2000 compliance. This expenditure was authorised by the directors after the year end and has yet to be contracted. Expenditure in prior years, amounting to approximately $0.2 million, has been absorbed as part of the Group's ongoing capital expenditure.

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

During the financial year ended 31st December 1998, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of its listed shares.

FIVE YEAR SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 44 of this Annual Report.

AUDITORS

On 19th November 1998 our auditors changed the name under which they practice from KPMG Peat Marwick to KPMG and, accordingly, have signed their report in their new name. A resolution for the re-appointment of KPMG as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

FRANCISCO C. EIZMENDI, JR., *Chairman*
5th February 1999

DIRECTORS

Francisco C. Eizmendi, Jr. *Chairman*
John L. Dunwell *Managing Director*
Ramon S. Ang
Faustino F. Galang
Freddy W.M. Kwan
Arthur K.C. Li *Alternate to David K.P. Li*
David K.P. Li, O.B.E., JP *Independent Non-Executive Director*
Estelito P. Mendoza
Virgilio L. Peña
Luis E. Poblete, Jr.
Ian F. Wade *Independent Non-Executive Director*

The details of the Directors are as follows:

Mr. Francisco C. EIZMENDI Jr., *B. S. ChE., Ph. D. (Hon.),* aged 62, appointed director on 20th September 1984, is Chairman of the Company. Mr. Eizmendi is also President and Chief Operating Officer of San Miguel Corporation in addition to holding directorships in a number of its affiliated companies in the Philippines and abroad. Other interests include active memberships with the Management Association of the Philippines, the Harvard Business School Association of the Philippines and the International Management Institute, Philippine Chapter.

Mr. John L. DUNWELL, *B. Sc., Dip. (Biochem Eng.), F. Inst. B.,* aged 59, was appointed Managing Director on 20th October 1997. He is also a director of various subsidiaries of the Company. Prior to joining the Company, Mr. Dunwell was Vice President, Affiliates/Licensees, Asia-Pacific of San Miguel Brewing International Limited. Mr. Dunwell has had over 40 years broad experience in the brewing industry in the United Kingdom, Europe and the Americas, including senior appointments with Allied Domecq plc. and John Labatt Ltd..

Mr. Ramon S. ANG, *B.S.M.E.,* aged 44, was appointed on 27th November 1998. Mr. Ang is Vice Chairman as well as Special Assistant to the Chairman and Chief Executive Officer of San Miguel Corporation. Mr. Ang also holds directorships in Lucky Star Manufacturing Inc., Alto Marine Exporter Co. and Golden Aero Air Corporation in the Philippines.

Mr. Faustino F. GALANG, *B. Sc. (Com.), B.A. (So. Sc.), M.B.A.,* aged 52, appointed on 22nd March 1991, is concurrently President of San Miguel Brewing Philippines and San Miguel Brewing International Limited. He is also a director of San Miguel Corporation and Neptunia Corporation Limited, a substantial shareholder of the Company.

Mr. Freddy W. M. KWAN, *B. Com. (Hons.),* aged 50, appointed on 8th April 1997, is also a director of various subsidiaries of the Company. Mr. Kwan is the Executive Vice-President, Greater China Operations of San Miguel Brewing International Limited.

Prof. Arthur K. C. LI, *M.A., M.D., B. Chir. (Cantab), Hon. D. Sc. (Hull), F.R.C.S. (Eng.), F.R.C.S. (Ed.), F.R.A.C.S., F.A.C.S., F.P.C.S. (Hon.), Hon. F.R.C.S. (Glasg), Hon. F.R.S.M., Hon. F.R.C.S. (I),* aged 53, appointed Alternate Director to Dr. David K. P. Li on 22nd November 1991, is the Vice Chancellor at the Chinese University of Hong Kong. He is also a director of the Shatin International Medical Centre Union Hospital, The Bank of East Asia, Limited and non-executive director of China Telecom (Hong Kong) Ltd. and Glaxo-Wellcome plc.

Dr. The Hon. David K. P. LI, *O.B.E., M.A., Hon. L.L.D. (Cantab), F.C.A., F.H.K.S.A., F.C.I.B., F.B.C.S., F.C.I. Arb., J.P.,* aged 59, appointed on 22nd March 1991, is an Independent Non-Executive Director of the Company. Dr. Li is also the Chairman and Chief Executive of The Bank of East Asia, Limited and an elected member of the Legislative Council. Other directorships include China Overseas Land & Investment Limited, Dow Jones & Company, Inc., The Hong Kong & China Gas Co. Limited and a number of other publicly listed and private companies in Hong Kong. Dr. Li holds memberships with various banking and advisory committees in Hong Kong. He served as a Hong Kong Affairs advisor to The People's Republic of China and a Member of the Preparatory Committee for The Hong Kong Special Administrative Region.

Estelito P. MENDOZA, *A.A., L.L.B. (U.P.), L.L.M. (Harvard),* aged 68, appointed on 27th November 1998, is also a member of the Board of Directors of San Miguel Corporation. He has held various positions in the Government of the Philippines including Solicitor General and Minister of Justice. Mr. Mendoza has also been a Professorial Lecturer of the College of Law, University of the Philippines and taught public and private law. He is presently engaged in the private practice of law.

Virgilio L. PEÑA, *B. Sc. (Elect. Eng.),* aged 56, appointed on 25th September 1998, is the Senior Vice President, Corporate Services Division of San Miguel Corporation. Prior to the appointment to his current position in San Miguel Corporation, Mr. Pena was the President and Managing Director of San Miguel Brewing International Limited.

Luis E. POBLETE, *Jr., B.S.M.E.,* aged 37, appointed on 27th November 1998, is Vice President of Poblete Realty Development Corporation and Mega Expo Trading Corporation in the Philippines. Other activities have included representing the Philippines in various international and foreign affairs.

Mr. Ian F. WADE, aged 58, appointed on 25th March 1994, is an Independent Non-Executive Director of the Company. Mr. Wade is the Group Managing Director of A.S. Watson Co. Ltd., a wholly owned subsidiary of Hutchison Whampoa Ltd. He is the inaugural Chairman of the Retail Management Association of Hong Kong. Prior to joining Hutchison, Mr. Wade was a member of the ASDA Board in the United Kingdom.

