CHAIRMAN'S STATEMENT

To Our Shareholders,

Financial Results

The Company suffered its worst financial performance, for any half-year period, in the first six months of 2003. This was the result of a combination of factors including:

- the continued sluggish economy in Hong Kong;
- heavy discounting across all sectors of the beer market in Hong Kong and Southern China;
- the SARS epidemic; and
- a concerted drive in Hong Kong to reduce outstanding accounts receivable.

Loss attributable to shareholders for the six months ended 30th June 2003 was $35.580 million, a fall of $48.714 million from the profit of $13.134 million for the first six months of 2002.

It is important to note that the loss was approximately the same as the non-cash charges incurred in determining the loss and, therefore, that the loss did not reduce the Company's cash reserves.

Gross turnover declined by 25% compared with the first six months of 2002. In Hong Kong the decline was 31.2%, while in Southern China the decline was 15.8%. However, export sales volume was up 28.6%.

Sales revenue in Hong Kong suffered as a result of a concerted effort to reduce the risk of exposure to default by trade customers under pressure from difficult trading conditions. Accounts receivable in Hong Kong were reduced by $46.614 million from outstanding balances on 31st December 2002.

Discounts as a percentage of sales revenue were higher by 2.39% compared with the same period in 2002 and reflected both the heavy discounting in Southern China and Hong Kong by all beer suppliers as well as the increasing proportion of sales of low priced beers in the Hong Kong market.

Total debt at the end of the period was $261.284 million compared with $272.998 million on 31st December 2002.

Cash and investments were $330.235 million at the end of June 2003 compared with $314.813 million at the end of December 2002. Cash and investments increased, despite the loss attributable to shareholders, mainly as a result of a decrease in trade and other receivables of $62.745 million.

The Company announced on 27th January 2003 that its 92% owned subsidiary, San Miguel Shunde Holdings Limited, had entered into an equity transfer agreement to acquire the 15% equity in San Miguel Shunde Brewery Company Limited from Guangdong Province Shunde County Brewery for a consideration of US$700,000 (HK$5,460,000).

The acquisition was completed on 23rd May 2003. San Miguel Shunde Brewery Company Limited, which owns and operates a brewery at Shunde in the People's Republic of China, is now wholly owned by San Miguel Shunde Holdings Limited.

The Company also announced on 27th January 2003 that it had entered agreements to acquire the Dragon beer brand from Guangdong Province Shunde County Brewery and associated companies for a total consideration of US$5 million (HK$39 million). This acquisition was completed on 29th July 2003.

Dividends

Directors have resolved that no dividends be declared for the first six months of 2003.

Business Review

Hong Kong Operations

Trading conditions in Hong Kong for the first six months of 2003 were one of the most difficult in the history for the Company.

Most major beer suppliers were forced to take steps to reduce high trade stock levels and accounts receivable during the period.

The impact of the SARS epidemic on beer sales was dramatic in the second quarter and severely reduced the business of restaurants, bars and night outlets. There were numerous business closures, some temporary and some permanent, with Chinese restaurants the hardest hit.

Under the circumstances, sales in major retail chains held up well by redirecting beer consumption from on-premise to off-premise.

However, there has been downward pressure on prices in all market segments with heavy discounting.

In these conditions, the low priced or economy brands continued to gain ground at the expense of popular and premium brands and now account for 32% of the Hong Kong market, compared with 27.2% a year ago.

Total beer industry sales in Hong Kong fell a significant 11.7% by comparison with the first half year of 2002.

However, the Company's market share was stable compared with the corresponding period last year.

The Company has responded to the continuing growth of economy brands by launching a major attack on the segment in the second quarter of the year and has gained a substantial share of the business. It is anticipated that significant inroads will be made in the economy segment in the second half of the year.

South China Operations

Sales in South China, as for Hong Kong, were seriously reduced by the SARS epidemic, most notably in Shenzhen where our sales volume in the second quarter of the year fell by more than 50%.

The restructuring and streamlining of the sales team and distribution system for Guangzhou San Miguel Brewery Company Limited has been completed for Guangzhou and the Guangzhou model is now being implemented in other regions of South China. The Company expects to gain significant benefits and improved sales performance from this programme in the second half of the year and in future years.

Following the transfer of ownership of the Dragon beer brand from Guangdong Province Shunde County Brewery, the Company has concluded a new contract with the distributor of Dragon beer in Shunde.

A new label for Dragon beer was launched in the market in late June 2003.

The outlook for the second half of the year for the Company's operations in both Hong Kong and South China is much brighter, as the worst is behind us and the threat posed by SARS has receded.

Our objective is to achieve a small profit for the full year and to overcome the impact of the worst trading period in our history. This will not be easy but we are confident that it can be done.

In closing, I would like to thank all of those involved with the Company, employees, directors, customers and suppliers for their support in the most difficult of conditions.

Francisco C. Eizmendi, Jr., *Chairman*

28th August 2003