CHAIRMAN'S STATEMENT

To Our Shareholders,

I am very pleased to report that the year 2000 was another year of achievement for San Miguel Brewery Hong Kong Limited ("the Company"). This achievement is reflected in our strong year-end results and the sustained improvement in our Company's financial performance.

Financial Results

Profit attributable to shareholders of $87.657 million was 46% above the 1999 result of $60.100 million. Earnings per share increased at the same rate, from 16.1 cents in 1999 to 23.5 cents in 2000.

Both Hong Kong operations and Guangzhou San Miguel Brewery Company Limited ("Guangzhou Brewery") contributed to the increase in profit with Hong Kong reporting a 30% increase in net profit and Guangzhou Brewery gaining 153%.

San Miguel Shunde Brewery Company Limited ("Shunde Brewery") improved its operating profit by 18%, however this was largely offset by increased finance costs.

The Company's 2000 closing share price was $1.41 compared with $1.29 for 1999, an increase of 9%. The 2000 closing share price represents a price earnings ratio of only 6.0 compared with the 1999 closing price earnings ratio of 8.0. We are of the opinion that the Company's share price does not reflect the momentum of gains made over the past three years, as profit attributable to shareholders of $87.657 million in 2000 is 16 times the profit of $5.492 million for 1997.

Interim dividends paid during the year, together with the proposed final dividend, represent a yield of 10% on the 2000 closing share price.

Sales volume in Hong Kong increased marginally for the second consecutive year. This is considered to be a good performance in the light of 6.5% decline in total market volume. The result was a solid gain in market share.

Guangzhou Brewery increased sales volume by more than 5%, including a 22% gain in sales of San Miguel brand products, an excellent performance that contributed significantly to profitability. Sales of Shunde Brewery were 5.6% lower as a result of a substantial decline in sales of Valor. The brand suffered from bottle shortages as well as heavy competition in Guangzhou City from directly competing brands launched during the year by other major brewers.

Consolidated sales turnover of $1,355.184 million was 1% higher than the previous year as increased revenue in Hong Kong and South China was offset by a decline in export revenue.

Higher volumes of brand San Miguel in South China contributed to the growth in sales revenue.

Our efforts to contain fixed overhead costs have resulted in a reduction of approximately $45 million over the past three years from 1998 to 2000.

Profit from operations increased 24% from $83.737 million in 1999 to $104.249 million in 2000.

The increase in finance costs was the result of higher interest charges on the US$50 million Shunde Brewery term loan.

Other net income increased from $11.987 million in 1999 to $29.681 million in 2000. The increase of $17.694 million includes — a reduction of severance pay of $8.058 million from $10.822 million in 1999 to $2.764 million in 2000 and an increase of $9.636 million in rental, investment and other income.

Total debt at year end stood at 20% of shareholders funds. The parent company, San Miguel Brewery Hong Kong Limited, remains debt free. The US$50 million (HK$390.256 million) loan from Bank of America to Shunde Brewery is the Group’s only term loan. This loan expires in March 2002.

Cash and investments at year end totalled $437.837 million, an increase of $104.019 million over 1999. Group operations continue to be strongly cash positive, generating a total of $159.726 million for the year before dividend payouts during the year of $48.564 million and repayment of debt of $11.314 million.

Cash and investments at the end of 2000 were equal to $1.17 per share or 83% of the Company’s market capitalisation.

The Group is in a strong financial position and anticipates another year of growth in 2001, assisted by significantly improved profitability in its South China operations.

Dividends

The Directors have recommended the payment of a fourth and final dividend for the year ended 31st December 2000 of 4 cents per share. Three interim dividends totalling 10 cents per share were paid in 2000. The final dividend will lift total dividends for 2000 to 14 cents per share, an increase of 3 cents per share (27.3%) over the 11 cents per share paid in 1999.

Business Review

Despite signs of modest recovery of the general economy, the year 2000 was a very challenging and difficult one. The beer markets in Hong Kong and South China continued to be highly competitive. Growth of the South China beer market was below expectation and the Hong Kong beer market suffered a decline in total industry volume by 6.5%.

By pursuing our commitment to the achievement of our goals and to the delivery of the results promised to shareholders, we are happy to report that the Company achieved its targeted volume, profit and cash flow as a result of our continuing efforts in building a sales-driven culture supported by quality products, creative marketing and skilled support staff.

Hong Kong Operations

The year's results were particularly encouraging for our business in the Hong Kong market where local sales volume was 1.4% higher than that of the previous year. This sales performance was achieved against the backdrop of a lackluster retail environment, a deflationary economy and intense competition in a declining beer market. Despite the negative market sentiment, our flagship product San Miguel Pale Pilsen and other allied brands continued to report gains in market share.

Major sales initiatives implemented during the year to strengthen our quality of service to customers have resulted in a highly committed and motivated sales team, which is respected by the Trade as a major competitive advantage of the Company.

Two new TV commercials, "Reform" and "Silicon Valley", featuring Tony Leung and Angel Eleven, were launched in June and were positively received by consumers.

Independent market research indicates that brand San Miguel is beginning to enjoy a contemporary and trendy image, which appeals to consumers of all age groups, especially to those who are young and young at heart.