SENIOR MANAGEMENT EXECUTIVES

John L. Dunwell	Managing Director
Thomas R. Mainwaring	Chief Finance Officer Company Secretary
Herbert W. M. Chu	General Manager - Production & Logistics
Raymund B. Francisco	General Manager - Production (up to 31st January 1999)
William H. Ottiger	General Manager - Marketing
Peter K. Y. Tam	General Mnager - Sales
Ben M. B. Wong	General Manager - Corporate Communications & Planning
Felix W. K. Yip	General Manager - Human Resources & Administration

The details of the management executives are as follows:

Mr. John L. DUNWELL, Managing Director, joined the Company on 20th October 1997. Please refer to the Directors Section for details.

Mr. Thomas R. MAINWARING, *B. Comm., M.B.A. (Columbia),* aged 54, Chief Finance Officer and Company Secretary, joined the Company on 1st January 1995. He is also a director of various subsidiaries of the Company. Mr. Mainwaring has more than 20 years experience with a number of major Australian companies (including 8 years with brewing groups) in senior managerial, financial and company secretarial positions.

Mr. Herbert W. M. CHU, *B.B.A., M.B.A.*, aged 45, was appointed General Manager - Logistics on 1st September 1997. He joined the Company in 1977. Prior to his present appointment he held the position of Materials Manager. During his twenty years of service with the Company, Mr. Chu has gained extensive experience in marketing, sales and public relations as well as logistics. Mr. Chu has taken up the production function of the Company in addition to his current role effective 1st February 1999 vice Mr. Raymund B. Francisco.

Mr. Raymund B. FRANCISCO, *B.Sc. (Eng.)*, aged 51, General Manager - Production, joined the Company on 5th February 1998. He has 27 years experience with San Miguel Corporation in a range of managerial roles handling brewery, sales and logistic functions. Mr. Francisco is the Vice President, Greater China Operations - Technical Services, of San Miguel Brewing International Limited, effective 1st February 1999.

Mr. William H. OTTIGER, *B.A.*, aged 31, joined the Company in June 1991 and gained experience in various positions in the Company's Marketing and Sales Department. Following a year with San Miguel Brewing International Limited as a Brand Manager, he rejoined the Company as a Project Manager in 1996 and was appointed as General Manager - Marketing on 9th January 1997. Mr. W. H. Ottiger is also the General Manager of Beer World Hong Kong Limited, a wholly owned subsidiary of the Company.

Mr. Peter K. Y. TAM, *B.B.A., M.B.A.*, aged 40, was appointed General Manager - Sales on 9th January 1997. He joined the Company in 1993 as Group Brand Manager and held the position of Marketing Manager before his recent promotion. Mr. Tam has more than 10 years experience in the marketing and selling of consumer products in Hong Kong.

Mr. Ben M. B. WONG, *M.B.A., F.C.C.A., A.H.K.S.A., A.S.A.*, aged 36, was appointed General Manager - Corporate Communications & Planning on 1st September 1998. He joined the Company in 1997 as Corporate Planning Manager. Mr. Wong has more than 10 years of business experience in various industries in senior managerial and financial positions.

Mr. Felix W. K. YIP, *M. Sc. (Per. Mgt.), M.B.A., M. Sc. (Eng.), F.I.P.D. (U.K.)*, aged 40, General Manager - Human Resources & Administration, joined the Company on 9th May 1994, following employment with various companies in Hong Kong in personnel management.

NOTICE IS HEREBY GIVEN that the THIRTY-SIXTH ANNUAL GENERAL MEETING of SAN MIGUEL BREWERY HONG KONG LIMITED will be held at the Great Eagle Hotel, 8 Peking Road, Tsimshatsui, Kowloon, Hong Kong on Thursday, 18th March 1999 at 2:00 p.m. for the purpose of transacting the following ordinary business:

1. To receive and consider the audited Statement of Accounts and the Reports of the Directors and Auditors for the year ended 31st December 1998.

2. To declare a final dividend.

3. To re-elect directors and approve directors' fees.

4. To appoint auditors and authorise the directors to fix their remuneration.

By Order of the Board
Thomas R. Mainwaring
Secretary

Hong Kong, 5th February 1999

Notes:

1. Shareholders are entitled to appoint one or more proxies to attend and vote in their stead at the meeting. A proxy need not be a shareholder of the Company.

2. To be valid, forms of proxy must be deposited at the registered office of the Company at 9/F., Citimark Building, 28 Yuen Shun Circuit, Siu Lek Yuen, Shatin, New Territories, Hong Kong not less than 48 hours before the time for holding the meeting.

3. The Transfer Books and Register of Members will be closed from Friday, 12th March 1999 to Thursday, 18th March 1999, both days inclusive, during which period no transfer of shares will be effected.

4. To qualify for the proposed final dividend, shareholders should ensure that transfers are lodged at the Company's share registrars, Central Registration Hong Kong Limited at 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:00 p.m. on Thursday, 11th March 1999.

