SAN MIGUEL CORPORATION

January 13, 2010

Philippine Stock Exchange
Disclosure Department
Listing and Disclosure Group
4thFloor, Philippine Stock Exchange Center
Exchange Road, Ortigas Center
Pasig City

Attention: **Ms. Janet A. Encarnacion**
Head - Disclosure Department

Gentlemen:

We reply to the letter dated January 12, 2010, with respect to the approval by the Board of Directors of San Miguel Corporation of the acquisition of a 49% stake in Top Frontier Holdings, Inc. ("TF"). We reply as follows:

1. The acquisition is funded from SMC's internal cash balance.

2. The investment of SMC in TF will consist of initially 2,401,960 common shares from TF's unissued capital stock. In addition, SMC will subscribe to 2,598,040 preferred shares of TF once the necessary amendment of TF's Articles of Incorporation and By Laws is filed and approved by the Securities and Commission. The preferred shares are contemplated to bear a preferential dividend rate of 3% per annum, non-voting, redeemable, and cumulative and participating with respect to dividends and Retained Earnings, respectively.

The Company shall appropriately disclose the value of or consideration for its equity investment in TF once TF has completed the necessary legal and documentary processes which shall require the approval of the Securities and Exchange Commission (the "SEC"). TF will have to file an amendment to its Articles of Incorporation and By Laws which shall include the application for reclassification of its unissued common shares of stock to preferred shares and until such filing is completed and approved, the investment is not final and cannot be reflected in the corporate records of TF and the issuance of the shares of stock by TF for such investment of SMC will have to be held in abeyance.

We believe that it is prudent to wait for the final approval of the SEC to avoid the possibility of disclosing any information that may still be subject to revision, depending on the final action to be taken by the SEC, and may therefore be construed as inaccurate or misleading.

The amendment shall be filed as soon as both parties have reviewed the details which as mutually agreed upon shall be no later than thirty (30) days from January 7, 2010.

3. The consideration for the transaction was determined based on the independent valuation of the asset and equity values of TF which was done by Credit Suisse, SMC's financial advisors to the transaction. The valuation likewise considered the strategic rationale for such transaction.

4. The purchase price shall be paid upon issuance by TF of the shares to SMC.

5. The transaction was completed on January 7, 2010.

6. Background of TF

a) Nature of Business – Holding Company
b) Major projects and/or investments consists of:

1) Investment in shares of stocks in SMC of 857.1 million common shares
2) Right to acquire 327.0 million SMC common shares from Q-tech
3) Option to acquire additional 302.0 million SMC common shares from Q-tech
4) Acquisition of additional shares via a Tender Offer
5) Right to acquire shares of stocks in various mining companies with mining rights and claims in exchange for TF shares

c) Shareholders, Board of Directors and principal officers

	% stake		
Iñigo U. Zobel	39.92%	Director	Chairman
Jose Campos, Jr.	39.92%	Director	
Roberto V. Ongpin	0.08%	Director	
Master Year Limited	19.92%		
Rhogel S. Gandingco	0.08%	Director	President
Consuelo Eden Lagao	0.08%	Director	Corporate Secretary

d) TF does not have any subsidiaries. Top Direct Investments Ltd. is an affiliate due to an interlocking director.

7. On the ownership structure of TF after acquisition of the 327 million shares, we cannot yet determine the change in ownership since the acquisition of the 327 million shares will be simultaneous with the tender offer under the SEC rules.

Very truly yours,

FERDINAND K. CONSTANTINO
Corporate Information Officer

Copy Furnished:

Mr. Hans B. Sicat
Chairman

Mr. Francis Ed Lim
President