The Trade Marks Bill, including Clause 19 with regard to International Exhaustion of Trademark Right, was passed by the Legislative Council in May 2000. To be enforced in 2001, the Bill incorporates a formal liberalisation of parallel imports in Hong Kong. In this connection, the Company has continued its efforts in submissions to relevant Government authorities for more comprehensive labelling requirements for beer products in order to protect the interests of its trade customers and consumers against excessive and uncontrolled parallel imports.

South China Operations

The economy of Mainland China experienced a moderate rebound in year 2000. Real GDP growth is estimated to have reached 8.1% in 2000 against 7.1% in 1999. However, underpinning the rebound in this growth rate were the strong export performance and sustained government spending on public projects. Private sector investment and retail sales have remained restrained. In particular, overall consumer confidence has continued to be affected by the restructuring of the state sector, which involves the redundancy of tens of millions of state workers.

The South China market, flooded by numerous local and foreign brands, has become increasingly more competitive. Brand loyalty is weak, which makes trade and outlet promotion an important element to push beer sales. While competition in the beer industry intensified, the high-end popular ("HEP") beer segments have expanded and become a big and attractive segment for all players in the market. Moreover, local premium brands have re-defined their pricing structure, in an attempt to gain ground at the expense of the foreign premium beer brands including San Miguel.

In spite of the difficult competitive environment, the pressure on prices and increased promotional spending on the part of competitors, it is pleasing to note that sales volume of our premium brand San Miguel Pale Pilsen in the South China market increased by 18% over last year. The successful full-scale launch of the San Miguel Pale Pilsen Steinie big bottle at the beginning of 2000, together with a TV commercial featuring Tony Leung and Angel Eleven, significantly increased the sales performance of Guangzhou Brewery.

Sales of brand Valor were adversely affected by the shortage of the “industry green bottle” in early 2000. This situation was overcome by re-launching Valor beer in a proprietary bottle in late 2000. It is expected that the Valor brand will regain its momentum and win an important share in the high growth HEP beer segment.

For Guang’s Pineapple Beer, full beer duty levied on the product by the Government had a negative impact on product margin and hence adversely affected sales volume. Year 2000 volume was 11% lower than that of year 1999.

In Shunde, Dragon Beer supplied under contract to the local shareholders, has continued to perform well and to be an important contributor to the profitability of Shunde Brewery at the operating level.

In order to satisfy the varying taste and package preferences of consumers, the Company continues to explore and develop product and packaging variants that suit different segments of the South China market.

Collection of accounts receivable is always an important but very difficult task in Mainland China. Our efforts to ensure the prompt collection of accounts receivable from wholesalers and distributors in South China, however, have been very successful in 2000.

Community Relations and Social Responsibility

In line with our philosophy of responsible corporate citizenship, the Company remains committed in its support for community activities, and made regular donations to charitable institutions and non-profit organisations in 2000.

The Company also embarked on a number of studies and programmes designed to satisfy and exceed the environmental protection standards set by local governments.

A comprehensive Safety and Health System was implemented. This initiative was supplemented by training and communication sessions in order to promote and enhance awareness of safety and health amongst employees.

People

The Company considers its employees to be its most valuable resource and believes that all employees should have competent support from their colleagues, with particular emphasis on the provision of effective functional support to the sales team in the achievement of common goals. We believe that our well-established teamwork spirit as well as the renowned "Take a Fresh Look" culture of the Company are essential for our success.

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

Year 2001 Direction and Challenges

We are proud to say that the Company is meeting the objectives set out in last year's Annual Report, in particular, the delivery of profitable volume and increased cash flow to create long term value for our shareholders. Leveraging on the synergy from further co-operation and integration of our Hong Kong and South China operations, we are confident that we will continue to make San Miguel the most preferred premium brand in the Pearl River Delta region and create increased long term value for our shareholders.

Our 2001 direction and challenges include:

— securing our sales in the declining Hong Kong beer market and growing with the new generation;

— exploring and developing new market segments and channels with different products and packaging variants;

— planning geographical expansion to cover areas of the Pearl River Delta region where the Company is relatively weak;

— fully integrating San Miguel as a mega-brand to lock in consumers of the Hong Kong and South China markets;

— continuing the revitalisation of Valor brand in the South China HEP beer market;

— further developing a skilled and competent sales team in South China and improving the wholesaler-distributor network;

— anticipating competitors' strategies, defending our business and exploiting their vulnerabilities.

Directors

During the year 2000, Mr. John L. Dunwell and Mr. Alberto M. de Larrazabal retired from the Board of Directors. Mr. Dunwell will remain as a Consultant of the Company until March 2001. We thank them for their many valuable contributions to the Company during their terms as directors. Mr. Freddy W. M. Kwan has been appointed Managing Director effective 8th November 2000. We also take this occasion to welcome to the Board, Mr. Thomas R. Mainwaring, the Chief Finance Officer and Company Secretary of the Company.

Last but not least, I would like to take this opportunity to express my warmest appreciation to my fellow directors for their wise counsel and guidance. Our thanks also go to our employees for their efforts and dedication in meeting our goals, and to all customers and to shareholders for your continued support of the Company.

Francisco C. Eizmendi, Jr.
Chairman

9th February 2001