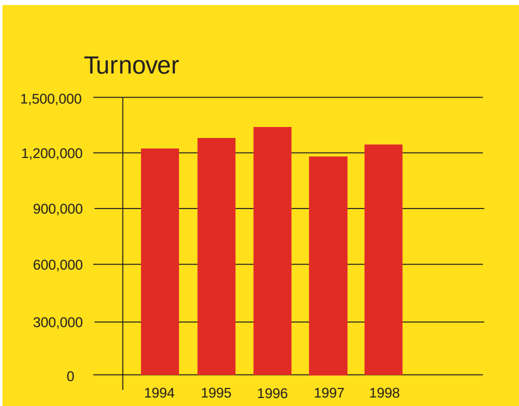
STATISTICAL ANALYSIS OF OPERATIONS

in dollar thousands except per share data and number of personnel

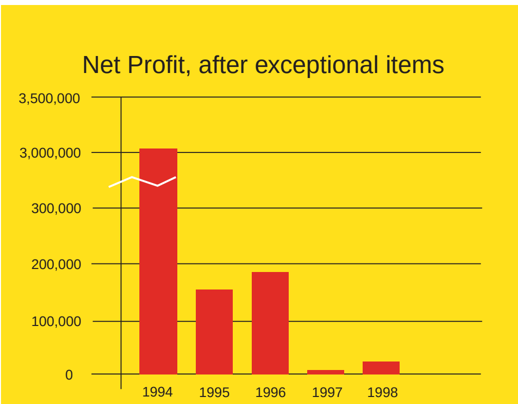
TEN YEAR REVIEW

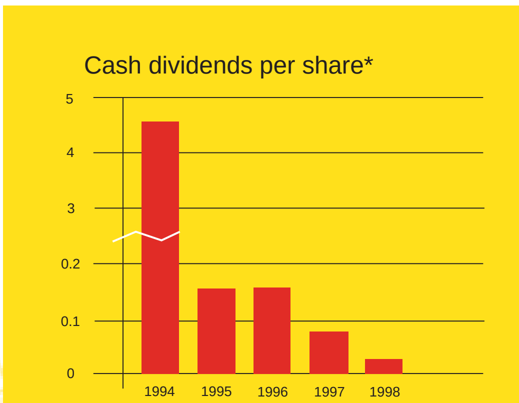
	1998	As restated 1997	1996
Turnover	**1,243,399**	1,191,331	1,289,510
Net profit, after exceptional item, taxes and minority interests	**17,051**	5,492	184,124
Taxes paid, including beer tax	**170,576**	144,620	152,073
Cash dividends	**11,207**	29,886	59,771
Cash dividends per share*	**0.03**	0.08	0.16
Fixed assets and projects under development	**2,347,937**	2,396,195	2,462,394
Net worth	**2,163,024**	2,157,247	2,213,010
Payroll	**188,353**	159,931	123,879
Number of personnel	**1,585**	1,660	1,524

* *adjusted for changes of issued share capital*



1995	1994	1993	1992	1991	1990	1989
1,268,474	1,223,965	1,186,464	1,279,076	1,208,509	940,096	863,694
165,908	3,033,408	32,199	52,524	90,954	155,172	227,256
132,899	172,287	284,124	296,164	281,793	246,095	210,560
59,771	1,648,803	3,736	63,507	74,714	87,789	106,468
0.16	4.51	0.01	0.17	0.20	0.24	0.29
2,062,862	1,092,466	670,586	674,700	656,612	542,861	418,807
2,087,213	1,973,271	630,336	610,646	622,589	606,969	539,586
142,404	145,450	129,691	115,924	106,900	94,681	82,237
1,327	1,573	1,576	1,750	1,814	788	800





Our Products
我們的產品

Export Products
出口產品

Flagship Products
生力啤酒系列

Allied Brands
其他品牌

Beer World's Brands
國際啤酒產品

	PAGE

CONSOLIDATED STATEMENT OF PROFIT AND LOSS

for the years ended 31st December, in dollar thousands except per share data

	Note	1998	As restated 1997
Turnover	2	**1,243,399**	1,191,331
Operating profit	3	**39,409**	10,132
Other (expenses) / income	4	**(8,772)**	(17,171)
Profit/(loss) before taxation		**30,637**	(7,039)
Taxation	5	**(11,002)**	9,899
Profit after taxation		**19,635**	2,860
Minority interests		**(2,584)**	2,632
Unclaimed dividends		**—**	—
Profit attributable to shareholders	8	**17,051**	5,492
Retained profit brought forward			
As previously reported	18	**1,883,966**	1,937,812
Prior year adjustment	9	**(30,170)**	—
As restated		**1,853,796**	1,937,812
		1,870,847	1,943,304
Elimination of Goodwill		**(122)**	(31,758)
Dividends			
An interim dividend of $0.01 per share paid on 5th November 1998 (1997: Two interim dividends each of $0.04 per share)		**(3,736)**	(29,886)
Proposed final dividend of $0.02 per share (1997: $nil per share)		**(7,471)**	—
		(11,207)	(29,886)
		1,859,518	1,881,660
Transfer to capital reserve		**—**	(27,864)
Retained profit carried forward	18	**1,859,518**	1,853,796
Earnings per share	10	**$0.05**	$0.01

The Notes on pages 29 to 42 form part of these accounts

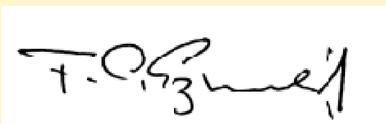
CONSOLIDATED BALANCE SHEET

as at 31st December, in dollar thousands

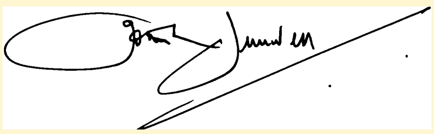
	Note	1998	As restated 1997
Fixed assets	*11*	**2,347,937**	2,396,195
Other assets	*13*	**12,435**	18,945
		2,360,372	2,415,140
Current assets	*14*	**601,609**	887,380
Current liabilities	*16*	**276,147**	603,578
Net current assets		**325,462**	283,802
		2,685,834	2,698,942
Representing:			
Share capital	*17*	**186,785**	186,785
Reserves	*18*	**1,976,239**	1,970,462
Shareholders' funds		**2,163,024**	2,157,247
Minority interests		**108,838**	109,438
Long term liabilities	*20*	**413,972**	432,257
		2,685,834	2,698,942

Approved by the Board of Directors on 5th February 1999.

Directors:



FRANCISCO C. EIZMENDI, JR.



JOHN L. DUNWELL

The Notes on pages 29 to 42 form part of these accounts

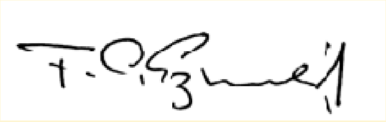
COMPANY BALANCE SHEET

as at 31st December, in dollar thousands

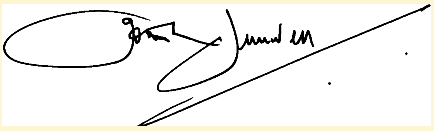
	Note	**1998**	1997
Fixed assets	*11*	**1,382,153**	1,413,209
Interests in subsidiaries	*12*	**640,529**	959,837
		2,022,682	2,373,046
Current assets	*14*	**179,439**	179,115
Current liabilities	*16*	**56,934**	408,290
Net current asset/(liabilities)		**122,505**	(229,175)
		2,145,187	2,143,871
Representing:			
Share capital	*17*	**186,785**	186,785
Reserves	*18*	**1,958,402**	1,934,691
Shareholders' funds		**2,145,187**	2,121,476
Long term liabilities	*20*	**—**	22,395
		2,145,187	2,143,871

Approved by the Board of Directors on 5th February 1999.

Directors:



FRANCISCO C. EIZMENDI, JR.



JOHN L. DUNWELL

The Notes on pages 29 to 42 form part of these accounts

for the years ended 31st December, in dollar thousands

	Note	1998	As restated 1997
Net cash inflow from operating activities	*(a)*	**94,114**	108,930
Returns on investments and servicing of finance			
Interest received		**35,208**	36,851
Interest paid		**(46,602)**	(50,531)
Dividends paid		**(3,736)**	(44,829)
Dividends paid to minority shareholders		**(3,207)**	(3,297)
Net cash outflow from returns on investment and servicing of finance		**(18,337)**	(61,806)
Taxation			
Hong Kong profits tax recovered		**—**	—
Overseas tax paid		**(10,860)**	(7,158)
Tax paid		**(10,860)**	(7,158)
Investing activities			
Purchase of fixed assets		**(24,020)**	(43,227)
Proceeds from exceptional disposal of Sham Tseng Brewery plant and equipment		**—**	65,230
Proceeds on disposal of other fixed assets		**979**	211
Purchase of short-term investments		**(1)**	(10,299)
Proceeds on disposal of short-term investments		**2,154**	2,153
Payment to acquire additional interest in subsidiary	*(b)*	**(122)**	(83,400)
Net cash outflow from investing activities		**(21,010)**	(69,332)
Net cash outflow before financing		**43,907**	(29,366)
Financing			
Proceeds from new bank loan		**44,952**	176,308
Repayment of bank loans	*(c)*	**(113,658)**	—
Net cash inflow/(outflow) from financing		**(68,706)**	176,308
(Decrease) / increase in cash and cash equivalents		**(24,799)**	146,942
Cash and cash equivalents at beginning of year		**218,704**	71,436
Effect of foreign exchange rate changes		**10**	326
Cash and cash equivalents at end of year	*(d)*	**193,915**	218,704

for the years ended 31st December, in dollar thousands

(a) Reconciliation of profit/(loss) before taxation to net cash inflow from operating activities

	1998	As restated 1997
Profit/(loss) before taxation	**30,637**	(7,039)
Interest income	**(34,504)**	(37,387)
Unrealised (loss)/gain on unlisted investments	**500**	(2,796)
Interest expenses	**44,906**	53,157
Depreciation and amortisation of fixed assets	**93,088**	83,211
Amortisation of pre-operating expenses	**6,515**	6,813
Loss on disposal of fixed assets	**2,552**	5,406
Increase in leased factory maintenance provision	**4,052**	4,119
(Increase)/decrease in products in hand and in process	**(502)**	5,926
(Increase)/decrease in materials and supplies	**(21,434)**	17,340
Increase in accounts receivable	**(50,635)**	(21,114)
Decrease in creditors	**13,997**	11,818
Decrease/(increase) in amounts due from group companies (net)	**4,974**	(8,203)
Exchange difference	**(32)**	(2,321)
Net cash inflow from operating activities	**94,114**	108,930

(b) Purchase of additional interests in subsidiary

The Company paid $122,000 in legal fees in 1998 in relation to the purchase of an additional interest in San Miguel (Guangdong) Limited for $83,400,000 in 1997.

(c) Analysis of changes in financing during the year

	Bank loans and advances repayable after three months
Balance at 1st January 1998	551,546
Proceeds from new bank loan	44,952
Repayment of bank loans	(113,658)
Exchange difference	136
Balance at 31st December 1998	482,976

(d) Analysis of the balances of cash and cash equivalents

	1998	1997
Cash at banks and in hand	**202,803**	528,704
Bank advances repayable within three months	**(8,888)**	(310,000)
	193,915	218,704

1 *SIGNIFICANT ACCOUNTING POLICIES*

These accounts have been prepared in accordance with Statements of Standard Accounting Practice issued by the Hong Kong Society of Accountants, accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. A summary of the significant accounting policies adopted by the Group is set out below.

A. Basis of consolidation

The consolidated accounts include the audited accounts of the Company and all its subsidiary companies made up to 31st December each year. The results of subsidiaries acquired or disposed of during the year are included in the Consolidated Profit and Loss account from or to the date of their acquisition or disposal, as appropriate. All material intercompany transactions and balances are eliminated on consolidation.

Goodwill /capital reserve arising on consolidation represents the excess /shortfall of the cost of investment in subsidiaries over the appropriate share of the fair value of the net assets acquired, and is eliminated directly against reserves.

The comparative figures are prepared based on those figures given in the statutory financial statements of the Group at 31st December 1998 after adjusting for the effects of the prior year adjustments as set out in Note 9.

B. Investments in subsidiaries

A subsidiary is a company in which the group, directly or indirectly, holds more than half of the issued share capital, or controls more than half of the voting power, or controls the composition of the board of directors.

Investments in subsidiaries in the Company's balance sheet are stated at cost less any provisions for permanent diminution in value as determined by the directors.

C. Other investments

Short term investments are stated at the net realisable value at the balance sheet date. Changes in value of such assets and profits or losses on disposal are recognised in the profit and loss account as they arise.

D. Fixed assets

Fixed assets are stated at cost less amortisation and depreciation with the exception of construction in progress which is stated at cost.

The carrying value of fixed assets (depreciated cost) is reviewed periodically to assess whether the recoverable value has declined below the carrying value. If such a decline has occurred, the carrying value is reduced to the recoverable value and the associated reduction is recognised as an expense in the profit and loss account. In assessing the recoverable value, future cash flows which are expected to be generated by assets are discounted to their present values.

1 *SIGNIFICANT ACCOUNTING POLICIES* (Continued)

E. Amortisation and depreciation

Amortisation and depreciation are provided on fixed assets in use on the straight line basis at rates sufficient to write off the cost of the assets over their useful lives according to the following schedule:

Asset category	*Useful life*
Buildings (pre-1982)	20 years
Buildings (1982 and after)	25 to 50 years
Machinery, equipment, furniture and fixtures	4 to 50 years
Motor vehicles	4 to 7 years

Leasehold land is depreciated over the remaining lease periods to the extent that such depreciation is material.

F. Pre-operating expenses

Pre-operating expenses, comprising legal and professional fees and incidental costs incurred in setting up subsidiary companies are written off to the Consolidated Statement of Profit and Loss on a straight line basis over 5 years from commencement of operation.

G Revenue recognition

i. Revenue arising from sales of goods is recognised when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added or other sales taxes and is after deduction of any trade discounts.

ii. Interest income from bank deposits is accrued on a time-apportioned basis on the principal outstanding and at the rate applicable.

iii. Dividend income from unlisted investments is recognised when the shareholders' right to receive payment has been established.

H. Products, materials and supplies

Both materials and supplies and products in hand and in process are valued at the lower of cost and net realisable value. Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1 *SIGNIFICANT ACCOUNTING POLICIES* (Continued)

I. Deferred taxation

Deferred taxation is provided using the liability method in respect of the taxation effect arising from all material timing differences between the accounting and tax treatment of income and expenditure, which are expected with reasonable probability to crystallise in the foreseeable future.

J Translation of foreign currencies

Monetary assets and liabilities in foreign currencies are translated into Hong Kong dollars at the rates of exchange ruling at the balance sheet date. Foreign currency transactions during the year are translated into Hong Kong dollars at the rates of exchange ruling at the transaction dates. On consolidation, accounts of overseas subsidiary companies have been translated into Hong Kong dollars at rates of exchange ruling at the balance sheet date.

Differences on exchange are dealt with in the Consolidated Statement of Profit and Loss with the exception of those arising on the translation of the accounts of overseas subsidiary companies which are dealt with in the exchange fluctuation reserve.

K. Operating leases

Rentals payable under operating leases are accounted for in the Consolidated Statement of Profit and Loss on a straight line basis over the periods of the respective leases.

L. Borrowing costs

Borrowing costs are expensed in the profit and loss account in the period in which they are incurred.

M. Retirement costs

The Group operates a defined benefit retirement scheme for Hong Kong based staff and the regular cost of providing retirement benefits is charged to profit and loss account over the expected service lives of the members of the scheme on the basis of level percentages of pensionable pay. Variations from regular cost arising from periodic actuarial valuations are allocated to the profit and loss account over the expected remaining service lives of the members.

N. Related parties

For the purposes of these accounts, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or entities.

2 TURNOVER

Turnover represents the net invoiced value of products sold.

3 OPERATING PROFIT

in dollar thousands

	Group	
	1998	1997
The operating profit is stated after charging the following items:		
Depreciation and amortisation of fixed assets	**93,088**	83,211
Amortisation of pre-operating expenses	**6,515**	6,813
Inventory costs	**391,174**	415,384
Operating lease charges:		
— Plant and machinery	**15,202**	15,049
— Land and buildings	**18,818**	18,879
Retirement costs	**14,296**	13,792
Auditors' remuneration	**2,401**	2,388
Non recurring and prior year costs *(Note a)*	**8,055**	—
and after crediting:		
Amortisation of beer kegs *(Note b)*	**(7,813)**	5,026

(a) During the year the Group absorbed non recurring costs, including localisation of staff remuneration packages, as well as costs relating to prior years in excess of related provisions. These costs reduced profit attributable to shareholders by $8,055,347.

(b) During 1998, the Group and the Company reclassified beer kegs from materials and supplies to fixed assets and has reassessed their economic lives. The effect of this reassessment was a reversal of depreciation of $ 7,812,672 for the Group and $4,598,652 for the Company for the year ended 31st December 1998

4 OTHER (EXPENSES)/INCOME

in dollar thousands

	1998	1997
Rental income	**7,724**	8,372
Interest income	**34,504**	37,387
Unrealised (loss)/gain on unlisted investments	**(500)**	2,796
Profit on disposal of investments	—	—
Loss on disposal of fixed assets	**(2,552)**	(5,406)
Interest on bank advances and other borrowings wholly repayable within five years	**(44,905)**	(53,157)
Other expenses	**(3,043)**	(7,163)
	(8,772)	(17,171)

5 *TAXATION*

in dollar thousands

No provision has been made for Hong Kong profits tax because the Group will not report a taxable profit in Hong Kong.

Overseas taxation is calculated at the appropriate tax rates on the estimated overseas profits for the year.

Taxation in the Consolidated Statement of Profit and Loss is made up as follows:

	Group	
	1998	1997
Overseas taxation	**11,002**	10,060
Deferred taxation *(Note 19)*	**—**	(19,959)
	11,002	(9,899)

6 *DIRECTORS' EMOLUMENTS*

in dollar thousands

	Group	
	1998	1997
Fees	**329**	—
Salaries, bonuses and allowances	**3,038**	3,421
Retirement fund contributions	**286**	324
Termination payments	**1,975**	756
	5,628	4,501

Included in the directors' emoluments were fees of $279,000 (1997: $nil) paid to non-executive directors during the year.

The directors' emoluments are analysed as follows:

	Number of directors	
	1998	1997
$Nil to $1,000,000	**9**	12
$3,000,001 to $3,500,000	**1**	1

7 *INDIVIDUALS WITH HIGHEST EMOLUMENTS*

in dollar thousands

The highest individual emolument is included with other directors' emoluments in Note 6. The aggregate of emoluments in respect of the remaining four highest paid individuals is as follows:

	Group	
	1998	1997
Salaries, bonuses and allowances	**8,765**	8,461
Retirement fund contributions	**315**	385
	9,080	8,846

The above emoluments are analysed as follows:

	Number of individuals	
	1998	1997
$1,500,001 to $2,000,000	**1**	1
$2,000,001 to $2,500,000	**2**	3
$2,500,001 to $3,000,000	**1**	—

8 *PROFIT ATTRIBUTABLE TO SHAREHOLDERS*

The profit attributable to shareholders is dealt with in the accounts of the Company to the extent of $34,918,000 (1997: $44,135,000).

9 *PRIOR YEAR ADJUSTMENT*

In 1998, the Company changed the accounting policy on goodwill arising from the acquisition of subsidiaries from a policy of amortising goodwill on a straight line basis over 20 years to direct elimination against reserves in the year of acquisition. The directors consider that the change will result in a more appropriate presentation of events in the financial statements of the Group. This change, which has been applied retrospectively, has the following effects:

a. to increase the previously reported operating profit for the year ended 31st December 1997 by $1,588,000, reflecting the write back of the goodwill amortised in that year; and

b. to reduce the previously reported consolidated reserves as at 31st December 1997 by $30,170,000, reflecting elimination of the remaining balance of the unamortised goodwill as at that date.

10 *EARNINGS PER SHARE*

The calculation of earnings per share is based on profit attributable to shareholders of $17,051,000 (1997:$ 5,492,000) and on 373,570,560 ordinary shares (1997: 373,570,560 shares), being the weighted average number of shares in issue during the year.

The amount of diluted earnings per share is not presented as the amount is the same as the basic earnings per share as presented in the accounts.

11 *FIXED ASSETS*

in dollar thousands

(a)	Group	Total	Land	Buildings	Machinery, equipment, furniture & fixtures	Motor vehicles	Construction in progress
	Cost						
	At 1st January 1998	2,590,137	247,300	839,699	1,396,660	43,771	62,707
	Exchange adjustments	251	11	81	132	7	20
	Additions	24,020	782	158	7,313	625	15,142
	Disposals	(11,577)	—	—	(7,148)	(2,818)	(1,611)
	Transfer of beer kegs *(Note 3b)*	46,273	—	—	46,273	—	—
	Transfer from construction in progress	—	(2,035)	1,480	10,189	(33)	(9,601)
	At 31st December 1998	2,649,104	246,058	841,418	1,453,419	41,552	66,657
	Aggregate amortisation and depreciation						
	At 1st January 1998	193,942	781	30,012	137,675	25,474	—
	Exchange adjustments	21	1	3	14	3	—
	Charge for the year	93,088	1,441	16,574	69,749	5,324	—
	Written back on disposals	(8,046)	—	—	(5,690)	(2,356)	—
	Transfer of beer kegs *(Note 3b)*	22,162	—	—	22,162	—	—
	Transfer from construction in progress	—	—	528	(548)	20	—
	At 31st December 1998	301,167	2,223	47,117	223,362	28,465	—
	Net book value at 31st December 1998	**2,347,937**	**243,835**	**794,301**	**1,230,057**	**13,087**	**66,657**
	Net book value at 31st December 1997	2,396,195	246,519	809,687	1,258,985	18,297	62,707
(b)	**Company**						
	Cost						
	At 1st January 1998	1,524,888	107,292	458,661	933,462	17,428	8,045
	Additions	8,433	—	111	4,310	625	3,387
	Disposals	(8,343)	—	—	(6,463)	(1,880)	—
	Transfer of beer kegs *(Note 3b)*	26,564	—	—	26,564	—	—
	Transfer from construction in progress	—	—	—	10,765	—	(10,765)
	At 31st December 1998	1,551,542	107,292	458,772	968,638	16,173	667
	Aggregate amortisation and depreciation						
	At 1st January 1998	111,679	—	11,662	86,850	13,167	—
	Charge for the year	49,416	—	9,175	38,853	1,388	—
	Written back on disposals	(7,422)	—	—	(5,606)	(1,816)	—
	Transfer of beer kegs *(Note 3b)*	15,716	—	—	15,716	—	—
	At 31st December 1998	169,389	—	20,837	135,813	12,739	—
	Net book value at 31st December 1998	**1,382,153**	**107,292**	**437,935**	**832,825**	**3,434**	**667**
	Net book value at 31st December 1997	1,413,209	107,292	446,999	846,612	4,261	8,045

11 *FIXED ASSETS* (Continued)

in dollar thousands

(c) The analysis of net book value of land is as follow:

	Group		Company	
	1998	1997	**1998**	1997
Long term leasehold land				
— in Hong Kong	**209,014**	209,014	**107,292**	107,292
— outside Hong Kong	**34,821**	37,505	**—**	—
	243,835	246,519	**107,292**	107,292

(d) The gross amounts of fixed assets of the Group and the Company held for use on short term operating leases were $203,445,000 (1997: $203,445,000) and the related accumulated depreciation charges were $8,477,000 (1997: $6,442,000).

12 *INTERESTS IN SUBSIDIARIES*

in dollar thousands except share capital of subsidiaries

	Company	
	1998	1997
Unlisted shares, at cost	**603,249**	1,685,327
Amounts due from subsidiaries	**333,432**	435,019
Amounts due to subsidiaries	**(296,152)**	(1,160,509)
	640,529	959,837

12 *INTERESTS IN SUBSIDIARIES* (Continued)

in dollar thousands except share capital of subsidiaries

The following list contains only the particulars of subsidiaries which principally affected the results of the Group:

Company	Place of incorporation/ operation	Issued and fully paid up share capital (All being ordinary except otherwise stated)	Percentage of shares held by Company	Percentage of shares held by Subsidiaries	Principal activities
Beer World Hong Kong Limited	Hong Kong	$1,000	100%	—	Beer Trading
Best Investments International Inc.	British Virgin Islands	US$50,000	100%	—	Investment
		Preferences: US$60,000,000	100%	—	
Guangzhou San Miguel Brewery Company Limited	The People's Republic of China	US$25,495,000	—	70%	Manufacture and sale of beer
Hongkong Brewery Limited	Hong Kong	$100	100%	—	Dormant
Ravelin Limited	Hong Kong	$10,000,000	100%	—	Property Holding
San Miguel (Guangdong) Limited	Hong Kong	A: US$ 9,000,000	92.989%	—	Investment Holding
		B: $1,000	100%	—	
San Miguel Shunde Brewery Company Limited	The People's Republic of China	US$ 27,933,000	—	85%	Manufacture and sale of beer
San Miguel Shunde Holdings Limited	Hong Kong	$2,000,000	92%	—	Investment Holding

Guangzhou San Miguel Brewery Company Limited is a company formed between the Company's subsidiary, San Miguel (Guangdong) Limited, and Guangzhou Brewery. According to the shareholders' agreement, the company has an operating period of 30 years expiring on 28th November 2020.

San Miguel Shunde Brewery Company Limited is a company formed between the Company's subsidiary, San Miguel Shunde Holdings Limited, and Guangdong Province Shunde County Brewery. According to the shareholder's agreement, the company has an operating period of 50 years expiring on 4th August 2042.

13 *OTHER ASSETS*

in dollar thousands

Other assets represent pre-operating expenses.

Movement in other assets comprise:

	Group	
	1998	1997
Balance at 1st January	**18,945**	25,665
Amortisation for the year	**(6,515)**	(6,813)
Exchange difference	**5**	93
Balance at 31st December	**12,435**	18,945

14 *CURRENT ASSETS*

in dollar thousands

	Group		Company	
	1998	1997	**1998**	1997
Inventories *(Note 15)*	**96,248**	98,423	**34,720**	45,088
Accounts receivable	**206,400**	156,472	**63,119**	57,176
Amounts due from holding company & fellow subsidiaries	**63,564**	68,538	**66,682**	69,786
Unlisted investments	**32,594**	35,243	**—**	—
Cash at bank and in hand	**202,803**	528,704	**14,918**	7,065
	601,609	887,380	**179,439**	179,115

15 *INVENTORIES*

in dollar thousands

	Group		Company	
	1998	1997	**1998**	1997
Products in hand and in process	**20,239**	19,737	**8,771**	8,259
Materials and supplies in hand and in transit	**76,009**	78,686	**25,949**	36,829
	96,248	98,423	**34,720**	45,088

The amount of inventories carried at net realisable value is $nil (1997: $nil).

16 *CURRENT LIABILITIES*

in dollar thousands

	Group		Company	
	1998	1997	**1998**	1997
Bank loans and advances *(Note 21)*	**104,212**	451,557	**8,888**	354,789
Creditors	**157,833**	145,532	**40,575**	53,501
Taxation	**6,631**	6,489	**—**	—
Dividend payable	**7,471**	—	**7,471**	—
	276,147	603,578	**56,934**	408,290

17 *SHARE CAPITAL*

in dollar thousands

	Company 1998	Company 1997
Authorised:		
400,000,000 shares of $0.50 each	**200,000**	200,000
Issued and fully paid:		
373,570,560 shares of $0.50 each	**186,785**	186,785

18 *RESERVES*

in dollar thousands

	Total	Share premium	Capital reserve	Exchange fluctuation reserve	Revenue reserve
Group					
Balance at 1st January 1998	2,000,632	65,739	57,312	(6,385)	1,883,966
Prior period adjustment	(30,170)	—	—	—	(30,170)
As restated	1,970,462	65,739	57,312	(6,385)	1,853,796
Profit for the year	17,051	—	—	—	17,051
Dividend	(11,207)	—	—	—	(11,207)
Transfer to capital reserve	—	—	—	—	—
Goodwill written off	(122)	—	—	—	(122)
Exchange gain arising on consolidation	55	—	—	55	—
Balance at 31st December 1998	**1,976,239**	**65,739**	**57,312**	**(6,330)**	**1,859,518**
Company					
Balance at 1st January 1998	1,934,691	65,739	—	—	1,868,952
Profit for the year	34,918	—	—	—	34,918
Dividend	(11,207)	—	—	—	(11,207)
Balance at 31st December 1998	**1,958,402**	**65,739**	**—**	**—**	**1,892,663**

The distributable reserves of the Company as at 31st December 1998 were $1,892,663,000 (1997: $1,868,952,000).

19 *DEFERRED TAXATION*

in dollar thousands

Major components of deferred tax are set out below:

	Group			
	1998		1997	
	Potential liabilities		Potential liabilities	
	Provided	**Unprovided**	Provided	Unprovided
Depreciation allowances in excess of related depreciation	**—**	**123,318**	—	123,594
Future benefit of tax losses	**—**	**(105,173)**	—	(100,910)
	—	**18,145**	—	22,684

No provision has been made for the potential liabilities of deferred tax because they are not expected to crystallise in the foreseeable future.

20 *LONG TERM LIABILITIES*

in dollar thousands

	Group		Company	
	1998	1997	**1998**	1997
Bank loans and advances *(Note 21)*	**387,652**	409,989	**—**	22,395
Leased factory maintenance provision	**26,320**	22,268	**—**	—
	413,972	432,257	**—**	22,395

Pursuant to a subsidiary's factory lease agreement which expires on 28th February 2021, the subsidiary is required to pay to the lessor an annual fee of approximately $4.03 million for maintaining the leased factory, for which provision is made each year (adjusted for exchange differences).The fee is payable upon expiration or early termination of the lease agreement and may be settled by any qualifying capital expenditure incurred by the subsidiary on the purchase or construction of any separate and identifiable equipment or building during the term of the lease.

As this factory lease is not expected to be terminated within the next twelve months, the accumulated provision is included in long term liabilities.

21 BANK LOANS AND ADVANCES

in dollar thousands

	Group		Company	
	1998	1997	**1998**	1997
Secured	**15,920**	3,745	—	—
Unsecured	**475,944**	857,801	**8,888**	377,184
	491,864	861,546	**8,888**	377,184

Bank loans and advances are repayable as follows:

	Group		Company	
	1998	1997	**1998**	1997
Within one year or on demand *(Note 16)*	**104,212**	451,557	**8,888**	354,789
More than 1 year but less than 2 years	—	22,395	—	22,395
More than 2 years but less than 5 years	**387,652**	387,594	—	—
	387,652	409,989	—	22,395
	491,864	861,546	**8,888**	377,184

The banking facilities of a subsidiary are secured by a fixed charge over its buildings.

22 COMMITMENTS

in dollar thousands

(a) The aggregate amount of commitments for capital expenditure, for which no provision has been made in the accounts, totalled approximately:

	Group		Company	
	1998	1997	**1998**	1997
Contracted for	**6,616**	6,054	**2,023**	5,492
Authorised by the directors but not contracted for	**13,761**	24,767	**50**	17,533
	20,377	30,821	**2,073**	23,025

(b) At 31st December, the Group and the Company had commitments under operating leases to make payments in the following year as follows:

	Group		Company	
	1998	1997	**1998**	1997
Land and buildings				
Leases expiring:				
Within 1 year	**3,266**	11,324	**1,540**	2,327
After 1 year but within 5 years	**5,415**	16,028	**9,394**	10,296
After 5 years	**7,541**	7,623	—	—
Plant and machinery				
Leases expiring:				
Within 1 year	**465**	—	**465**	—
After 1 year but within 5 years	—	465	—	465
After 5 years	**14,737**	14,739	**508**	514
	31,424	50,179	**11,907**	13,602

23 MATERIAL RELATED PARTY TRANSACTIONS

The Group purchased and sold products and materials from and to companies that either had a controlling interest in the Group or were also subsidiaries of the ultimate holding company. These transactions were carried out under the same terms as the related parties trade with other customers. During 1998, total purchases from and sales to these related parties totalled $32,280,634 and $57,236,946 respectively. The net amount due to these related parties amounted to $1,666,221 on 31st December 1998. The comparative information is not provided.

In 1996, the Company sold machinery and equipment, on commercial terms, for $130,462,994 to a holding company of San Miguel Brewery Hong Kong Limited. The amount due from this related party at 31st December 1998 was $65,229,994 and interest has been charged at a commercial rate.

24 CONTINGENT LIABILITIES

in dollar thousands

In accordance with a subsidiary company's factory lease agreement, except for certain specified reasons, the subsidiary company is required to pay the lessor a penalty of $10.58 million (adjusted for exchange differences) if the agreement is terminated before 28th February 2021, the expiry date of the lease.

As at 31st December 1998, there were contingent liabilities in respect of guarantees given to banks by the Company to secure banking facilities made available to subsidiary companies.

	Company	
	1998	1997
Guarantees to banks	**465,183**	480,500

25 COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current year's presentation and have been restated as a result of a prior year adjustment.

26 ULTIMATE HOLDING COMPANY

San Miguel Corporation, incorporated in the Republic of the Philippines, is regarded by the directors as being the Company's ultimate holding company at 31st December 1998.

To the shareholders of San Miguel Brewery Hong Kong Limited
(Incorporated in Hong Kong with limited liability)

We have audited the accounts on pages 24 to 42 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Companies Ordinance requires the directors to prepare accounts which give a true and fair view. In preparing accounts which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently, that judgements and estimates are made which are prudent and reasonable and that the reasons for any significant departure from applicable accounting standards are stated.

It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

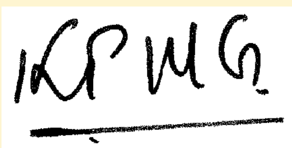
BASIS OF OPINION

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the Company's and the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the accounts are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts. We believe that our audit provides a reasonable basis for our opinion.

OPINION

In our opinion, the accounts give a true and fair view, in all material respects, of the state of affairs of the Company and of the Group as at 31st December 1998 and of the Group's profit and cash flows for the year then ended and have been properly prepared in accordance with the Companies Ordinance.



KPMG
Certified Public Accountants

Hong Kong, 5th February 1999

FIVE YEAR SUMMARY

Years ended 31st December, in dollar thousands except per share data

		As restated			
	1998	1997	1996	1995	1994
Results					
Turnover	**1,243,399**	1,191,331	1,289,510	1,268,474	1,223,965
(Loss)/profit before taxation	**30,637**	(7,039)	187,924	200,106	3,087,032
Taxation	**11,002**	(9,899)	(4,109)	7,576	20,211
Minority interests	**2,584**	(2,632)	8,622	26,622	33,413
Profit after exceptional item, taxes and minority interests	**17,051**	5,492	184,124	165,908	3,033,408
Dividends	**11,207**	29,886	59,771	59,771	1,684,803
Transfer (from)/to revenue reserves	**—**	(27,864)	124,353	106,137	1,348,605
Earnings per share	**0.05**	0.01	0.49	0.44	8.12
Dividends per share	**0.03**	0.08	0.16	0.16	4.51
Employment of capital					
Fixed assets	**2,347,937**	2,396,195	2,462,394	538,102	512,798
Purchased goodwill	**—**	—	—	—	—
Projects under development	**—**	—	—	1,524,760	579,668
Investments	**32,594**	35,243	24,255	27,476	58,843
Other assets	**12,435**	18,945	25,665	5,536	4,967
Stocks	**96,248**	98,423	121,689	117,501	118,384
Accounts receivable	**269,964**	225,010	260,387	198,537	123,850
Cash at bank and in hand	**202,803**	528,704	498,906	1,021,349	2,337,503
	2,961,981	3,332,690	3,393,296	3,433,261	3,736,013
Capital employed					
Share capital	**186,785**	186,785	186,785	186,785	186,785
Reserves	**1,976,239**	1,970,462	2,026,225	1,900,428	1,786,486
Minority interests	**108,838**	109,438	166,513	163,751	120,807
Long term and deferred liabilities	**413,972**	432,257	105,141	308,487	519,004
Short term bank loans and advances	**104,212**	451,557	735,251	439,353	333,169
Creditors	**164,464**	152,021	158,438	419,514	225,670
Proposed dividends and cash bonus	**7,471**	—	14,943	14,943	564,092
	2,961,981	3,332,690	3,393,296	3,433,261	3,736,013